



Mission NewEnergy Limited
One Mission : One Energy : NewEnergy

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26th February 2010

Company Announcements Office
Australian Securities Exchange
Exchange Centre
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Appendix 4D and Interim Financial Report

Mission New Energy Limited' Appendix 4D and Interim Financial Report for the half year ended 31 December 2009 is attached.

For and on behalf of
MISSION NEWENERGY LIMITED

Peter Torre
Company Secretary

Half – Year Financial Report of Mission New Energy Limited for the period Ended 31 December 2009

ABN 63 117 065 719

This Half Year Financial Report is provided to the Australian Securities Exchange (ASX) under Listing Rule 4.2A.3

Current Reporting Period: 31 December 2009

Previous Corresponding Period: 31 December 2008

Source Reference: ASX Append 4D.1, ASX listing Rules 4.2A.3

Mission New Energy Limited

ABN: 63 117 065 719

Results for Announcement To The Market
For the Half Year Ended 31 December 2009

Revenue and Net Profit/ (Loss)

		Percentage	Amount
		Change (%)	\$'000
ASX Append 4D 2.1	Revenue from ordinary activities	down 54	14,953
ASX Append 4D 2.2	Profit/ (loss) from ordinary activities after tax attributable to members	down 49	(12,575)
ASX Append 4D 2.3	Net profit/ (loss) attributable to members	down 49	(12,575)

Dividends (Distributions)

	Amount per Security	Franked amount per Security
ASX Append 4D 2.4	Final dividend	Nil
ASX Append 4D 2.4	Interim dividend	Nil
ASX Append 4D 2.5	Record date for determining entitlements to the dividend:	N/A

ASX Append 4D 2.6 **Brief explanation of Revenue, Net Profit/ (Loss) and Dividends (Distributions)**

Biodiesel Refining

During the six months to December 2009, the first Biodiesel refinery (100,000 tpa) continued to successfully produce and deliver biodiesel into the sales contract secured by Mission in 2008. All biodiesel sold and delivered in this period met, and exceeded, the European specifications to which it was required to comply with. All contracted volumes under this contract had been delivered at 31 December 2009.

Mission operated at 28% production capacity despite a negative commodity spread for biodiesel refining during most of the six months.

The refining unit continues to make a positive contribution from biodiesel production and by-product sales, however the lower than expected volumes, due to negative margins between the input price of CPO and the possible sales prices of Biodiesel, prevented sufficient contribution towards covering the refineries overheads.

Moving forward, Mission was very pleased to have announced the sales offtake agreement with Valero, concluded in December 2009. The contract allows Mission to supply 200,000 tpa of biodiesel for five years, with Valero having the option to extend

the contract for a further five years and double the volume to 400,000 tpa. Mission has agreed to supply Valero with all its biodiesel produced from Mission's captive Jatropha feedstock up to the contracted quantity. Jatropha is an in-edible perennial oil seed plant that has been shown to grow on marginal soil without displacing agricultural land used for food supply, making it an ecologically responsible source of fuel oil. Subject to favourable economics, as Mission's available stock of Jatropha matures to scale, Mission will supply Valero with palm oil based biodiesel.

Under the Valero contract Mission's capacity utilisation is capable of increasing from the current 28% up to 57%.

Upstream Feedstock Business

After significant growth in acreage during the calendar years 2007 and 2008, the six months to December 2009 was a period of consolidation and review of operations in the feedstock business with a focus on receivable collection. Around 5,115 acres were planted in the six months to 31 December 2009 utilising existing saplings available from Mission nurseries.

As anticipated, not all acreage will reward equally while operating under a contract farming model. Given this inevitability, Mission has organised its contract farmers in a geographically diverse manner spanning a large geographical area of India. Mission is extremely encouraged that ~50% of its acreage is performing to targets. Mission attributes this outstanding performance to its deep and consistent contact with its contract farmers, which is enabled by Mission's proprietary agronomy hardware and software.

During the period, the leadership team continued to successfully roll out Mission's proprietary GPS mapping and agronomy management system with a significant portion of the fields reviewed for maturity and existence of saplings, condition, stem girth etc. This detailed approach provides Mission with a very clear understanding of the performance of its contract farming system, thereby providing a better ability to estimate yields.

This ongoing monitoring and collection of plantation data is critical to developing Mission's expansion plan, as Mission is then capable of expanding acreage in only the most productive locations. With this information in hand, Mission is now poised to continue its expansion, targeting only the best performing farmers and locations.

Further, this data allows Mission to improve and rectify the performance of its currently under performing contract farmers, by disseminating agronomy best practices, thereby increasing future expected yields to be in line with targets.

Mission's team of scientist's continue to work with The Energy & Research Institute of India (TERI) in its genome mapping program and has successfully identified over 20,000 separate genomes which determine each jatropha species characteristics, from resistance against drought, to size and weight of seeds. Mission is dedicated to research and development to further enhance productivity of Jatropha plantations.

Wind farm business

The two wind mills owned by the Company of 1.65 MW each, generated and sold under a Power Purchase Agreement 3,693,696 kwh during the six months to 31 December 2009.

Mission New Energy Limited
ABN 63 117 065 719

**Additional Disclosures
Required for Appendix 4D**

Source
Reference

1. Net Tangible Assets per Security

ASX Append
4D.3

	31.12.2009	31.12.2008
	¢ per share	¢ per share
Net tangible assets per security	15.35	69.40
The reduction is primarily a result of the increase in the number of securities since December 2008		

2. Details Relating to Dividends (Distributions)

ASX Append
4D.5

The company did not declare a dividend during the financial period and has not declared a dividend since the end of the financial period.

Source
Reference

3. Information on Audit or Review

ASX Append
4D.9

This half year report is based on accounts to which one of the following applies.

The accounts have been audited	X	The accounts have been subject to review
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed

ASX Append
4D.9

Description of likely dispute or qualification if the accounts have not yet been audited or subjected to review or are in the process of being audited or subjected to review.

Not applicable

ASX Append
4D.9

Description of dispute or qualification if the accounts have been audited or subjected to review.

Not applicable



Mission NewEnergy Limited

One Mission : One Energy : NewEnergy

Interim Financial Report for the Half Year
ended

31 December 2009

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Directors' report

The Directors present their report together with the consolidated financial report for the six months, ended 31 December 2009 and the review report thereon.

Directors

The directors of the Company at anytime during or since the end of the interim period are:

Name	Period of directorship
<i>Non-executive</i>	
Mr Dario Amara (Chairman)	Chairman since 31 March 2006
Admiral (Ret) Tan Sri Dato' Seri Mohd Anwar bin Haji Mohd Nor) (Non-executive Director)	Director since 25 June 2009
Datuk Zain Yusuf (Non-executive Director)	Director since 24 January 2006
Mr Arun Bhatnagar (Non-executive Director)	Director since 25 June 2009
<i>Executive</i>	
Mr Nathan Mahalingam (Managing Director)	Director since 17 November 2005
Mr Guy Burnett (Finance Director)	Director since 6 April 2009

Review of operations

Summary of results

Revenue for the consolidated group amounted to \$14,953,000 (2008 : \$32,629,000). EBIDTA loss of the consolidated group amounted to \$8,329,000 (2008: \$707,000 profit) and the net loss of the consolidated group, after providing for interest, impairment, depreciation, amortisation and income tax and eliminating minority equity interests amounted to \$12,575,000 (2008: \$8,431,000 loss).

The analysis below illustrates the cash used in operations by the group in the six months to 31 December 2009.

	A\$'000
Net (loss) for the period	(12,575)
Add: Non-cash items	
Depreciation	1,268
Discounting of long term receivables	(1,019)
Impairment of biological asset	1,529
Provision for doubtful debts	4,751
Change in fair value of biological assets	(781)
Finance costs (non-cash)	1,130
Change in working capital	(547)
Net cash used in operating activities	(6,244)
Cash received in January, relating to December 2009 biodiesel sales	5,500
Effective cash used in operations for the six months to December 2009	(744)

Dividends Paid or Recommended

No dividends have been paid or declared for payment.

Review of Operations

Biodiesel Refining

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The refining unit continues to make a positive contribution from biodiesel production and by-product sales, however the lower than expected volumes, due to negative margins between the input price of CPO and the possible sales prices of Biodiesel, prevented sufficient contribution towards covering the refineries overheads.

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Financial Position

The directors believe that the consolidated group has sufficient financial resources to meet its committed financial liabilities.

The Financial Statements have been prepared on a going concern basis which has been assessed based on detailed cash flow forecasts extending out twelve months from the date of this financial report. The cash flow forecasts from operations are underpinned by the biodiesel sales contract in place and funds made available from the term loan secured, the subsequent cash injection from the

exercise of warrants issued to Valero and the ongoing receivables collection associated with historic sapling sales. The ability of the Company to continue as a going concern in the ordinary course of business and to achieve the business growth strategies and objectives is dependent upon its ability to deliver into its existing biodiesel sales contract and collect amounts owing under its receivables.

Subsequent events

Other than the matter mentioned below, there have been no significant subsequent events up until the date of signing this Financial report.

The group raised \$9 million in equity during February 2010.

Significant Changes in State of Affairs

There have been no significant changes to the state of affairs up to the date of signing this Financial Report.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the six months ended 31 December 2009.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Perth this 25th day of February 2010.

Signed in accordance with a resolution of the directors:



Mr Nathan Mahalingam
Managing Director

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**Auditor's Independence Declaration
To the Directors of Mission New Energy Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Mission New Energy Limited for the period ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J HILLGROVE
Director – Audit & Assurance Services

Perth, 25 February 2010

Consolidated interim income statement

For the six month ended on 31 December 2009

	Note	Consolidated	
		31.12.2009 \$'000	31.12.2008 \$'000
Continuing operations			
Sale of goods		14,007	22,813
Change in fair value of biological asset		781	9,431
Other revenue		165	385
Total revenue		14,953	32,629
Cost of goods sold		(13,353)	(25,643)
Hedging Cost		(95)	(484)
Employee benefits expense		(2,594)	(2,143)
Net foreign exchange (loss)/ gain		(513)	658
Provision for impairment of receivables		(4,751)	(1,538)
Travel expenses		(402)	(724)
Shareholder expenses		(55)	(88)
Consultants expenses		(252)	(227)
Other expenses from ordinary activities		(1,089)	(1,432)
Rental expenses		(119)	(110)
Research and development expense		(59)	(191)
Earnings before interest, tax, depreciation and amortization and impairment		(8,329)	707
Depreciation and amortisation expenses		(1,268)	(1,381)
Impairment of inventory		-	(1,472)
Impairment of biological assets		(1,529)	-
Finance costs: discounting of long term trade receivables		1,019	(2,385)
Finance costs		(2,370)	(2,460)
Loss from continuing operations before income tax		(12,477)	(6,991)
Income tax (expense)/benefit		(98)	(1,440)
Net loss for the period		(12,575)	(8,431)
Attributable to:			
Minority interest		(54)	-
Members of the parent		(12,521)	(8,431)
		(12,575)	(8,431)
Earnings per share from continuing operations attributable to the ordinary equity holders of the parent:			
Basic earnings/(loss) per share (cents)	6	(6.1)c	(8.9)c
Diluted earnings/(loss) per share (cents)	6	(5.9)c	(8.9)c
The accompanying condensed notes form part of this financial report			

Consolidated interim statement of comprehensive income

As at 31 December 2009

	31.12.2009	31.12.2008
	\$'000	\$'000
Loss for the period	(12,575)	(8,431)
Other comprehensive income		
Exchange differences on translating foreign operations	(6,258)	26,692
Income tax relating to components of other comprehensive income	-	-
Other comprehensive (loss)/income for the period net of tax	(6,258)	26,692
Total comprehensive (loss)/income for the period	(18,833)	18,261
Attributable to owners of the parent	(18,833)	18,261

The accompanying condensed notes form part of this financial report

Consolidated interim statement of financial position

As at 31 December 2009

	Note	31.12.2009 \$'000	30.6.2009 \$'000
CURRENT ASSETS			
Cash and cash equivalents		15,916	16,247
Trade and other receivables		7,776	2,438
Biological assets		130	1,339
Inventories		1,655	4,204
Other financial assets		27	1,242
Other assets		518	848
Total current assets		26,022	26,318
NON-CURRENT ASSETS			
Trade and other receivables		5,313	11,574
Property, plant and equipment	11	73,793	78,924
Intangible assets		1,013	1,013
Other financial assets		164	147
Total non-current assets		80,283	91,658
TOTAL ASSETS		106,305	117,976
CURRENT LIABILITIES			
Financial Liability	12	1,078	599
Trade and other payables		2,764	8,890
Current tax liabilities		(81)	(54)
Short-term provisions		62	61
Total current liabilities		3,823	9,496
NON-CURRENT LIABILITIES			
Financial Liability	12	62,108	57,413
Deferred tax liabilities		1,857	1,891
Total non-current liabilities		63,965	59,304
TOTAL LIABILITIES		67,788	68,800
NET ASSETS		38,517	49,176
EQUITY			
Issued capital	7	68,844	61,123
Reserves		3,579	9,385
Retained earnings (Accumulated losses)		(33,859)	(21,338)
Minority interests		(47)	6
TOTAL EQUITY		38,517	49,176

The accompanying condensed notes form part of this financial report

Consolidated interim statement of changes in equity

For the six month ended 31 December 2009

Consolidated Group	Ordinary Share Capital	Accumulated losses	Share Base Payment Reserve	Foreign Currency Translation	Convertible Notes Reserve	Minority Interests	Total
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
1 July 2009	61,123	(21,338)	281	(42)	9,146	6	49,176
Proceeds from the Issue of New Shares (Net of Cost)	7,721	-	-	-	-	-	7721
Pro-rata expense for options and performance shares	-	-	452	-	-	-	452
Profit (loss) attributable to members of parent entity	-	(12,521)	-	-	-	-	(12,521)
Profit (loss) attributable to members of minority interests	-	-	-	-	-	(53)	(53)
Total other comprehensive income/(loss) for the period	-	-	-	(6,258)	-	-	(6,258)
31 December 2009	68,844	(33,859)	733	(6,300)	9,146	(47)	38,517

1 July 2008	45,038	2,424	1,281	(9,848)	9,146	101	48,142
Profit (loss) for the period	-	(8,431)	-	-	-	-	(8,431)
Total other comprehensive income/(loss) for the period	-	-	-	26,692	-	-	26,692
31 December 2008	45,038	(6,007)	1,281	16,844	9,146	101	66,403

The accompanying condensed notes form part of this financial report

Consolidated interim statement of cash flows

For the six month ended 31 December 2009

	Note	31.12.2009 \$'000	31.12.2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		10,634	28,870
Payments to suppliers and employees		(15,723)	(34,351)
Interest received		64	618
Interest paid on convertible notes		(985)	(932)
Finance costs		(216)	(378)
Income tax paid		(18)	-
Net cash used in operating activities		(6,244)	(6,173)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(6,411)	(8,108)
Deposits placed as security for performance bond		1,103	(2,702)
Acquisition of additional interest in controlled entity		-	-
Payments for (receipts from) investments in mutual funds		15	942
Net cash used in investing activities		(5,293)	(9,868)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares, options (net of costs)		7,717	-
Proceeds from borrowings	12	4,676	-
Repayment of borrowings	12	(284)	(3,379)
Net cash provided by/(used in) financing activities		12,109	(3,379)
NET INCREASE (DECREASE) IN CASH HELD		572	(19,420)
Cash at beginning of the financial year		16,247	24,732
Effects of exchange rate fluctuations of cash held in foreign currencies		(903)	4,129
CASH AND CASH EQUIVALENTS AT END OF PERIOD		15,916	9,441

The accompanying condensed notes form part of this financial report

Condensed notes to the consolidated interim financial statements

1. Nature of operations and general information

Mission New Energy Limited is a company domiciled in Australia and:

- listed on the ASX with its operations in Malaysia and India;
- that owns and operates a 100,000 tpa (approx. 30 million gallons p.a.) biodiesel plant at Kuantan in Malaysia producing biodiesel;
- that is the only non-German biodiesel producer to be certified by AGQM, the German Biodiesel production process certification body;
- that is currently commissioning a 250,000 tpa (approx. 75 million gallons p.a.) biodiesel plant with KNM Process Systems Sdn Bhd as a turnkey contractor which is adjacent to the 100,000 tpa plant;
- that will initially use Crude Palm Oil (CPO) as the feedstock for its biodiesel plants in Malaysia;
- that is rapidly developing its upstream feedstock business in India, which is focusing on a drought-resistant perennial plant (*Jatropha Curcas*) that grows in marginal/poor soil. *Jatropha* is easy to establish, grows quickly, produces seeds for over 40 years and importantly is inedible;
- that will ultimately replace CPO with *Jatropha* Oil as its feedstock for its biodiesel plants;
- that owns and operates two wind energy turbines of 1.65 MW each in India which sell electricity to a Western Indian utility under a 13 year power purchase agreement; and

2. Basis of preparation

The condensed interim consolidated financial report of the Company as at and for the six months ended 31 December 2009 comprises the Company and its subsidiaries (together referred to as the "Group"), and have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The financial statements have been prepared on a going concern basis. The ability of the Company to continue as a going concern and pay its debts as and when they fall due is dependent on the continued support of its bankers and its customer base (Refer Note 4.2).

Condensed notes to the consolidated interim financial statements (contd.)

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2009. The consolidated annual financial report of the Group as at and for the year ended 30 June 2009 is available upon request from the Company's registered office at Tempo Offices Unit B9, 431 Roberts Road, Subiaco WA 6008 or at www.missionnewenergy.com.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This consolidated interim financial report was approved by the Board of Directors on 25th February 2009.

3. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2009 and the interim consolidated financial statements as at 31 December 2008, except for the adoption of:

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity
- the adoption of the separate income statement/single statement approach to the presentation of the statement of comprehensive income
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third statement of financial position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Condensed notes to the consolidated interim financial statements (contd.)

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. There have been no reporting changes to as a result of the adoption of the revised AASB 8.

AASB 23 Borrowing Costs (Revised 2007) requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. In accordance with the transitional provisions, no retrospective restatement of borrowing costs has been made. Borrowing costs have been capitalised only for qualifying assets with a commencement date after 1 January 2009. The effect of the application of the new standard is to capitalise borrowing costs of A\$ 1.38 million, that would have been expensed under the previous accounting policy. The effect is an increase in profit of A\$ 1.38 million.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

4. Estimates

The preparation of interim financial reports requires the Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The Board evaluates estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial report as at and for the year ended 30 June 2009. During the six months ended 31 December 2009 management reassessed its estimates in respect of:

Condensed notes to the consolidated interim financial statements (contd.)

4.1 Impairment of assets

The Group assesses impairment of assets at each reporting date by evaluating conditions specific to the Group that may lead to impairment. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of goodwill has been estimated using value in use calculations. Goodwill has arisen as a result of the purchase of equity in Mission Biofuels India Pvt Ltd. The significant assumption applied in this calculation is that forecast cash inflows from sales will be realised.

Credit risk of receivables

Malaysian operations

Credit risk for sales in the refining operations are managed with the use of “Letters of Credit” for most of the sales, thus the risk of receivable default is negligible.

Indian Operations

Credit risk

Credit risk, to a carrying value of A\$7.6 million (A\$13.0 million at 30 June 2009) after providing for impairment and discounting charge, arising from sales of *Jatropha Curcas* saplings to contract farmers (around 124,000 contract farmers) is managed through the following approach:

- The Company sells *Jatropha Curcas* saplings to various contract farmers in India. The contracts are concluded after a detailed review of the suitability of the contract farmer and the proposed land to be used for contract farming,
- The sales contract states that the balance owing is at call by the Company and that the Company has a 30 year agreement to buy back from the Contract Farmer the future harvest of oil seeds produced by the *Jatropha* trees. The *Jatropha Curcas* saplings have an estimated production life in excess of 30 years. Receivables are secured against these future contracted purchases of *Jatropha Curcas* seeds,
- Sales are made to a large number of geographically disbursed contract farmers, with each receivable being for a relatively low value (around A\$250 per contract farmer, depending on the contract farming acreage),

Condensed notes to the consolidated interim financial statements

(contd.)

- The Company has in place memoranda of understanding with a number of leading financial institutions in India who have agreed to finance the contract farmers to fund their upfront investment into the Jatropha saplings.
 - These financial institutions have formulated specific schemes of financing for Jatropha farming,
 - In addition, the National Bank for Agriculture and Rural Development (NABARD) of India (apex body for agricultural financing) has in place a standardised scheme of financing to farmers of Jatropha Curcas,
 - Disbursement of these loans to the farmers will enable them to repay the amounts owed to the Company,
 - The Company assists the farmers in their interaction with the financial institutions for availing of loan facilities.

In assessing the recoverability of sapling sales receivables, the following factors are taken into account;

- actual recovery of receivables to date,
- anticipated timing of future receipts, based on;
- anticipated loan disbursal rates from the banks to the farmers, to enable the farmer to repay the receivable to Mission,
- estimates of expected yields of oil seeds from the Jatropha Curcas saplings, and estimated mortality of Jatropha Curcas saplings.
- The operational team in India has achieved a significant improvement in the collection of receivables through the disbursement of bank loans to the farmers during the six months to December 2009,

Condensed notes to the consolidated interim financial statements

(contd.)

- The Directors believe that due to the systems and processes now in place and extensive effort put in by banks and Mission staff, that loans will continue to be disbursed to farmers in due course. During the period, the leadership team in India successfully rolled out Mission's proprietary GPS mapping and agronomy management system with a significant portion of the fields reviewed for maturity and existence of saplings, condition, stem girth etc. The results of this review at December 2009 indicated ~50% of plantation acreage were performing to targets. While, management has stepped up agronomy training to its currently underperforming farmers, given the review on sapling mortality, the Board has accordingly revised its assessment of recoverability of receivables from the sale of saplings, and thus the Directors have increased the provision for bad debts to A\$13.2 million at 31 December 2009.
- Further, given the run rate of cash collections achieved during the half year to 31 December 2009 and the inherent challenges in assisting the farmers in their interaction with the banks, the Directors have re-assessed the estimate of when the Group's receivables will be settled by the farmers. Accordingly, at 31 December 2009, the Directors have classified A\$5.3 million (after providing for bad debts and discounting charge) of sapling sale receivables as non-current, with an associated discount charge release (due to the increase in the provision for doubtful debts at 31 December 2009) to profit and loss of A\$1.0 million (A\$2.4 million charge to 30 December 2008) to reflect the time value of money.

Property, Plant and Equipment

Property, plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on;

- Forecast future production and sales levels,
 - Sales forecasts are based on current contracted volumes in accordance with the Valero offtake agreement and an assumption that these volumes will be rolled forward, plus an estimate of sales volumes resulting directly from Biodiesel mandates within Malaysia, and
 - Forecast future commodity prices.

Condensed notes to the consolidated interim financial statements (contd.)

- Value in use is calculated based on the present value of cash flow projections over the anticipated lives of the assets, with the material portion of the assets having anticipated lives of 20 years,
- The discount rate for each cash generating unit (CGU) was estimated based on the Companies weighted average cost of capital, adapted for the regions in which the CGU operates. The discount rates ranged between 9% and 15%.
- Cash generating units are deemed to be the Refining operations, the Feedstock operations and the wind farm operations.

The Directors have reviewed the forecast cash flows within the refining cash generating unit, which are primarily affected by forecast biodiesel sales volumes, raw material commodity prices and the volume of jatropha oil to be used in the manufacture of biodiesel. Key changes to the estimates and assumptions made at 30 June 2009 are an extension in the anticipated timing of the implementation of the Malaysian Biodiesel mandate, an extension in the expected ramp up of sales under existing contracts, an update of commodity prices, and a reduction in the forecast quantities of jatropha oil.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognized, if any, which could in turn impact future financial results.

No impairment loss has been provided for at 31 December 2009.

4.2 Going Concern

The Directors believe that the consolidated Group has sufficient financial resources to meet its committed financial liabilities.

The Financial Statements have been prepared on a going concern basis which has been assessed based on detailed cash flow forecasts extending out twelve months from the date of this financial report. The cash flow forecasts from operations are underpinned by the biodiesel sales contract in place and funds made available from the recent term loan secured, the subsequent cash injection from the exercise of warrants issued to Valero and the ongoing receivables collection associated with historic sapling sales. The ability of the Company to continue as a going concern in the ordinary course of business and to achieve the business growth strategies and objectives is dependent upon its ability to secure further sales contracts and collect amounts owing under its receivables.

Condensed notes to the consolidated interim financial statements (contd.)

5. Financial risk management

During the six month ended 31 December 2009 the Group has not changed its policy in respect of the hedging of foreign currency denominated items and other aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2009.

6. Earnings per share

The calculation of the basic earnings per share is based on profits/(losses) attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is based on the basic earnings/(loss) per share, adjusted to allow for the potential issue of shares, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	31.12.2009	31.12.2008
	\$'000	\$'000
Profit/(loss) after tax and earning attributable to ordinary share holders	(12,575)	(8,431)
Weighted average number of shares (used for basic earnings per share)	206,465,155	94,221,111
Dilutive effect of options and performance shares	5,757,065	-
Diluted weighted average number of shares (used for diluted earnings per share)	212,222,220	94,221,111
Basic earnings per share	(0.061)c	0.089
Diluted earnings per share	(0.059)c	0.089

Condensed notes to the consolidated interim financial statements
(contd.)

7. Share issue

During the six months to 31 December, the following shares were issued;

	Numbers	A\$ 000 (net of issue costs)
At 1 July 2008	94,221,155	45,001
Issue of shares	14,000	-
At 31 December 2008	94,235,155	45,001
Issue of shares	100,000,000	16,121
At 30 June 2009	194,235,155	61,123
Issue of shares	50,080,000	7,721
At 31 December 2009	244,315,155	68,844

At the 31st December 2009, 560,000 performance share criteria had been met and were eligible for issue to certain key employees. They were not issued by the period end.

Condensed notes to the consolidated interim financial statements (contd.)

8. Segment report

For the six months ended 31 December 2009

	BIODIESEL REFINING		JATROPHA		POWER GENERATION		UNALLOCATED		CONSOLIDATED (CONTINUING OPERATIONS)	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
External Sales	13,661	22,585	804	9,399	324	267	-	-	14,789	32,251
Other revenue	85	209	64	143	-	-	15	26	164	378
Inter Segment Revenue	-	-	-	-	-	-	-	-	-	-
Total segment revenue	13,746	22,794	868	9,542	324	267	15	26	14,953	32,629
Segment result	(2,966)	(5,711)	(6,306)	1,602	(73)	(166)	(3,132)	(2,716)	(12,477)	(6,991)
Profit/(loss) from ordinary activities before income tax									(12,477)	(6,991)

Condensed notes to the consolidated interim financial statements (contd.)

In identifying its operating segments, management generally follows the Group's service lines, which represent the main products and services provided by the Group. The adoption of AASB 8 has not affected the identified operating segments for the Group compared to recent annual financial statements.

Under AASB 8, reported segment profit are based on internal management reporting information that is regularly reviewed by the Board of Directors as the chief operating decision maker. The chief operating decision maker assesses segment profit and loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters.

The Group operates three main business segments: Biodiesel refining, Jatropha feedstock and Power Generation. The activities undertaken by the Biodiesel refining section is to produce biodiesel from crude palm oil (CPO). The Jatropha feedstock segment utilises contract farming arrangements to grow Jatropha plantations in marginal land of rural Indian. The Power Generation segment relates to activities in the production and sale of electricity from two wind mills.

9. Seasonality of operations

The groups Jatropha segment is subject to seasonal fluctuation in revenue and associated planting costs. The group's research team have proven that the best success rate for survival of the Jatropha curcas saplings occur when they are replanted from the companies nurseries on to the contract farmers land during times of high rainfall, which is typically experienced from late May to October. Therefore the group will earn the majority of its revenue from this segment during these months of the year.

10. Write-down of sapling inventory

During the six months ended 31 December 2009 the Group recognised a write-down of biological assets held in its nurseries to a value of \$ 1.529 million. These saplings had been planted in the companies nurseries in 2008 and not utilised in subsequent sales to contract farmers.

Condensed notes to the consolidated interim financial statements (contd.)

11. Property, plant and equipment acquisitions and capital commitments

Acquisitions and disposals

During the six months ended 31 December 2009 the Group acquired assets with a cash cost of \$ 6.4 million (six months ended 31 December 2008: \$ 8.1 million), with \$6.3 million being within the refining segment. Refining property, plant and equipment now total \$66.8 million.

Capital expenditure commitments

Capital expenditure commitments contracted for at 31 December 2009:

	\$'000
Construction of second biodiesel plant in Malaysia	\$ 7.441 ¹
Other	<u>\$ 0.024</u>
Total	<u>\$ 7.465</u>

These commitments are payable within the forthcoming twelve months and will be funded via either proceeds from an approved loan facility, existing cash reserves and/or additional financing raised by the Company.

The fixed assets held within the biodiesel segment are subject to a registered debenture to secure against the approved loan facilities mentioned above.

12. Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2009:

	\$ 000
Balance at 1 July 2009	58,012
New loans taken up	4,676
Convertible note accretion	926
FX conversion	(144)
Repayments	(284)
Balance at 31 December 2009	<u>63,186</u>

¹ This value is net of late delivery charges the Group is eligible to offset against the completion payments of the second biodiesel plant.

Condensed notes to the consolidated interim financial statements (contd.)

13. Contingencies

The company has called upon a performance bond placed by the contractor who constructed the 100,000 tpa biodiesel plant, due to non-satisfactory performance. Both parties have agreed to the appointment of an arbitrator to resolve this matter.

The parent company is not aware of any other material contingent liabilities or contingent assets as at 31 December 2009.

14. Related parties

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments.

Transaction with key management personnel

Transactions between related parties are on normal commercial terms and conditions are no more favourable than those available to others parties, unless otherwise stated. There were no related parties transaction during the six months ended 31 December 2009.

15. Dividend

No dividends have been paid or declared for payment during the six months ended 31 December 2009.

16. Subsequent Events

The group raised \$9 million in equity during February 2010.

Directors' declaration

In the opinion of the directors of Mission New Energy Limited:

1. The financial statements and notes set out on pages 7 to 24 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 25th day of February 2009.

Signed in accordance with a resolution of the directors:



Mr Nathan Mahalingam
Managing Director

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Independent Auditor's Review Report To the Members of Mission NewEnergy Limited

We have reviewed the accompanying half-year financial report of Mission NewEnergy Limited ('Company'), which comprises the consolidated financial statements being 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, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's 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 consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 Mission NewEnergy Limited, 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

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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 complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

- a 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
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Significant uncertainty regarding the carrying value of biodiesel plants

Without qualification to the conclusion expressed above, we draw attention to the critical accounting estimates and judgements set out in Note 4.1 to the financial statements including the assumptions made regarding sales volumes from biodiesel mandates within Malaysia, the implementation of a recently negotiated biodiesel Supply Agreement, sale prices and costs of inputs. The recoverability of the carrying value of the biodiesel plants aggregating \$66.884 million is dependent on the consolidated entity achieving the forecasted sales volumes, revenues, profits and cash flows.

There is a significant risk of the actual outcomes being different from those forecast due to changes in economic, market and agricultural conditions and/or assumptions regarding events, which may result in the carrying value of biodiesel plants exceeding the recoverable amount.

Significant uncertainty regarding the carrying value of receivables in feedstock business

Without qualification to the conclusion expressed above, we draw attention to Note 4.1 to the financial statements regarding the credit risks associated with the receivables aggregating \$7.6 million arising from the sale of saplings by a subsidiary company to the contracted farmers in India and the estimates and assumptions used to assess the recoverability of the receivables. The amounts due on the sale of saplings become a debt due at call under the terms of the Demand Cum Delivery Note, or can be recovered from amounts payable on the future purchase of jatropha seeds produced by the farmers under the Contract Farming Agreements.

The subsidiary company also has in place memorandums of understanding with a number of financial institutions to provide loans to farmers to settle the debts due on the sapling

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sales and/or to finance the farmers' ongoing agricultural activities. The financing arrangements have not progressed significantly due to various logistical issues and therefore, the extent to which the farmers will use/ will be able to use these financing facilities cannot be determined. The subsidiary company has classified debts due from farmers who have completed financing applications as current receivables and all others as non-current. Debts that are not recovered immediately through the bank financing arrangements are planned to be recovered through the offset against future purchase of adequate quantities of jatropha seeds from the farmers within the next five years.

The estimates and assumptions regarding the recoverability of receivables and the timing of settlement of the receivables have a significant risk of being different to actual outcomes, due to change in the economic, market and agricultural conditions and / or the events outlined above which may result in the carrying value of the receivables significantly exceeding their recoverable amounts.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J HILLGROVE
Director – Audit & Assurance Services

Perth, 25 February 2010