

26 February 2008

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

Dear Sir

APPENDIX 4D AND HALF YEAR REPORT

Please find attached Sterling Biofuels International Limited's Appendix 4D and Half Year Report for the period ended 31 December 2007.

The Appendix 4D and Half Year Report are also available on our website:
www.sterlingbiofuels.com

Yours faithfully

A handwritten signature in black ink that reads "Anthony Walsh".

TONY WALSH
Company Secretary
STERLING BIOFUELS INTERNATIONAL LIMITED

For further information, please contact:

Mr CRS Paragash, Group Managing Director, tel: +618 9324 8583, crsp@sterlingbiofuels.com

Mr Andrew Phang, Group Executive Director, tel: +618 9324 8583, andrew@sterlingbiofuels.com

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 2007

31 December 2006

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 | (46)% | to | 241 |
| Profit (loss) from ordinary activities after tax attributable to members | up | 534% | to | (10,147) |
| Net profit (loss) for the period attributable to members | up | 534% | to | (10,147) |
| 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 2007 was \$10,147,000 (2006: loss of \$1,600,000). This includes a non-cash impairment charge of \$7,900,000 (2006: nil) against the carrying value of the Group’s biodiesel plant and buildings in Lahad Datu, Malaysia. Without the impairment charge, the loss for the half-year would have been \$2,247,000.

The impairment charge has been made as a result of the uncertainty over when the Group can commence biodiesel production. This uncertainty has arisen due to the sustained peak in feedstock prices. In addition, although the outlook for the biodiesel industry remains generally positive, biodiesel prices have yet to show a corresponding increase to compensate for the increase in feedstock prices. In these circumstances, the Board has taken the conservative view that it would be prudent to make the impairment charge

In the interim, and until feedstock prices begin to show a downward trend or biodiesel prices begin to compensate for the increased cost of feedstock, the Company is unable to provide any guidance on its profitability.

The Company continues to manage its cash flows and contain costs so as to put itself in a position to see through this period of uncertainty.

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 | \$0.23 | \$0.46 |

Control gained over entities having material effect

| | |
|--|---|
| 13.1 Name of entity (or group of entities) | Sterling Plantations Sdn Bhd (incorporated in Malaysia) which in turn owns 70% equity interest in SPC Sawit Sdn Bhd (incorporated in Malaysia). |
| 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 | \$(534,000) |
| 13.3 Date from which such profit has been calculated | 14 September 2007 (date of acquisition) |
| 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 | Nil |

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: Date: 26 February 2008
(Group Managing Director)

Print name: CRS Paragash

⁺ See chapter 19 for defined terms.



Sterling Biofuels International Limited
ACN 119 880 492

Half Year Report
31 December 2007

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Corporate Directory

DIRECTORS

Alister T Maitland (Chairman)
CRS Paragash (Group Managing Director)
Andrew Phang (Group Executive Director)
Adam Sierakowski (Non-Executive Director)
Shariffuddin Khalid (Non-Executive Director)

SOLICITORS

Freehills
QV1 Building
250 St Georges Terrace
Perth WA 6000

COMPANY SECRETARY

Tony Walsh

AUDITORS

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

REGISTERED OFFICE IN AUSTRALIA

Ground Floor, 16 Ord Street
West Perth WA 6005
Australia

BANKERS

Westpac Banking Corporation
1257-1261 Hay Street
West Perth WA 6005

HOME EXCHANGE

Australian Stock Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000

SHARE REGISTRY

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

ASX Code

SBI

WEBSITE: www.sterlingbiofuels.com

Directors' Report

The Directors present their report for the half year ended 31 December 2007.

Directors

The names of the Company's 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.

| | |
|---------------------|----------------------------|
| Alister T Maitland | (Chairman) |
| CRS Paragash | (Group Managing Director) |
| Andrew Phang | (Group Executive Director) |
| Adam Sierakowski | (Non-Executive Director) |
| Shariffuddin Khalid | (Non-Executive Director) |

Principal Activities

The principal activity of the Company consists of investment holding.

The principal activity of the Group is the manufacture of biodiesel primarily from palm oil with an increasing focus on the value chain upstream including oil palm plantations and mills. There have been no significant changes in the nature of these activities during the period. The Group has yet to commence biodiesel manufacturing operations.

Review and Results of Operations

The consolidated loss after income tax for the half-year ended 31 December 2007 was \$10,147,000 (2006: loss of \$1,600,000). This includes a non-cash impairment charge of \$7,900,000 (2006: nil) against the carrying value of the Group's biodiesel plant in Lahad Datu, Malaysia. Without the impairment charge, the loss for the half-year would have been \$2,247,000.

The impairment charge has been made as a result of the uncertainty over when the Group can commence biodiesel production. This uncertainty has arisen due to the sustained peak in feedstock prices. In addition, although the outlook for the biodiesel industry remains generally positive, biodiesel prices have yet to show a corresponding increase to compensate for the increase in feedstock prices. In these circumstances, the Board has taken the conservative view that it would be prudent to make the impairment charge.

In the interim, and until feedstock prices begin to show a downward trend or biodiesel prices begin to compensate for the increased cost of feedstock, the Company is unable to provide any guidance on its profitability.

The Company continues to manage its cash flows and contain costs so as to put itself in a position to see through this period of uncertainty.

Significant Events During The Period

On 14 September 2007, the Company's wholly-owned Malaysian subsidiary SPC Biodiesel Sdn Bhd acquired 2 ordinary shares of RM1 each at par in Sterling Plantations Sdn Bhd (formerly known as Serba Sawit Sdn Bhd). Sterling Plantations owns 70% equity interest in SPC Sawit Sdn Bhd (formerly known as UTE Power Sdn Bhd) for a cash consideration of \$23,000. SPC Sawit has the right to develop and manage 10,600 acres of oil palm plantation land. The development rights are for a period of 60 years with an option to renew for another 30 years.

On 2 October 2007, SPC Biodiesel Sdn Bhd accepted an offer of a trade facility of \$8,579,000 (RM25 million) from a Malaysian financial institution. The facility is for the purchase of raw materials and other working capital purposes. As at 31 December 2007, the facility remains unutilised.

Rounding of Amounts

Sterling Biofuels International Limited is an entity to which Australian Securities and Investments Commission Class Order 98/100 applies. Pursuant to this Class Order, amounts reported in this report and the financial statements have been rounded to the nearest thousand dollars, except where not permitted to be rounded under the Corporations Act 2001.

Auditor's Independence Declaration

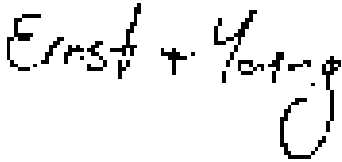
We have obtained the auditor's independence declaration from Ernst & Young, which is set out on page 4.

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

CRS PARAGASH
Group Managing Director
Perth 26 February 2008

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 2007, 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
26 February 2008

Income Statement

| | | Consolidated | |
|--|-------------|--|---|
| | Note | Half-year ended 31 December 2007 \$'000 | 25 May 2006 to 31 December 2006 \$'000 |
| Revenue | | | |
| Finance Revenue - interest | | 241 | 443 |
| Employee expenses | | (1,006) | (1,186) |
| Other expenses | 2 | (9,382) | (857) |
| | | <hr/> | <hr/> |
| Loss before income tax | | (10,147) | (1,600) |
| Income tax expense | 3 | - | - |
| | | <hr/> | <hr/> |
| Net loss for the period | | (10,147) | (1,600) |
| Loss per share for loss attributable to the ordinary equity holders of the parent | | | |
| - basic loss per share (cents per share) | | (15.62) | (5.80) |
| - diluted loss per share (cents per share) | | (15.62) | (5.80) |

Balance Sheet

| | Note | Consolidated | |
|---|------|------------------|---------------|
| | | 31 December 2007 | 30 June 2007 |
| | | \$'000 | \$'000 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4 | 6,017 | 13,328 |
| Trade and other receivables | | 2,240 | - |
| Inventory | | 2,253 | - |
| Other current assets | | 319 | 177 |
| Total current assets | | 10,829 | 13,505 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 8,269 | 15,836 |
| Prepaid land lease payments | | 2,295 | 1,589 |
| Total non-current assets | | 10,564 | 17,425 |
| TOTAL ASSETS | | 21,393 | 30,930 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 3,273 | 2,365 |
| Interest bearing loans and borrowings | | 20 | 20 |
| Total current liabilities | | 3,293 | 2,385 |
| NON-CURRENT LIABILITIES | | | |
| Other payables | | 810 | 806 |
| Interest bearing loans and borrowings | | 70 | 80 |
| Total non-current liabilities | | 880 | 886 |
| TOTAL LIABILITIES | | 4,173 | 3,271 |
| NET ASSETS | | 17,220 | 27,659 |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | | |
| Contributed equity | | 32,143 | 32,143 |
| Accumulated losses | | (14,551) | (4,404) |
| Reserves | | (372) | (80) |
| TOTAL EQUITY | | 17,220 | 27,659 |

Statement of Changes in Equity

| Consolidated | Issued Capital | Accumulated Losses | Equity Benefits Reserve | Foreign Currency Translation Reserve | Total |
|---|-------------------|-----------------------|-------------------------------|---|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 25 May 2006 | 473 | (1,249) | - | (28) | (804) |
| Exchange differences arising on translation of foreign operations | - | - | - | (93) | (93) |
| Total income/(expense) for the period recognised directly in equity | - | - | - | (93) | (93) |
| Loss for the period | - | (1,600) | - | - | (1,600) |
| Total income/(expense) for the period | - | (1,600) | - | (93) | (1,693) |
| Cost of share-based payment | - | - | 832 | - | 832 |
| Issue of share capital | 35,000 | - | - | - | 35,000 |
| Cost of issue of shares | (3,327) | - | - | - | (3,327) |
| At 31 December 2006 | 32,146 | (2,849) | 832 | (121) | 30,008 |
| At 1 July 2007 | 32,143 | (4,404) | 751 | (831) | 27,659 |
| Exchange differences arising on translation of foreign operations | - | - | - | 77 | 77 |
| Total income/(expense) for the period recognised directly in equity | - | - | - | 77 | 77 |
| (Loss)/Profit for the period | - | (10,147) | - | - | (10,147) |
| Total income/(expense) for the period | - | (10,147) | - | 77 | (10,070) |
| Write-back of share-based payment | - | - | (369) | - | (369) |
| At 31 December 2007 | 32,143 | (14,551) | 382 | (754) | 17,220 |

Cash Flow Statement

| | Consolidated | |
|--|---|--|
| | Half-year ended 31 December 2007 A\$'000 | 25 May 2006 to 31 December 2006 A\$'000 |
| Cash flows from operating activities | | |
| Interest received | 241 | 443 |
| Payments to suppliers and employees | (5,275) | (942) |
| Net cash flows used in operating activities | (5,034) | (499) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (2,158) | (3,675) |
| Acquisition of other assets | (23) | - |
| Net cash flows used in investing activities | (2,181) | (3,675) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | - | 35,000 |
| Transaction costs of issue of shares | - | (3,327) |
| Other cash flows used in financing activities | - | (215) |
| Net cash flows from financing activities | - | 31,458 |
| Net (decrease)/increase in cash held | (7,215) | 27,284 |
| Cash and cash equivalents at beginning of period | 13,328 | 18 |
| Net foreign exchange differences | (96) | (93) |
| Cash and cash equivalents at end of period | 6,017 | 27,209 |

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 2007 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 2007 and considered together with any public announcements made by Sterling Biofuels International Limited during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

Since 1 July 2007, the Group has adopted the following standards and interpretations, mandatory for financial reporting periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

- AASB 101 (revised October 2006) *Presentation of Financial Statements*
- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)*
- AASB 2007-1 *Amendments to Australian Accounting Standards arising from Interpretation 11 (AASB 2)*
- AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*
- AASB 2007-7 *Amendments to Australian Accounting Standards (AASB 1, AASB 2, AASB 4, AASB 5, AASB 107, & AASB 128)*
- Interpretation 10 *Interim Financial Reporting and Impairment*
- Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*

Comparatives

Sterling Biofuels International Limited was incorporated on 25 May 2006 and became a disclosing entity on 11 August 2006. The comparatives to the condensed consolidated financial statements have been prepared for the period from 25 May 2006 (date of incorporation) to 31 December 2006.

2. OTHER EXPENSES

Included in other expenses is an impairment charge of \$7,900,000 (2006: nil) in relation to the biodiesel plant and buildings in Lahad Datu, Malaysia.

3. 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.

For the half-year ended 31 December 2007, the Group has not incurred any income tax expense (2006: nil).

4. 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 2007 | 30 June 2007 |
| | A\$'000 | A\$'000 |
| Cash at bank | 4,247 | 524 |
| Deposits at call | 1,770 | 12,804 |
| Cash and cash equivalents | 6,017 | 13,328 |

Term deposits with a licensed bank of a subsidiary company amounted to \$913,000 (2006: nil) are pledged as security for banking facilities granted to the subsidiary company.

5. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|--------------------------------|-------------------------|---------------------|
| | 31 December 2007 | 30 June 2007 |
| | A\$'000 | A\$'000 |
| Biodiesel plant and equipment | | |
| At cost | 15,093 | 14,677 |
| Less: accumulated depreciation | (377) | - |
| Less: impairment charge | (7,470) | - |
| | 7,246 | 14,677 |

| | Consolidated | |
|---|-------------------------|---------------------|
| | 31 December 2007 | 30 June 2007 |
| | A\$'000 | A\$'000 |
| Buildings | | |
| At cost | 869 | 810 |
| Less: accumulated depreciation | (21) | - |
| Less: impairment charge | (430) | - |
| | 418 | 810 |
| | | |
| Motor vehicles | | |
| At cost | 366 | 222 |
| Less: accumulated depreciation | (45) | (15) |
| | 321 | 207 |
| | | |
| Motor vehicles – under finance lease | | |
| At cost | 102 | 102 |
| Less: accumulated depreciation | (14) | (3) |
| | 88 | 99 |
| | | |
| Office equipment | | |
| At cost | 111 | 50 |
| Less: accumulated depreciation | (15) | (7) |
| | 96 | 43 |
| | | |
| Plantation development costs | | |
| At cost | 65 | - |
| | 65 | - |
| | | |
| Plantation equipment | | |
| At cost | 35 | - |
| | 35 | - |
| | | |
| Total property, plant and equipment | 8,269 | 15,836 |

Impairment charge of \$7,900,000 has been made in relation to the biodiesel plant and buildings in Lahad Datu, Malaysia.

6. DIVIDENDS PAID AND PROPOSED

The Company did not declare a dividend during the half-year ended 31 December 2007 (2006: nil).

7. SEGMENT INFORMATION

Geographical Segments

The Group's operations are based primarily in Lahad Datu, Sabah, Malaysia.

Industry Segments

The Group's sole business activity comprises the cultivation of palm products and manufacturing of biodiesel from these products.

8. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2007 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.

9. COMMITMENTS AND CONTINGENCIES

There have been no changes to or additional commitments or contingencies to those disclosed in the 30 June 2007 annual report.

Directors' Declaration

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

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 2007 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) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors

CRS PARAGASH
Group Managing Director
26 February 2008

Independent Review Report

To the members of Sterling Biofuels International Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half year financial report of Sterling Biofuels International Limited, which comprises the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement 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 31 December 2007 half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report 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 2007 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 and other mandatory financial reporting requirements in Australia. 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.

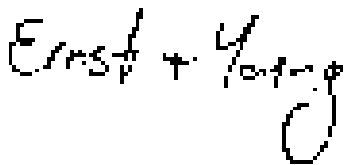
Independence

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 interim 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 2007 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.



Ernst & Young



P McIver
Partner
Perth
26 February 2008