
STATUS UPDATE RESPONSE TO GLOBAL ECONOMIC CRISIS

Introduction

In November 2008 the Company announced the remobilization of its biodiesel plant in response to falling feedstock prices. Unfortunately, the Company has not been able to commence continuous production in the absence of positive margins.

Since then, the effect of the global financial crisis on industry has become clearer. Falling demand coupled with the drying up of funding sources has had an adverse effect on industry. For a relatively new company like this Company, the impact of the crisis has been particularly dramatic.

Against this backdrop, the Board of Directors has taken immediate steps to position the Company to ride out the economic downturn over the medium to longer term.

State of the Biodiesel Industry

On a micro level, the industry faces a number of challenges:

- continued supply of B99 product from the US – such exports enjoy a US\$300 a tonne subsidy from the US government and make biodiesel from other markets uncompetitive
- weak fossil fuel prices which in turn put pressure on biodiesel prices
- falling demand and the threat of increased protectionism as a result of the global economic downturn

On a more positive note, the general outlook for the biodiesel industry remains positive with the major EU market committed towards developing the biofuels industry. Newer markets in Asia, such as Korea and Taiwan, are also developing.

In addition, the EU has imposed temporary anti-dumping and anti-subsidy duties on US biodiesel imports to counter the threat of B99 product from the US. This should make non-US biodiesel more competitive as against B99 product from the US.

In Malaysia, the government has commenced implementation of a 5% mandatory blend with government vehicles and plans to extend implementation to the transport industry over 2009-2010. When fully implemented, the blend will provide an additional market for the Company.

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Response to Global Economic Crisis

Despite these industry challenges, the Board believes that the general outlook for the biodiesel industry remains positive. Accordingly, its response to the current global economic crisis is focused on positioning the Company to take advantage of any upturn in the biodiesel industry.

This involves a number of strategic initiatives:

- sell its current stock of biodiesel to repay its outstanding trade facility – this will ensure that the Company is debt free and able to focus its actions on preserving shareholder value rather than in response to pressure from lenders
- make further operating cost reductions whilst ensuring that critical costs (eg plant insurances) are maintained – this will reduce the monthly “cash burn” and help sustain operations for as long as possible to take advantage of opportunities that may develop in the biodiesel industry
- delay major expenditure on its plantation development until financing is in place – raising funding for the development in the current climate has proven to be extremely difficult and, accordingly, the Company will explore other alternatives in extracting value from this asset
- actively pursue the sale of selected assets so as to raise additional cash to see through the economic downturn over the medium to longer term – for example, a sale of plantation assets could potentially raise sufficient cash to sustain the Company’s biodiesel operations for the next 2-4 years

Pending realisation of any such asset sale, Duplex Fame Sdn Bhd (the founder shareholder of SBI), has agreed to provide the Company’s wholly-owned Malaysian subsidiary, SPC Biodiesel Sdn Bhd, a standby credit line of up to RM5 million (approx. A\$2 million). The credit line, which is unsecured and repayable on demand, may be drawn down from time to time for working capital purposes. Interest is payable at the base lending rate of Malayan Banking Berhad, currently 5.55% p.a. There are no conversion rights attached to the credit line.

Corporate Reorganisation

The Company wishes to announce the retirement of Alister Maitland as its non-executive Chairman with effect from 1 April 2009. Mr Maitland is the Company’s first Chairman and has played a key role in the Company’s development. The Board thanks Mr Maitland for his invaluable contributions and wishes him well in his future undertakings.

With the retirement of Mr Maitland, the Company wishes to announce the following corporate reorganisation:

- the appointment of the Group Managing Director, CRS Paragash, as Executive Chairman with effect from 1 April 2009; and
- the appointment of Paul Mason as an independent non-executive director with effect from 1 April 2009.

Mr Mason is a chartered accountant with over 17 years experience with public and private companies. He is a Member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Engineering from Curtin University, Western Australia.

With these changes, the composition of the Board of Directors is as follows:

Director	Position
CRS Paragash	Executive Chairman
Andrew Phang	Group Executive Director
Adam Sierakowski	Non-Executive Director
Paul Mason	Non-Executive Director

Looking Ahead

Despite the global economic crisis, the Company believes that the underlying fundamentals of the biodiesel industry remain valid.

The successful execution of the strategic initiatives outlined above will position the Company to ride out the economic downturn so that it is able to take advantage of any upturn in the biodiesel industry.

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