NOVARISE **RENEWABLE** RESOURCES INTERNATIONAL LTD

Australian Securities Exchange Announcement

Thursday 25th July 2012

The Manager
Companies Announcements Officer
Australian Securities Exchange Limited
PO Box H224
Australia Square
Sydney NSW 1215

ASX Announcement

Novarise (the Company) wishes to provide the following update:

Delay in the production of Nan'an Facility

- While the construction of the Nan'an facility was fully completed and the production having been relocated from the Company's Quanzhou's facility in Qingmeng Park, and the new production lines being installed progressively as previously advised, the commercial production and operation of the facility has experienced further delays. Only two lines are currently in production with the remaining six production lines are expected to be fully operational by early 2014. The management has previously planned for the eight production lines to be operational and producing in the end of 2013.

- The delays in the commissioning and the full production of Nan'an facility are due to significant commissioning and technical issues with the production lines; production and engineering adjustments and longer than anticipated technical training for production and technical staff; and continuing quality and escalating production costs issues. Based on the Company's forecast, production this year will be between 30,000 to 35,000 tonnes of PP Yarn. While the Company's production lines were designed for optimum efficiency to reduce production costs, management now forecasts that the actual production efficiency of the new production lines are significantly lower than originally anticipated.

- The production disruption due to both the move to Nan'an and the delay of the full production of the Nan'an facility has resulted in the Company now forecasting reduced revenue for this current financial year ending 31 December, 2013. In addition, other external and economic factors are adversely affecting the overall revenue, profitability and financial performance of the Company in 2013.

- Due to the recent change in the Chinese Government's import policies, the Company is now required to source its post-consumer feedstock from within China instead of importing it from overseas. Locally sourced feedstock is more expensive and, in addition, has increased sorting costs due to reduced homogeneous quality.

- The Company's products mix will remain at 90% yarn and 10% finished products for the foreseeable future as it focuses to optimize the core manufacturing revenue at Nan'an.

Economic, industry and the Company's outlook

- From 2013, the Company is required to pay full enterprise income tax at the rate of 25% of its earnings, compared to previous applicable rate of 12.5%. This additional tax rate will impact the Company's margins in 2013 and beyond.

- China's GDP continues to grow at a slower pace of 7.4%. China's trade also declined significantly in June 2013. Exports fell by 3.1% compared to a year earlier and imports also contracted by 0.7 %. The Company is experiencing a slowdown in sales as manufacturers and exporters that utilise the Company's products adopt a cautious approach in line with the reduced export demands. This slowdown is compounded by appreciating RMB, increased direct input costs and oversupply of PP yarn.

- Private enterprises such as Novarise are also going through China's money-market cash and credit squeeze and reduced credit growth. This credit squeeze increases costs of borrowings and capital, as well as making credit harder to obtain and exposes Company to risk in customers and risk default. The Company also notes that the repayment of the outstanding loans approximately for $35.05m have been further extended and will now be repaid by June 2014. The Company does not have any material concerns regarding the repayment of these loans.

- The Company anticipates harder trading conditions and environment to continue this 2013 and 2014 as the global economies undergoes this uncertainty and as the China's core manufacturing sector and its economy undergoes structurally changes. The management forecasts that 2013 revenue is likely to reduce by 20% and NPAT by 3% over 2012 figures. Going forward we forecast that 2014 revenue are forecast to increase by 20% over the 2013 figure.

Dated: 25th July 2013

Signed:

Name: Qingyue SU

By order of the Board