

**31 January 2007**

Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
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## **SECOND QUARTERLY UPDATE**

Sterling Biofuels International Limited is listed on the Australian Stock Exchange. Sterling is building a 100,000 tonne per annum biodiesel plant in the Malaysian state of Sabah.

Construction of the plant is progressing well with no material cost variations.

The first package of equipment is at port awaiting shipment to the project site. This includes the main methanol tower from the process technology supplier, Desmet. At the project site, all piling and tank foundations have been completed.

Sterling aims to be a highly efficient producer of quality biodiesel. It has secured 100% of its feedstock requirements and an offtake for 100% of production.

Attached is Sterling's Second Quarterly Update. The update, together with photos of Sterling's biodiesel plant under development, are available on its website: [www.sterlingbiofuels.com](http://www.sterlingbiofuels.com).

Yours sincerely

**Tony Walsh**  
**Company Secretary**  
**Sterling Biofuels International Limited**

# SECOND QUARTERLY UPDATE

31 January 2007



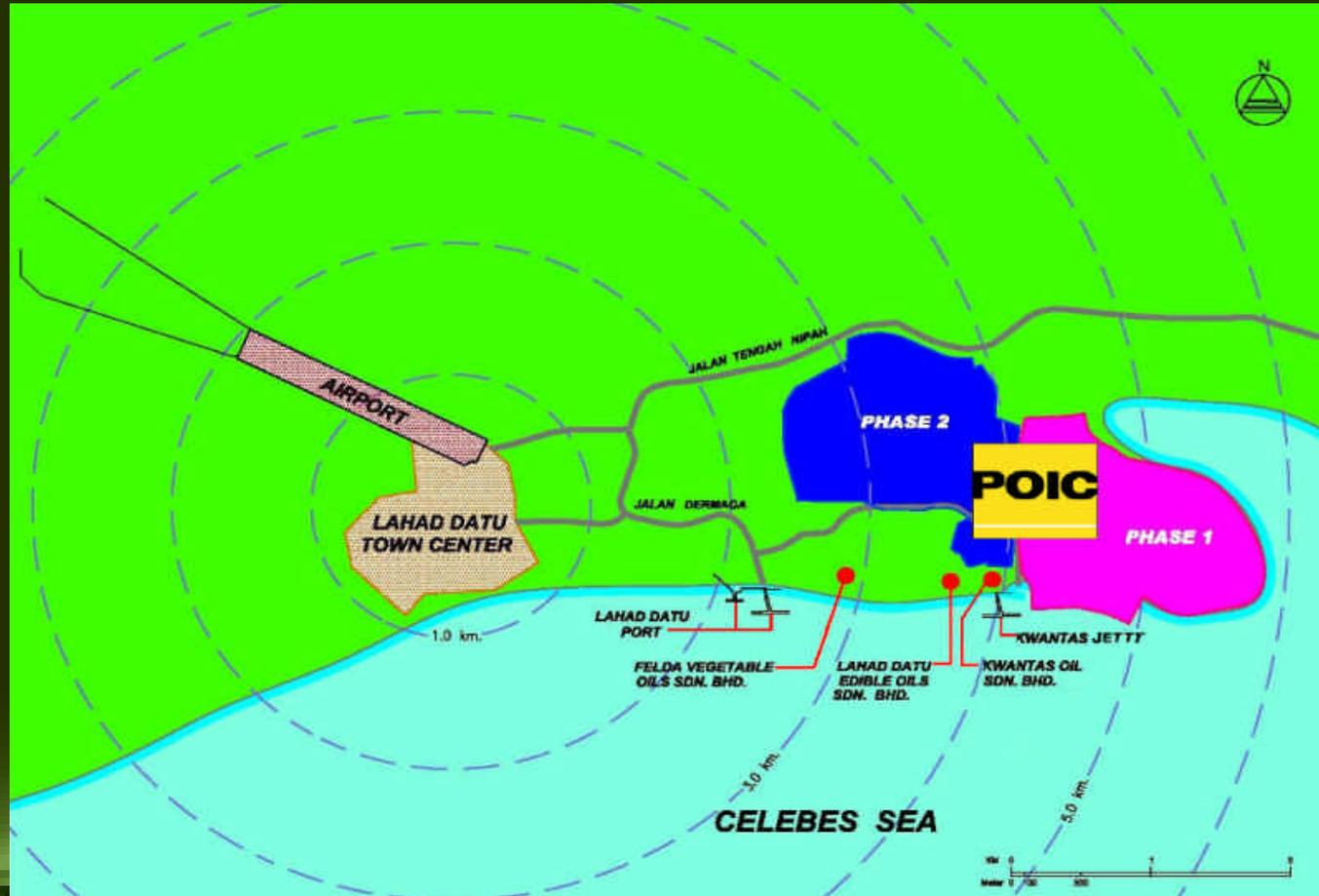
**Sterling  Biofuels**



# Project Highlights

- **100,000 tpa Biodiesel Plant** being constructed in Sabah, Malaysia
- Commercial operations in **July 2007**
- Process technology from Desmet for **fixed price**
- **100% feedstock supply** with established refinery LDEO
- **100% offtake** with international energy trader Masefield
- Manufacturing licence and 5 year **pioneer tax status** in place
- **Experienced management** with particular experience in palm oil industry

# Location – POIC Lahad Datu, Malaysia



# Construction Progress - Process Plant

- Methanol tower (main column) & other large vessels **completed**
- **1<sup>st</sup> package of equipment at port awaiting shipment**
- **Desmet technology proven again** - second plant successfully commissioned in Malaysia

# Construction Progress - Balance of Plant

- Piling *completed*
- Tank foundations *completed*
- Structural steel components for process plant & cooling towers *completed & at port awaiting shipment*
- Boiler construction *on schedule*
- *No material cost variations*

# Construction Milestones

Milestone	Target Date
Pre-engineering	Completed
Mobilisation & Construction	Commenced
Mechanical Completion	April 2007
Commissioning	May 2007
Commercial Production	July 2007

# Market Outlook - Biodiesel

- Biodiesel prices in EU market constant despite:
  - drop in crude oil prices
  - legislative changes in German excise regime
- Confirms “disconnect” between crude and biodiesel prices
- Increased mandatory blending effective from 1 January 2007 - underpins demand in key German market

# Market Outlook - Feedstock

- Recent spike in palm oil prices goes against historical trend
- Dec 2006 average palm olein price of RM2,040/tonne versus 2006 average of RM1,659/tonne
- Importantly, feedstock ***availability assured*** due to Plant location in hub of palm oil country and 3-year supply contract
- Significantly, palm biodiesel ***margin advantage maintained*** over rape and soy biodiesel despite increase in palm oil prices

# Business Model Sound

- Sterling aims to be highly efficient producer of **quality biodiesel**
- Malaysian base provides **cost, logistical & tax advantages** and proximity to quality feedstock
- Palm biodiesel enjoys **margin advantage** over rape and soy biodiesel
- **Unique offtake** agreement provides basis for freight optimisation and developing hedging strategies to secure advantageous price mechanisms
- Ongoing development of marketing and distribution of biodiesel sourced from other producers in Malaysia provides **growth opportunities**

# Contact Details

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Visit [www.sterlingbiofuels.com](http://www.sterlingbiofuels.com) for photos of our biodiesel plant under development

The logo for Sterling Biofuels, featuring the company name in white text on a dark green rectangular background. A small yellow drop icon is positioned between the words "Sterling" and "Biofuels".

Sterling Biofuels

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