

**23 November 2007**

**Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000**

**ANNUAL GENERAL MEETING PRESENTATION**

Please find attached Sterling Biofuels International Limited's 2007 Annual General Meeting presentation made today.

Yours sincerely



Tony Walsh  
Company Secretary  
Sterling Biofuels International Limited

# GROUP MANAGING DIRECTOR'S REPORT

23 November 2007

**Sterling  Biofuels**

# HIGHLIGHTS

- ASX listing to fund development of biodiesel business
- Completion of biodiesel plant on time and under budget
- Implementation of upstream activities
- Operating results within prospectus forecast



# COMPLETION OF BIODIESEL PLANT



- 100,000 tpa multi-feedstock plant
- Located in Lahad Datu, Sabah, Malaysia – hub of palm oil country
- Fully commissioned and able to produce to EU & US specs



# STATE OF THE ART FACILITY



# CONSTRUCTED ON TIME AND UNDER BUDGET



## OPERATING RESULTS FOR FY2007

	30 June 2007 A\$'000	Prospectus forecast
Revenue	1,051	405
Loss after tax	(2,968)	(3,817)
Cash at period end	13,328	-
Capital expenditure for period	19,400*	21,300

\* Of which A\$17.4 million was paid during the period.



# ABOUT THE BIODIESEL MARKET



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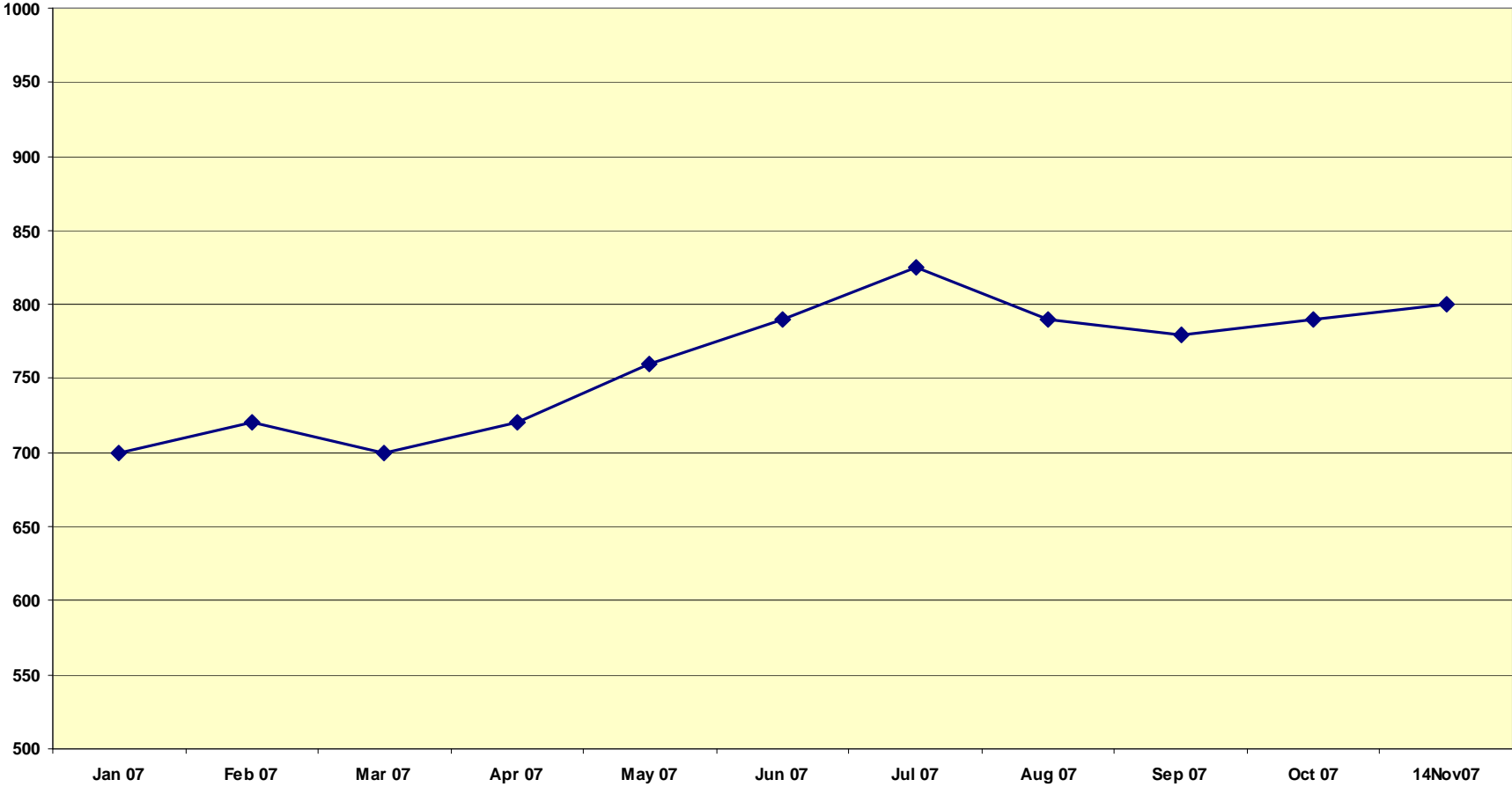


# BIODIESEL MARKET OUTLOOK

- Growing commitment on use of biodiesel as means of tackling climate change & reducing reliance on fossil fuels
- Proposal to increase EU's commitment from 5.75% by 2010 to 10%
- Increasing imposition of mandatory blends in EU, US and Asia



# BIODIESEL (PME) PRICES – US\$/mt



# BIODIESEL MARKET ISSUES

- Pressure from “splash & dash” exports through US
- Palm biodiesel discount
- Sustainability

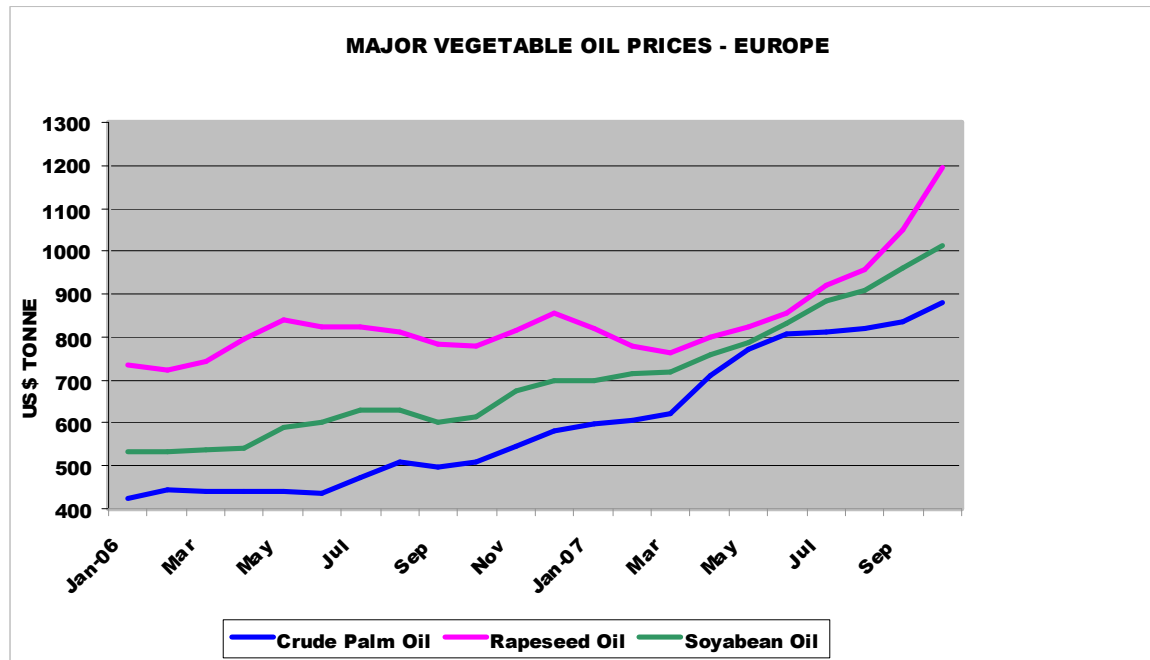


# ABOUT FEEDSTOCK



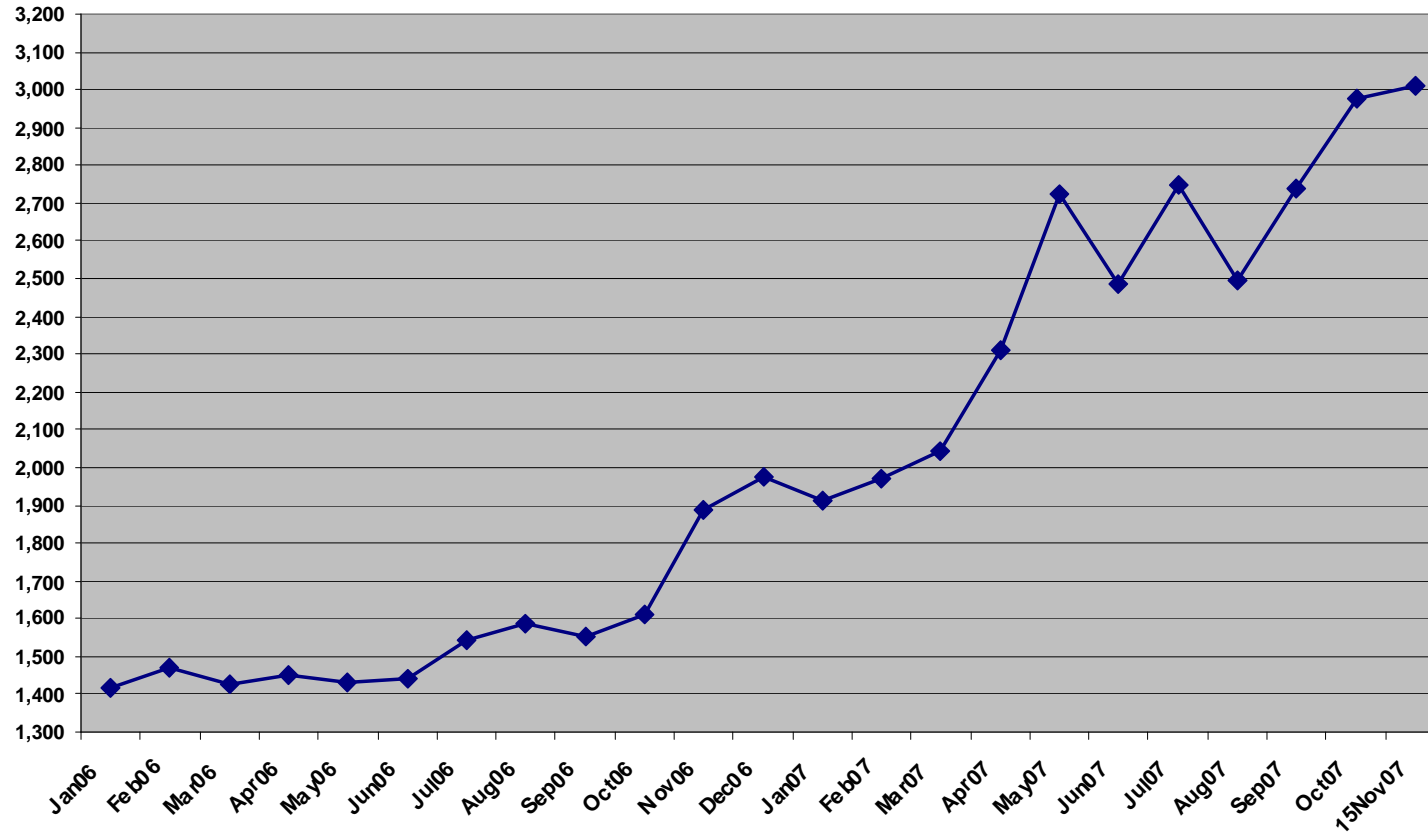
# WHY PALM?

- Availability and access to reliable supply
- Cheaper than other commercially available feedstock



# OUR FEEDSTOCK PRICES (RM/mt)

Jan 06 to mid-Nov 07



A\$1.00 = RM3.00



# FEEDSTOCK PRICES – ANNUAL AVERAGE PRICES 1997-2007



A\$1.00 = RM3.00



# OUR RESPONSE

- Long term
- Medium term
- Short term



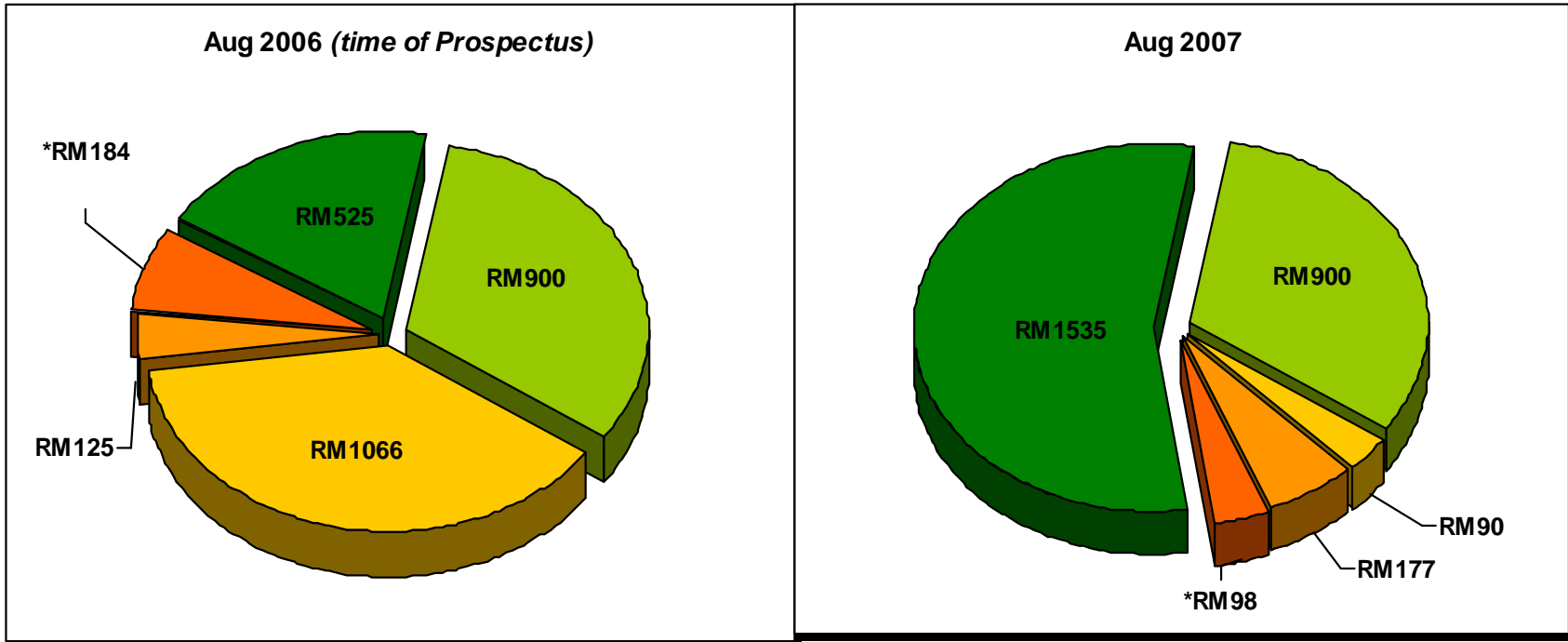


## MEDIUM TO LONG TERM INITIATIVES

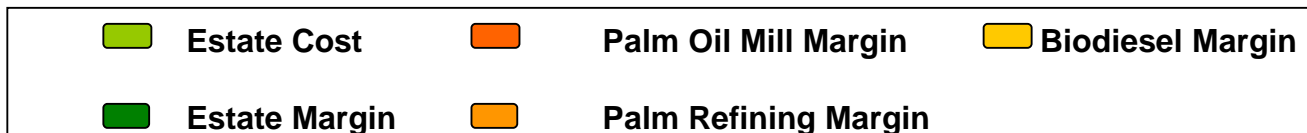
- Accelerate upstream activities to take advantage of shifts in palm oil/biodiesel value chain
  - Development of oil palm plantation (5-6 years) provides hedge against future spikes *[long term]*
  - Development of palm oil mill (2 years) contributes towards reduction in feedstock costs and provides security of supply *[medium term]*



# VALUE CHAIN MARGINS



\* Excludes extraction gains of CPO & kernel and timing difference between manufacture of CPO and refined palm oil

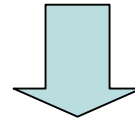


# PALM OIL-BIODIESEL VALUE CHAIN

Produces fresh fruit bunches

**PLANTATION**

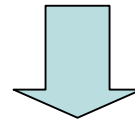
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Produces crude palm oil

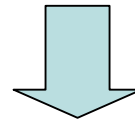
**MILL**

**Sterling Biofuels**



Refines crude palm oil

**REFINERY**



**BIODIESEL REFINING**

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# EFFECT ON OUR FEEDSTOCK COSTS

	<b>Contribution towards reduction of costs (RM/tonne)</b>	<b>Time Frame</b>
<b>Usage of RBD palm oil</b>	<b>125</b>	<b>Immediate</b>
<b>Palm oil mill</b>	<b>180</b>	<b>2 – 2½ years</b>
<b>Plantations</b>	<b>290</b>	<b>5-6 years</b>
<b>Total savings</b>	<b>595 (20%)</b>	<b>As above</b>

A\$1.00 = RM3.00



# SHORT TERM INITIATIVES

- Sustained peak in feedstock prices requires implementation of short term initiatives
- Various initiatives undertaken including:
  - cost reductions
  - increasing the revenue base



# ENSURING CONTINUING VIABILITY

- Managing cashflows & containing costs to ride out feedstock price spike for next 24 - 30 months
- Retain ability for rapid start-up of biodiesel facility
- Remain focused on becoming viable long term player in biodiesel industry
- Continual development of business model to take into account prevailing feedstock prices



Thank you

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