Mission NewEnergy Limited

(ACN: 117 065 719)

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31th August 2010

The Manager
Company Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Re: Mission NewEnergy Limited Preliminary Final Report (Appendix 4E) for the year ended 30 June 2010 Listing Rule 4.3A

The Directors of Mission NewEnergy Limited are pleased to present the Preliminary Final Report/Appendix 4E for the period ended 30 June 2010 (attached).

For and on behalf of
MISSION NEWENERGY LIMITED

Peter Torre
Company Secretary

Preliminary Financial Report of Mission NewEnergy Limited for the year ended 30 June 2010

ABN 63 117 065 719

This Preliminary Financial report is provided to the Australian Securities Exchange (ASX) under Listing Rule 4.3A.

Current Reporting Period:	Year ended 30 June 2010
Previous Corresponding Period:	Year ended 30 June 2009

This report should be read in conjunction with the most recent annual report.

Source Reference: ASX Append 4E.1, ASX listing Rules 4.3C.1

Mission NewEnergy Limited

Results for Announcement To The Market
For the Year Ended 30 June 2010

Revenue and Net Profit/(Loss)

			Percentage Change %		Amount $'000
ASX Append. 4E 2.1	Revenue from ordinary activities	Down	70%	to	16,460
	EDITDA	Down	592%	to	(86,180)
ASX Append. 4E 2.2	Profit/(loss) from ordinary activities after tax attributable to members	Down	294%	to	(93,479)
ASX Append. 4E 2.3	Net profit/(loss) attributable to members	Down	295%	to	(93,479)

Dividends (Distributions)

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

Brief explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

ASX Append. 4E 2.6

Summary of results

Revenue for the consolidated group amounted to $16.5 million (2009: $55.2 million). Net cash used in operating activities was A$6,9 million. EBIDTA loss of the consolidated group amounted to $86.2 million (2009: $12.8 million 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 $93.5 million (2009: $23.7 million loss).

The high level analysis of the key non-cash transactions in the 2010 financial year below illustrates the cash used in operations by the group in the twelve months to 30 June 2010.

	A$'000
Net (loss) for the period	(93,479)
Add: Non-cash items	
Depreciation	2,118
Impairment of biological asset	740
Impairment of Property, plant and equipment	73,089
Provision for doubtful debts	4,839
Change in fair value of biological assets	(1,656)
Finance costs (non-cash)	2,293
Change in working capital	5,154
Net cash used in operating activities	(6,902)

Biodiesel Refining

Refining operational and financial performance

During the twelve months to June 2010, the first Biodiesel refinery (100,000 tpa) successfully produced and delivered 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.

Despite a negative commodity spread for biodiesel refining during most of the twelve months, Mission operated its refinery intermittently for the first half of the financial.

The refining unit made a positive contribution from biodiesel production and by-product sales, however the low production volumes, due to negative margins between the input price of Crude Palm Oil (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 off-take 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 and legislation matters being resolved, 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%.

Missions second refinery (250,000 tpa)

Mission was pleased to announce in the fourth quarter the commissioning of its second 250,000 tons per-annum (approximately 75 million gallons per annum) Axens 2nd Generation biodiesel trans- esterification refinery, adjacent to the 100,000 tpa plan in Kuantan Port, Malaysia, had been completed. During the performance tests, the plant achieved its nameplate capacity and met all guaranteed performance parameters. The biodiesel produced during the performance test has been evaluated by an internationally renowned external laboratory and the results exceed the European EN14214 specification for Biodiesel. Mission is in discussions with its turnkey contractor, KNM Process Systems Sdn Bhd, to finalise the transfer of the plant to Mission. All approvals and licences required to operate the plant have been secured.

Impairment of refinery assets

The Board reviews the carrying value of its refinery assets at each reporting date. Historically, and again at 31 December 2009, the Board was satisfied to carry the value of the refinery assets at their amortised cost ($66.8 million At 31 December 2009) because the forecast profits to be generated by the refineries exceeded the carrying value. This assessment is based on a number of assumptions including forecast oil yields, commodity prices, and volumes. In addition, the Directors took into account the 5 year Valero sales contract signed in December 2009.

During the second half of the 2010 financial year, the USA introduced its revised Renewable Fuels Standard 2, which legislated, amongst other items, a significant mandate for the use of biodiesel in the USA. This in itself is especially promising for the biofuels industry. However the revised legislation also introduced a requirement for vegetable oil feedstock's, such as soy, rape seed, palm oil and Jatropha oil to meet certain environmental and green house gas requirements. At this point in time, the detailed analysis required to demonstrate that palm and jatropha will meet these requirements is in progress. In addition, a key subsidy, called the Biodiesel blending credit (being US$1 per gallon), lapsed on 31 December 2009. The extension of this subsidy, although in principle supported by Congress, is being widely debated by the US government, and has at this date not been formally extended.

In addition, the European Union will introduce, with effect 1 January 2011, legislation that requires all biodiesel to be based on new sustainability criteria (named the Renewable Energy Directive). Currently, there are limited suppliers of palm oil that meet these criteria. However, numerous producers of palm oil are in the process of getting their product certified to be in compliance with the European requirements. Mission's biodiesel refineries are already attested under the ISCC which has been recognised as an approved certification by the German Government.

Despite the significant efforts internationally to address these legal requirements, the Board is required, under the accounting standards, to assess the refining cash generating unit's ability to generate revenue based on existing conditions. The combination of these factors at this point in time forces the Board to provide for an impairment of the refining assets until the legislative hurdles are cleared. This NON CASH accounting write-off is in no way an indication that the plant cannot produce biodiesel under the required specifications. The Board is confident that the significant efforts undertaken by management and the international community will make it possible for the refining assets to be put to productive use in the ensuing financial period; at which time the value of these assets can be reinstated to its useful value at that point in time.

Both plants are in excellent condition and on full operational standby to produce biodiesel as and when required.

Upstream Feedstock Business

After significant growth in acreage during the calendar years 2007 and 2008, the twelve months to June 2010 was a period of consolidation and review of operations in the feedstock business with a focus on receivable collection and delivery of proper agronomy practices. Around 6,416 acres were planted in the twelve months to 30 June 2010 utilising existing saplings available from Mission nurseries. At June 2010 Mission had around 23,000 additional acres signed up with new contract farmers. As the transplanting of saplings can only begin with the onset of the rainy season in India, no new acreage had been planted at 30 June 2010.

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 employs a continuous review of the condition and success of the contract farming across its acreage, such that it can focus its further efforts in the most productive regions. Considering expected mortality, anticipated deviations in yield performance associated with the wide geographic spread of our feedstock cultivation operations and the nature of contract farming in general, the Company estimates that it has 170,000 acres of effective acreage, resulting in an expected 170,000 tonnes per year of crude Jatropha oil and 340,000 tonnes per year of seed cake. 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.

Wind farm business

The two wind mills owned by the Company of 1.65 MW each, generated and sold under a Power Purchase Agreement 5,855,621 kwh during the twelve months to 30 June 2010. An impairment review of the windmills was undertaken. Revenues generated from these assets were found to be less than expected, thus the carrying value of the windmill assets were written down to their value in use.

CONSOLIDATED GROUP INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 $'000	2009 $'000
Sales/Revenue	16,189	52,809
Other income	271	2,368
Total revenue	16,460	55,177
Cost of Sales	(15,021)	(45,709)
Employee benefits expense	(5,307)	(5,117)
Net foreign exchange gains/(losses)	568	622
Consultants expenses	(594)	(518)
Hedging Cost	(95)	(67)
Impairment of trade receivables	(4,839)	(8,334)
Impairment of Inventories and biological assets	(740)	(2,947)
Impairment of assets	(73,089)	-
Shareholder expenses	(121)	(106)
Travel expenses	(886)	(1,109)
Research and Development	(154)	(367)
Rental expenses	(271)	(247)
Other expenses from ordinary activities	(2,091)	(3,729)
Earnings before interest, tax, depreciation and amortisation	(86,180)	(12,451)
Impairment of loans and investments	-	-
Depreciation and amortisation expenses	(2,118)	(2,469)
Finance costs	(5,152)	(8,401)
Profit/(loss) before income tax	(93,450)	(23,321)
Income tax (expense)/benefit	(29)	(434)
Profit (loss) for the year	(93,479)	(23,755)
Profit/(Loss) attributable to minority equity interests	-	95
Net (loss)/profit attributable to members of the parent entity	(93,479)	(23,660)
Basic earnings/(loss) per share (cents)	(39.0)	(23.9)
Diluted earnings/(loss) per share (cents)	(25.0)	(23.9)
(Loss)/Profit for the period	(93,479)	(23,660)
Other comprehensive income		
Exchange differences on translating foreign operations	286	9,806
Income tax relating to components of other comprehensive income	-	-
Other comprehensive (loss)/income for the period net of tax	286	9,806
Total comprehensive (loss)/income for the period	(93,193)	(13,854)
Attributable to owners of the parent	(93,193)	(13,854)

CONSOLIDATED GROUP BALANCE SHEETS.
AS AT 30 JUNE 2010

	2010 $'000	2009 $'000
CURRENT ASSETS		
Cash and cash equivalents	17,155	16,247
Trade and other receivables	4,168	2,438
Biological assets	1,477	1,339
Inventories	1,671	4,204
Other financial assets	26	1,242
Other assets	457	848
Total current assets	24,954	26,318
NON-CURRENT ASSETS		
Trade and other receivables	4,321	11,574
Other financial assets	-	147
Property, plant and equipment	7,547	78,924
Intangible assets	1,013	1,013
Deferred tax assets	-	-
Other assets	182	-
Total non-current assets	13,063	91,658
TOTAL ASSETS	38,017	117,976
CURRENT LIABILITIES		
Trade and other payables	3,602	8,890
Financial Liabilities	624	599
Current tax liabilities	(53)	(54)
Short-term provisions	74	61
Total current liabilities	4,247	9,496
NON-CURRENT LIABILITIES		
Other payables	109	-
Financial Liabilities	59,028	57,413
Deferred tax liabilities	-	28
Total non-current liabilities	59,137	57,441
TOTAL LIABILITIES	63,384	66,937
NET ASSETS DEFICIT	(25,367)	51,039
EQUITY		
Issued capital	76,634	61,123
Reserves	10,931	9,385
Retained earnings (Accumulated losses)	(112,938)	(19,475)
Minority Interests	6	6
Total Equity	(25,367)	51,039

CONSOLIDATED GROUP CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 $'000	2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	17,126	53,362
Payments to suppliers and employees	(21,331)	(61,552)
Interest received	167	716
Finance costs	(2,859)	(3,248)
Income Tax Paid	(5)	(169)
Net cash (used in) operating activities	(6,902)	(10,891)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,540)	(14,099)
Payments for subsidiary (net of cash acquired)	-	-
Purchase of performance bond Investments	1,112	(1,299)
Receipt from investment in held to maturity investment and deposits	23	1,002
Net cash (used in) investing activities	(6,405)	(14,396)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue (net of costs)	15,511	16,172
(Repayments)/proceeds from borrowings	(574)	(3,787)
Net cash provided by financing activities	14,937	12,385
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,630	(12,902)
Cash and cash equivalents at beginning of the financial year	16,247	24,733
Effects of exchange rate fluctuations of cash held in foreign currencies	(722)	4,416
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	17,155	16,247

Notes to the Preliminary Final Report
For the Year Ended 30 June 2010

1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are detailed in Attachment 1.

2. Profit from Ordinary Activities

ASX Append 4E.3

Loss from ordinary activities before income tax includes the following items of revenue and expense:

	2010 $'000	2009 $'000
Revenue from Operating Activities		
Sale of goods	16,189	52,809
Interest received and sundry income	271	2,368
	16,460	55,177

3. Commentary on Results

ASX Append 4E.14

See above from page 1.

Source Reference

4. Retained Earnings/(Accumulated Losses)

ASX Append 4E.8

	2010 $'000	2009 $'000
Balance at the beginning of the financial period	(19,475)	2,904
Net Profit (loss) attributable to the members of Mission NewEnergy Ltd	(93,479)	(23,660)
Option reserve transferred to retained earnings when lapsed	16	1,281
Balance at the end of the financial period	(112,938)	(19,475)

Notes to the Preliminary Final Report
For the Year Ended 30 June 2010

5. Notes to the Statement of Cash Flows

ASX Append 4E.5

Reconciliation of Cash	**2010 $'000**	**2009 $'000**
For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the balance sheet as follows:		
Cash	17,155	16,247
Reconciliation of Profit from Ordinary Activities after Related Income Tax to Net Cash Used in Operating Activities		
Profit / (Loss) after income tax	(93,479)	(23,755)
Non cash flows in profit / (loss)		
Depreciation of plant and equipment	2,118	2,469
Amortisation of Convertible Note Costs	404	404
Amortisation of Liability portion of Convertible Note	1,889	1,750
Provision for employee entitlements	15	22
(Increase)/decrease in tax assets and liabilities	-	220
Impairment of Trade Receivables	4,839	8,333
Discounting of long term receivables	-	2,850
Interest expense on financial assets measured at amortised cost	-	-
Impairment of assets	73,829	2,947
Share based payment expense	1,276	193
Net cash provided by / (used in) operating activities before change in assets and liabilities	(9,109)	(4,567)
Change in assets and liabilities		
- (Increase) decrease in receivables	505	(7,610)
- (Increase) decrease in inventories	2,442	(2,351)
- (Increase) decrease in biological assets	(912)	4,906
- (Increase) decrease in other assets	355	2,749
- (Increase) decrease in deferred tax and current tax	(16)	
- Increase (decrease) in creditors and accruals	(166)	(4,384)
Foreign Currency Adjustments	(1)	366
	2,207	(6,324)
Cash used in operations	(6,902)	(10,891)

Notes to the Preliminary Final Report
For the Year Ended 30 June 2010

6. Details Relating to Dividends (Distributions)

ASX Append 4E.6

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

ASX Append 4E.14.2
Source Reference

7. Earnings Per Share

	2010 ¢ per share	2009 ¢ per share
Basic earnings/(loss) per share (EPS)	(39.0)	(23.9)
Diluted earnings/(loss) per share (EPS)	(25.0)	(23.9)

ASX Append 4E.14.1

Basic Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2010 $'000	2009 $'000
Earnings (a)	(93,479)	(23,660)

	2010 Number	2009 Number
Weighted average number of ordinary shares (b)	235,562,471	98,986,256

(a) Earnings used in the calculation of basic earnings per share reconciles to net profit in the income statement as follows:

	2010 $'000	2009 $'000
Operating net profit attributable to the members of Mission NewEnergy Limited	(93,479)	(23,660)
Earnings used in the calculation of basic EPS	(93,479)	(23,660)

(b) Options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer below).

Source Reference

7. Earnings Per Share (Cont'd)

ASX Append 4E.14.1

Diluted Earnings per Share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share as follows:

	2010 $'000	2009 $'000
Earnings (a)	(93,479)	(23,660)

	2010 Number	2009 Number
Weighted average number of ordinary shares and potential ordinary shares (b)	373,312,471	99,030,640

(a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the income statement as follows:

	2010 $'000	2009 $'000
Operating net profit attributable to the members of Mission NewEnergy Limited	(93,479)	(23,660)
Earnings used in the calculation of diluted EPS	(93,479)	(23,660)

(b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconcile to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2010 Number	2009 Number
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	235,562,471	98,986,256
· Effect of: Performance Shares and options	137,750,000	44,384
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	373,312,471	99,030,640

Source Reference

8. Net Tangible Assets Per Security

Source Reference		2010 ¢ per share	2009 ¢ per share
ASX Append 4E.9	Net tangible asset (deficit)/surplus per security	(9.6)	25.8

9. Details of Entities Over which Control Has Been Gained or Lost

ASX Append 4E.10 **Control gained over entities**

ASX Append 4E.10.1 No change

ASX Append 4E.10.2 Not applicable

ASX Append 4E.10.3 Not applicable

10. Contingent Liabilities and Contingent Assets

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 entity is not aware of any other contingent liabilities or contingent assets as at 30 June 2010.

11. Segment Information

ASX Append 4E.14.4

Refer to Attachment 2

12. Discontinuing Operations

Not applicable

Notes to the Preliminary Final Report
For the Year Ended 30 June 2010

Source
Reference

13. Other Significant Information

ASX Append 4E.12

Not applicable

14. Information on Audit or Review

ASX Append 4E.15

This preliminary final report is based on accounts to which one of the following applies.

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

ASX Append 4E.16

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 4E.17

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

Not applicable

Attachments

Attachment 1: 30 June 2010 Accounting Policies

Except where stated, these accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

a. Principles of Consolidation

The consolidated financial statements comprise the financial statements of Mission New Energy Limited and its subsidiaries, as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. These include Mission Biotechnologies Sdn Bhd (MBTSB), Mission Biofuels Sdn Bhd, Mission Agro Energy Limited and Mission Biofuels (India) Pvt Ltd.

On 13 December 2005, Mission New Energy Limited acquired all of the issued capital of MBTSB. In accordance with the requirements of AASB 3 Business Combinations, MBTSB was identified as the acquirer in relation to the combination. Accordingly, the combination has been accounted for as a reverse acquisition. This has resulted in the consolidated balance sheet reflecting the assets, liabilities and equity of MBTSB, and the cost of the combination being recognised at the fair value of the equity instruments on issue in Mission New Energy Limited at the date of acquisition. The application of AASB 3 Business Combinations does not change the status of Mission New Energy as the legal parent entity of the Group.

Mission Agro Energy Limited (MAEL), a wholly owned subsidiary of Mission New Energy Limited, was incorporated on 8 September 2006. On 28 March 2007, MAEL initially acquired 70% of the issued capital of Mission Biofuels (India) Private Limited (MBIPL) and has incrementally increased the shareholding to 99.49% at 30 June 2010.

MBIPL had acquired 51.01% of the issued capital of Mission Agro Diesel (India) Private Limited on 8 March 2007 with the corporate decision making process resulting in joint control. On 2 May 2008 the Board resolved to sell Mission Agro Diesel (India) Pvt Ltd, and accordingly AASB5 "Non Current Assets held for sale discontinued operations" is applied in accounting for this transaction. The full value of the investment in Mission Agro Diesel (India) Private Limited has been provided for. As at Balance sheet date this company had not been sold.

All inter-company balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies applied by the parent entity.

Where controlled entities have entered or left the Consolidated Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of work in progress includes purchases of seeds for nursery and saplings. Development charges are applied on the basis of normal operating capacity.

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the Consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

e. Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of Fixed Asset	Depreciation Rate
Buildings	5%
Leasehold improvements	10%
Machinery and equipment	10%
Biodiesel Plant	5%
Computer equipment	20% - 33%
Motor Vehicles	20%
Office equipment	10%
Leased plant and equipment	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

f. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the Consolidated Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

g. Financial Instruments

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Hedge accounting

The group uses derivatives from time to time to manage financial risk and does not apply hedge accounting.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

h. Impairment of Tangible and Intangible Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed at each reporting date for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i. Intangibles

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

j. Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and will be amortised on a systematic basis matched to the future economic benefits over the useful life of the project. As the development phase is still in progress, amortisation has not commenced. The estimated useful life of this asset will be determined when the development stage is complete.

k. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where this is not materially different from the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

l. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

Equity settled share-based payments are measured at fair value at the date of grant. Fair values of options are measured using the Binomial model. Fair value of performance shares are based on the closing share price on the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value determined at the grant date of the equity settled share share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Group's estimate of shares that will eventually vest.

m. Payables

Trade payables and other accounts payable are recognised when the Consolidated Group becomes obliged to make future payments resulting from the purchase of goods and services.

n. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

o. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

p. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers, when reasonable certainty exists that such revenues will be realised and the risks and rewards of ownership have been transferred.

The change in the fair value of biological assets is recognised in revenue in the period in which the change in fair value occurs.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers

All revenue is stated net of the amount of goods and services tax (GST).

q. Borrowing Costs

All borrowing costs are recognised in the income statement in the period in which they are incurred, except for borrowing costs that are directly related to the construction of an asset, which are capitalised.

r. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows

s. Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

t. Convertible Notes

For convertible notes, the component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

On issuance of the convertible note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long term liability. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the Convertible Notes reserve that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

u. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, unless otherwise stated, amounts in the financial report and directors' report have been rounded off to the nearest $1,000

Non-current assets held for sale

Non-current assets held for sale are measured at the lower of cost or fair value when the assets is available for immediate sale and expected to be sold within 12 months. No depreciation is recorded over the assets held for sale.

v. Biological assets

Biological assets, in the form of Jatropha Curcas saplings, are measured at fair value less estimated point of sale costs, with the changes in fair value during the period recognised in the Income Statement. Points of sale costs include all costs that would be necessary to sell the asset.

Attachment 2: Segment report

1. Segment Reporting

	Biodiesel Refining (Malaysia)		Jatropha (India)		Power generation (India)		Unallocated		Consolidated (Continuing Operations)	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Primary Reporting — Business Segments										
Revenue										
Revenue	13,867	42,894	1,794	9,418	527	497	-	-	16,188	52,809
Other revenue	153	2,151	75	177	-	-	44	40	272	2,368
Total segment revenue	14,020	45,045	1,869	9,595	527	497	44	40	16,460	55,177
Impairment	71,407	-	-	-	1,682	-	-	-	73,089	-
Result										
Segment result before tax	(76,126)	(7,482)	(8,482)	(9,469)	(1,910)	(395)	(6,932)	(5,975)	(93,450)	(23,321)
Profit/(Loss) attributable to minority equity interests								-	-	95
Profit/loss from ordinary activities before income tax									(93,450)	(23,226)
Income tax expense									(29)	(434)
Net profit/(loss)									(93,479)	(23,660)