

1 June 2007

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

FAQs ON UPDATE OF 30 MAY 2007

Please find attached a document containing Frequently Asked Questions (FAQs) about Sterling Biofuels International Limited's update of 30 May 2007.

Yours sincerely

Tony Walsh
CFO & Company Secretary
Sterling Biofuels International Limited

STERLING BIOFUELS INTERNATIONAL LIMITED (SBI)

FAQs ON SBI'S UPDATE OF 30 MAY 2007

1. What is the status of construction of the Plant?

The construction of the Company's 100,000 metric tonne (mt) per annum biodiesel Plant is on time and within budget. Pre-commissioning has commenced and, upon startup, the Plant will have the capacity to commence production in July 2007.

2. Why is SBI not commencing production in July 2007?

Although the Plant is expected to be completed in July 2007, it is prudent to delay commencement of production given the continuing spike in palm feedstock prices without any corresponding increase in biodiesel selling prices. The delay is intended to preserve shareholder value until feedstock prices have retreated to levels that enable production at economically viable margins.

3. What is SBI's breakeven feedstock price?

Based on the information in the prospectus, the breakeven price is calculated at RM2,462 (A\$895) per metric tonne.

4. What are current feedstock price levels?

The monthly average prices of palm olein from January to May 2007 are as follows:

Monthly Average Price	RM/mt	A\$/mt
January 2007	2,097	763
February 2007	2,096	762
March 2007	2,108	767
April 2007	2,370	862
May 2007 (to 30 May)	2,639	959

The spot palm olein price closed at RM2,873/mt (A\$1,045) on 30 May 2007. This compares to an average feedstock price for 2006 of RM1,622 (A\$590) and a 3-year (2004-06) average of RM1,624/mt (A\$591).

5. What factors have caused feedstock prices to spike?

We believe the spike is the result of a number of factors including the following:

- seasonal factors such as:
 - low cropping months
 - El Nino effect
 - and the resulting squeeze in supply
- some increase in worldwide demand
- biodiesel hype
- some evidence of speculation in the derivatives market

6. When does SBI expect to commence production?

We believe that, as we are now moving into seasonally higher cropping months, feedstock prices will begin to show a downward trend in the coming months.

SBI will commence production once such a downward trend emerges and feedstock prices fall below the breakeven price of RM2,462/mt (A\$895).

7. What are SBI's contractual commitments towards:

- (a) feedstock purchases
- (b) biodiesel sales?

Feedstock purchases

SBI is committed towards purchasing 6,000 tonnes of palm olein a month with effect from 1 July 2007. Until we commence production, we will on-sell this into the open market. No loss is anticipated.

Biodiesel sales

SBI's contract with its' offtaker does not impose any minimum production quantities whether on a monthly or annual basis.

8. What is SBI's cash position ?

As at 31 May 2007, SBI has cash in hand (including deposits) of slightly over A\$15 million and therefore has considerable capacity to carry on operations until it is able to commence production.

SBI's cash resources are sufficient to fund its' working capital requirements and also fund the operating expenditure for the next 24 months.

9. What is the future outlook?

The increasing awareness of the consequences of climate change has led to greater political and legislative action that are positive for the biodiesel industry.

The fundamentals for palm based biodiesel remain intact. The availability of feedstock for biodiesel production is assured. Price movements have historically had spikes and returned to normal levels as was the case in 1998 when prices rose from an average of RM1,559/mt (A\$567) in 1997 to RM2,614/mt (A\$951) in 1998 then subsequently falling to RM1,639/mt (A\$596) in 1999.

Our immediate action to defer commencement of production will preserve shareholder value which is based on an asset that is represented by a fully functional biodiesel plant and cash resources of A\$15.3 million.

We anticipate the deferment in commencement of production to be short term.

For further information, please contact:

CRS Paragash

Group Managing Director

Email: crsp@sterlingbiofuels.com

Tel: +618 9324 8583

Fax: +618 9324 8586

Tony Walsh

CFO & Company Secretary

Email: twalsh@sterlingbiofuels.com

Tel: +618 9324 8583

Fax: +618 9324 8586