

24 February 2010

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

APPENDIX 4D AND HALF YEAR REPORT

Please find attached Sterling Biofuels International Limited's Appendix 4D and Half Year Financial Report for the half year ended 31 December 2009.

Yours sincerely



Susan Hunter
Company Secretary
Sterling Biofuels International Limited

Appendix 4D

Half yearly report

Name of entity

Sterling Biofuels International Ltd

ABN or equivalent company
reference

Half year ended
(current period)

Half year ended
(‘previous period’)

ACN 119 880 492

31 December 2009

31 December 2008

Results for announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Revenues from ordinary activities	down	(8)%	to	97
Profit (loss) from ordinary activities after tax attributable to members	up	39%	to	(2,162)
Net profit (loss) for the period attributable to members	up	39%	to	(2,162)
Dividends (distributions)		Amount per security		Franked amount per security
Interim dividend declared		Nil		Nil
Previous corresponding period		Nil		Nil

⁺Record date for determining entitlements to the dividend, Not applicable

Brief explanation of any of the figures reported above to enable figures to be understood:

The consolidated loss after income tax for the half-year ended 31 December 2009 was \$2.162 million (half-year ended 31 December 2008: loss of \$3.573 million). The loss of \$2.162 million includes the non-cash loss of \$0.816 million in respect of depreciation and amortisation.

The biodiesel industry continues to remain in a state of flux with no concerted direction from governments in relation to climate change. The Malaysian government is again trying to look to implement the B5 mandatory blend in the near future, but has to solve critical issues on how the additional costs to the customers are to be absorbed. In the meanwhile, the Group continues to maintain its biodiesel plant in a state of operational readiness so that it is in a position to take advantage of any favourable change in production economics.

During the period, the Group focused its efforts on various options that will enable it to realise the economic value of its plantation development. Pending finalisation of those options, the Group has commenced the planting out phase for the development.

This half yearly report is to be read in conjunction with the most recent annual financial report.

NTA backing	Current period	Previous corresponding Period
Net tangible asset backing per ⁺ ordinary security	\$0.10	\$0.20

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	Not Applicable
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺ acquired	\$
13.3 Date from which such profit has been calculated	
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$

Loss of control of entities having material effect

14.1 Name of entity (or group of entities)	Not applicable
14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$
14.3 Date to which the profit (loss) in item 14.2 has been calculated	
14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$
14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$

This report is based on the ⁺accounts have been subject to review



Sign here:
Group Executive Director

Date: 24 February 2010

Print name: Andrew Phang

⁺ See chapter 19 for defined terms.

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Sterling Biofuels International Limited
ACN 119 880 492

Half-Year Report
31 December 2009

Table of Contents

Page No

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Consolidated Cash Flow Statement	7
Notes to the Consolidated Financial Statements	8
Directors' Declaration	15
Auditors' Review Statement	16

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Corporate Directory

DIRECTORS

Dato' CRS Paragash (Executive Chairman)
Andrew Phang (Group Executive Director)
Adam Sierakowski (Director)
Paul Mason (Director)

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

COMPANY SECRETARY

Susan Hunter
Email: hunters@norvest.com.au

BANKERS

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Telephone: (618) 9324 8583
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AUDITORS

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

HOME EXCHANGE

Australian Stock Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000

ASX Code

SBI

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Directors' Report

The Directors present their report for the half-year ended 31 December 2009.

Directors

The names of the Directors in office during the half-year period and until the date of this report are as below. All Directors were in office for this entire period.

Dato' CRS Paragash	(Executive Chairman)
Andrew Phang	(Group Executive Director)
Adam Sierakowski	(Director)
Paul Mason	(Director)

Principal Activities

The Group is principally involved in the manufacture of biodiesel from palm oil and oil palm plantation development.

Review and Results of Operations

The consolidated loss after income tax for the half-year ended 31 December 2009 was \$2,161,790 (half-year ended 31 December 2008: loss of \$3,573,436). The loss of \$2,161,790 includes the non-cash loss of \$816,290 in respect of depreciation and amortisation.

The biodiesel industry continues to remain in a state of flux with no concerted direction from governments in relation to climate change. The Malaysian government is again trying to look to implement the B5 mandatory blend in the near future, but has to solve critical issues on how the additional costs to the customers are to be absorbed. In the meanwhile, the Group continues to maintain its biodiesel plant in a state of operational readiness so that it is in a position to take advantage of any favourable change in production economics.

During the period, the Group focused its efforts on various options that will enable it to realise the economic value of its plantation development. Pending finalisation of those options, the Group has commenced the planting out phase for the development.

Auditor's Independence Declaration

We have obtained the auditor's independence declaration from Ernst & Young, which is set out on page 3.

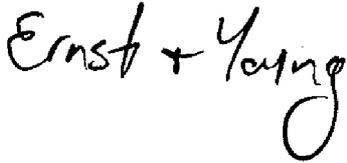
Signed in accordance with a resolution of the Board of Directors.



Andrew Phang
Group Executive Director
Perth 24 February 2010

Auditor's Independence Declaration to the Directors of Sterling Biofuels International Limited

In relation to our review of the financial report of Sterling Biofuels International Limited for the half year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



P McIver
Partner
Perth
24 February 2010

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Statement of Comprehensive Income For The Half Year Ended 31 December 2009

	Note	Consolidated	
		31 December 2009	31 December 2008
		\$	\$
Continuing operations			
Revenue			
Sales		93,882	-
Finance income – interest		1,161	86,380
		<u>95,043</u>	<u>86,380</u>
Other income		2,158	20,051
Impairment of inventory		-	(1,455,777)
Raw materials and consumable used		(122,255)	-
Sales and distribution expense		(4,754)	-
Employee benefits expense		(364,406)	(543,968)
Depreciation and amortisation		(816,290)	(920,045)
Finance costs		(4,660)	(31,156)
Other expenses		(946,626)	(720,690)
		<u>(2,161,790)</u>	<u>(3,565,205)</u>
Income tax expense	2	-	(8,231)
Net loss for the period		<u>(2,161,790)</u>	<u>(3,573,436)</u>
Other comprehensive income			
Foreign currency translation		(1,219,387)	5,241,040
Other comprehensive income for the period, net of tax		<u>(1,219,387)</u>	<u>5,241,040</u>
Total comprehensive income for the period		<u>(3,381,177)</u>	<u>1,667,604</u>
Loss for the period is attributable to:			
Non-controlling interest		(220,221)	-
Owners of the parent		(1,941,569)	(3,573,436)
		<u>(2,161,790)</u>	<u>(3,573,436)</u>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(220,221)	-
Owners of the parent		(3,160,956)	1,667,604
		<u>(3,381,177)</u>	<u>1,667,604</u>
Loss per share for loss attributable to the ordinary equity holders of the parent			
- basic loss per share (cents per share)		(3.32)	(5.50)
- diluted loss per share (cents per share)		(3.32)	(5.50)

Statement of Financial Position As at 31 December 2009

	Note	Consolidated	
		31 December 2009	30 June 2009
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	31,843	762,084
Inventories		109,053	196,769
Other current assets		315,691	202,985
Total current assets		456,587	1,161,838
NON-CURRENT ASSETS			
Property, plant and equipment	4	5,485,485	7,324,432
Prepaid land lease payments		1,601,767	1,740,327
Biological assets	5	456,957	517,824
Total non-current assets		7,544,209	9,582,583
TOTAL ASSETS		8,000,796	10,744,421
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		595,555	543,569
Interest bearing loans and borrowings	6	615,546	21,002
Total current liabilities		1,211,101	564,571
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	6	29,303	40,253
Total non-current liabilities		29,303	40,253
TOTAL LIABILITIES		1,240,404	604,824
NET ASSETS		6,760,392	10,139,597
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		32,143,181	32,143,181
Accumulated losses		(23,818,398)	(21,876,829)
Reserves		(1,344,170)	(126,755)
Parent interests		6,980,613	10,139,597
Non-controlling interests		(220,221)	-
TOTAL EQUITY		6,760,392	10,139,597

Statement of Changes in Equity

Consolidated	Ordinary Shares	Employee Equity Benefits Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Owners of the Parent	Non-controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
At 1 July 2009	32,143,181	232,492	(359,247)	(21,876,829)	10,139,597	-	10,139,597
Loss for the period	-	-	-	(1,941,569)	(1,941,569)	(220,221)	(2,161,790)
Other comprehensive income	-	-	(1,219,387)	-	(1,219,387)	-	(1,219,387)
Total comprehensive income for the half-year	-	-	(1,219,387)	(1,941,569)	(3,160,956)	(220,221)	(3,381,177)
Transaction with owners in their capacity as owners							
Share-based payment	-	1,972	-	-	1,972	-	1,972
At 31 December 2009	32,143,181	234,464	(1,578,634)	(23,818,398)	6,980,613	(220,221)	6,760,392
At 1 July 2008	32,143,181	223,877	(2,153,053)	(16,853,362)	13,360,643	-	13,360,643
Loss for the period	-	-	-	(3,573,436)	(3,573,436)	-	(3,573,436)
Other comprehensive income	-	-	5,241,040	-	5,241,040	-	5,241,040
Total comprehensive income for the half-year	-	-	5,241,040	(3,573,436)	1,667,604	-	1,667,604
Transaction with owners in their capacity as owners							
Share-based payment	-	16,691	-	-	16,691	-	16,691
At 31 December 2008	32,143,181	240,568	3,087,987	(20,426,798)	15,044,938	-	15,044,938

Consolidated Cash Flow Statement For The Half Year Ended 31 December 2009

	Consolidated	
	31 December 2009	31 December 2008
	\$	\$
Cash flows from operating activities		
Receipts from customer	98,939	-
Income tax refund	15,602	-
Interest received	1,239	86,380
Payments to suppliers and employees	(1,279,181)	(5,681,884)
Net cash flows used in operating activities	(1,163,401)	(5,595,504)
Cash flows from investing activities		
Purchase of property, plant and equipment	(111,301)	(966,778)
Acquisition of biological assets	(24,198)	(152,002)
Net cash flows used in investing activities	(135,499)	(1,118,780)
Cash flows from financing activities		
Proceeds from borrowings	607,684	4,033,916
Repayment of other payables	-	(988,944)
Net cash flows from financing activities	607,684	3,044,972
Net decrease in cash held	(691,216)	(3,669,312)
Cash and cash equivalents at beginning of period	762,084	5,357,776
Net foreign exchange differences	(39,025)	322,312
Cash and cash equivalents at end of period	31,843	2,010,776

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report of Sterling Biofuels International Limited as at 30 June 2009 and considered together with any public announcements made by Sterling Biofuels International Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies applied by the economic entity in this consolidated financial report are the same as those applied by the economic entity in its consolidated financial report as at and for the year ended 30 June 2009.

Changes in accounting policy

Since 1 July 2009, the Group has adopted the following applicable Standards and Interpretations, mandatory for financial reporting periods beginning on or after 1 July 2009. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards AASB 8 is a disclosure standard that has resulted in the identification of the Group's reportable segments as detailed in Note 9. This standard requires disclosure of information about the consolidated entity's operating segments and replaces the requirement to determine primary and secondary reporting segments of the consolidated entity.
AASB 101 (revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards The revised standard introduces a number of terminology changes, and introduces the statement of comprehensive income. The revised standard has resulted in a number of changes in presentation and disclosure.

The following standards and interpretations and all consequential amendments, which became applicable on 1 July 2009, have also been adopted by the Group, but have had no impact on the financial position or performance of the Group, or on presentation or disclosure in its financial statements.

AASB 123 (revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

AASB 2008-5 / AASB 2008-6	Amendments to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2008-7	Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2, AASB 138 and AASB Interpretations 9 & 16]
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]
AASB 3 (revised)	Business Combinations
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127

The Group has not elected to early adopt any new standards or amendments.

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 8	Operating Segments AASB 8 replaced AASB 114 <i>Segment Reporting</i> upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 8, including the related revised comparative information.
AASB 127	Consolidated and Separate Financial Statements AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income.

Going concern

During the half-year ended 31 December 2009, the consolidated entity incurred net losses of \$2.162 million (2008: \$3.573 million) and a net cash outflow from operations of \$1.163 million (2008: \$5.596 million).

The condensed half-year financial report has been prepared on the basis that the consolidated entity will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In arriving at the position, the directors are reviewing various funding alternatives including:

- equity raising;
- debt raising; and
- sale of selected assets.

The directors believe that at the date of signing the financial report there are reasonable grounds to believe that having regard to matters set out above, the consolidated entity will continue to have the support of their bankers and founder shareholder and will be able to raise sufficient funds to meet its obligations as and when they fall due. The founder shareholder has provided a standby credit line of up to RM5 million (\$1.628 million) of which \$592,000 has been drawn down as at 31 December 2009. Since that date, a further \$407,000 of the credit line has been drawn down up to date of this report. The founder shareholder has agreed to provide an additional standby credit line should the need arise to the consolidated entity to enable it to continue as a going concern.

Should the consolidated entity not achieve the matters set out above there is significant uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

The financial report does not include any adjustment relating to the recoverability and classification of recorded asset amounts or to the amounts and classifications of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

2. INCOME TAX

SPC Biodiesel, a subsidiary of Sterling Biofuels, has been granted pioneer tax status in Malaysia which will exempt 100% of its operating income from taxation in Malaysia for a period of 5 years commencing from the date of commercial operations.

Dividends received by Sterling Biofuels from SPC Biodiesel will be exempted from Australian income tax.

In previous year, the income tax expense of \$8,000 primarily represents tax paid on interest income.

3. CASH AND CASH EQUIVALENTS

For the purpose of the half-year consolidated cash flow statement, cash and cash equivalents comprise the following:

	Consolidated	
	31 December 2009	30 June 2009
	\$	\$
Cash at bank	23,703	190,882
Deposits with licensed banks	8,140	571,202
Cash and cash equivalents	31,843	762,084

Deposits with licensed banks of \$8,140 (30 June 2009: \$46,157) are restricted deposits pledged as security for banking facilities.

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4. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	31 December 2009	30 June 2009
	\$	\$
Biodiesel plant and equipment		
At cost	14,331,372	15,407,391
Less: accumulated depreciation	(3,223,889)	(2,695,573)
Less: impairment charge	(7,469,874)	(7,469,874)
	3,637,609	5,241,944
Buildings		
At cost	1,028,794	1,106,038
Less: accumulated depreciation	(129,123)	(105,818)
Less: impairment charge	(430,126)	(430,126)
	469,545	570,094
Motor vehicles		
At cost	371,520	397,241
Less: accumulated depreciation	(184,813)	(159,691)
Less: written-off	(50,843)	-
	135,864	237,550
Motor vehicles – under finance lease		
At cost	99,588	105,009
Less: accumulated depreciation	(51,454)	(45,504)
Less: written-off	(48,134)	-
	-	59,505
Office equipment		
At cost	129,928	139,684
Less: accumulated depreciation	(61,667)	(52,330)
	68,261	87,354
Plantation equipment and machinery		
At cost	489,257	525,991
Less: accumulated depreciation	(83,282)	(63,235)
	405,975	462,756
Plantation development costs		
At cost	768,231	665,229
	768,231	665,229
Total property, plant and equipment	5,485,485	7,324,432

The movements in property, plant and equipment during the period include the effect of foreign exchange.

5. BIOLOGICAL ASSETS

	Consolidated	
	31 December 2009	30 June 2009
	\$	\$
Carrying amount at beginning	517,824	212,306
Purchases of seeds	-	51,016
Other expenditure	24,198	207,306
Effect of foreign exchange	(85,065)	47,196
Carrying amount at end	456,957	517,824

6. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated	
	31 December 2009	30 June 2009
	\$	\$
Current		
Obligations under the hire purchase contracts	19,535	21,002
Shareholder advances	596,011	-
	615,546	21,002
Non-current		
Obligations under the hire purchase contracts	29,303	40,253
	29,303	40,253

The unsecured loan from a shareholder, during the period, is a standby credit line of up to RM5 million (\$1.628 million). The loan is repayable on demand and may be drawn down from time to time for working capital purposes. Interest is payable at the base lending rate of a leading Malaysian financial institution. There are no conversion rights attached to the loan.

7. DIVIDENDS PAID AND PROPOSED

The Company did not declare a dividend during the half-year ended 31 December 2009 (2008: nil).

8. OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the business, product to be produced and type of land development. Discrete financial information about each of these operating businesses is reported to management.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

8. OPERATING SEGMENTS (CONT'D)

Types of products and services

Biodiesel

The biodiesel business is a producer and supplier of blended biodiesel for export markets. The biodiesel business has been determined as both an operating segment and reportable segment.

Oil palm

Oil palm business is a producer and supplier of fresh fruit bunches (FFB) for palm oil industrial markets. The oil palm business has been determined as both an operating segment and reportable segment.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period except as detailed below:

Segment loans payable and loans receivable

Segment loans are initially recognised at the consideration received excluding transaction costs. Inter-segment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to the segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Dividend revenue
- Corporate charges such as head office expenses and interest

The following table presents revenue and loss information regarding reportable segments for the half years ended 31 December 2009 and 31 December 2008:

	Biodiesel	Oil palm	Unallocated	Total
	\$	\$	\$	\$
Half year ended 31 December 2009				
Revenue				
Sales	35,477	58,327	-	93,804
Finance income – interest	1,239	-	-	1,239
Other income	2,158	-	-	2,158
Total revenue per the statement of comprehensive income	<u>38,874</u>	<u>58,327</u>	<u>-</u>	<u>97,201</u>
Result				
Segment result	(1,298,244)	(733,946)	-	(2,032,190)
Unallocated result	-	-	(129,600)	(129,600)
Net loss before income tax per the statement of comprehensive income	<u>(1,298,244)</u>	<u>(733,946)</u>	<u>(129,600)</u>	<u>(2,161,790)</u>

8. OPERATING SEGMENTS (CONT'D)

	Biodiesel	Oil palm	Unallocated	Total
	\$	\$	\$	\$
Half year ended 31 December 2009				
Segment assets				
Segment assets	5,810,137	2,156,460	-	7,966,597
Unallocated assets	-	-	34,199	34,199
Total assets per the statement of financial position	5,810,137	2,156,460	34,199	8,000,796
Half year ended 31 December 2008				
Revenue				
Finance income – interest	-	-	86,380	86,380
Other income	20,051	-	-	20,051
Total revenue per the statement of comprehensive income	20,051	-	86,380	106,431
Result				
Segment result	(2,776,946)	(642,759)	-	(3,419,705)
Unallocated result	-	-	(145,500)	(145,500)
Net loss before income tax per the statement of comprehensive income	(2,776,946)	(642,759)	(145,500)	(3,565,205)
Year ended 30 June 2009				
Segment assets				
Segment assets	8,654,645	2,068,824	-	10,723,469
Unallocated assets	-	-	20,952	20,952
Total assets per the statement of financial position	8,654,645	2,068,824	20,952	10,744,421

9. SUBSEQUENT EVENTS

The Group has in place a standby credit line for working capital purposes. Since 31 December 2009, a further \$407,000 of this credit line has been drawn down.

Except as otherwise disclosed in this report, as at the date of this report, no other matter or circumstance has arisen since 31 December 2009 that has significantly affected, or may significantly affect, the operations of Sterling Biofuels International Limited and its controlled entities, the results of those operations or the state of affairs of Sterling Biofuels International Limited and its controlled entities in subsequent years.

10. COMMITMENTS AND CONTINGENCIES

There have been no changes to or additional commitments or contingencies to those disclosed in the 30 June 2009 annual report.

Directors' Declaration

In accordance with a resolution of the Board of Directors of Sterling Biofuels International Limited, I state that:

- 1) In the opinion of the Directors:
 - (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act, 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (b) subject to matters set out in note 1 "going concern", there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 31 December 2009.

On behalf of the Board of Directors



Andrew Phang
Group Executive Director
24 February 2010

To the members of Sterling Biofuels International Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sterling Biofuels International Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sterling Biofuels International Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

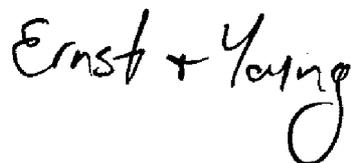
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sterling Biofuels International Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the six months ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report. As a result of these matters there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.



Ernst & Young



P McIver
Partner
Perth
24 February 2010