



MISSION NEWENERGY LIMITED

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26 November 2009

MANAGING DIRECTOR'S ADDRESS TO THE 2009 ANNUAL GENERAL MEETING OF MISSION NEWENERGY LIMITED

Thank you, Mr Chairman.

On behalf of my fellow directors of the company, I also bid you a warm welcome to the 2009 Annual General Meeting of Mission NewEnergy Limited.

The Annual report which was available to all shareholders a month ago has most of the facts & figures of the year under review. My team and I would be delighted to answer any queries that you may have on the contents of the report at the end of this address.

More importantly, I would like to use this opportunity, to provide you with an update on some of the longer term plans that we have in store for your Company.

2008/09 was another challenging year for your company. The industry was once again thrown into turmoil and was not spared the onslaught of the global financial crisis initiated by the failing credit markets in the USA.

We have had to re-shape our action plans and our management team in response to the ever changing demands of our industry. We have emerged chastened but I am glad to say that no

fundamental change in strategy is required. Our initial vision and strategy, premised upon becoming an integrated producer of biodiesel remains correct and valid. Knowing this gives us a positive outlook, even as the world is facing a recession of the magnitude it has not seen since the last depression.

Business model

Your company is a young entrant into a relatively new industry. Perhaps, it is useful here for us to look back at our short history and understand and put in perspective the strategic foundations of our business.

We are essentially in a commodity driven industry where one has to either control the price of the products we sell or the costs of the feedstock we use in producing the products we sell. Having leverage in either one of these will assist us in becoming an industry leader. In our case, we are essentially a price taker for the products we sell. While the market for our product is large and insatiable, the pricing of our product is dependent on the mineral oil industry and not within our control.

Therefore, control of feedstock supply and costs is a strategic imperative for us. It remains the only way for us to become an industry leader. The business was started on the premise that our initial primary feedstock, Crude Palm Oil (CPO), is the cheapest vegetable oil available. There was a positive spread between mineral oil and rapeseed oil mainly as a result of legislation in Europe. There was an even further spread between rapeseed and CPO. We realised that by using CPO there was an opportunity for us to produce at a lower cost, thereby ensuring that our products would be more competitive and generate good margins. We also quickly realised that, even here, we will not be in control of the costs of the feedstock. Being an agricultural and food commodity, the price of CPO is subject to the vagaries of the international commodity markets. So, in our IPO prospectus released in March 2006, we flagged the potential opportunity for the company to venture into cultivation and production of a captive non-edible feedstock. By doing so, the rationale was that we could control our costs of production and deliver a superior and more sustainable product into the market. After a successful feasibility study, this new business of growing our own feedstock, *Jatropha Curcas*, was launched in early 2007.

As with any agricultural product there is a gestation period. For Jatropha, we expect it to be 3 to 6 years. So, in the meantime until 2011 or so, CPO will continue to be our primary feedstock.

We also realised that in this business, scale was important. Being able to produce and ship larger quantities will mean lower costs due to logistics and operational efficiencies. So, we raised another A\$65 million through a convertible note issue and deployed the bulk of it into the construction of a 2nd 250,000 tonne refinery at the same site as our first plant. This plant is now in the last leg of commissioning and is expected to be operational before the end of 2009.

Having 350,000 tonnes refining capacity at one site will not only make us one of the biggest biodiesel producers in the world but will also enable us to make the best use of our excellent portside location and facilities and reduce shipping costs through larger parcel sizes.

Economic Reality

There are many macro and micro challenges that we have to face as a young entrant into this relatively early and volatile industry. I will not attempt to enumerate them individually but suffice to say we have a deep knowledge and understanding of what these issues are. Instead of looking at them as roadblocks and impediments, we think that these challenges are surmountable and may indeed provide the very opportunities for us to establish leadership in this business and industry.

These same challenges however have been the bane of many other aspirants into this industry. Bankruptcies in this industry have been all too common the past 2 years. Most if not all have been 'refining only' producers and their demise has been precipitated by negative margins, taking wrong hedging positions, the prevalent use of debt finance and lack of access to further capital. It is our belief that the spate of casualties will not cease, especially of stand-alone "refining only" producers. In the end only a handful of integrated producers will be left to supply this large and growing market.

Assessing these challenges are useful. They provide the basis of the strategic imperatives and action plans that we need to take. Strategy, of course, is only one aspect. Effective implementation of the strategy is the key.

The following two slides basically sum up what Mission needs to do to achieve pole position in this industry:-



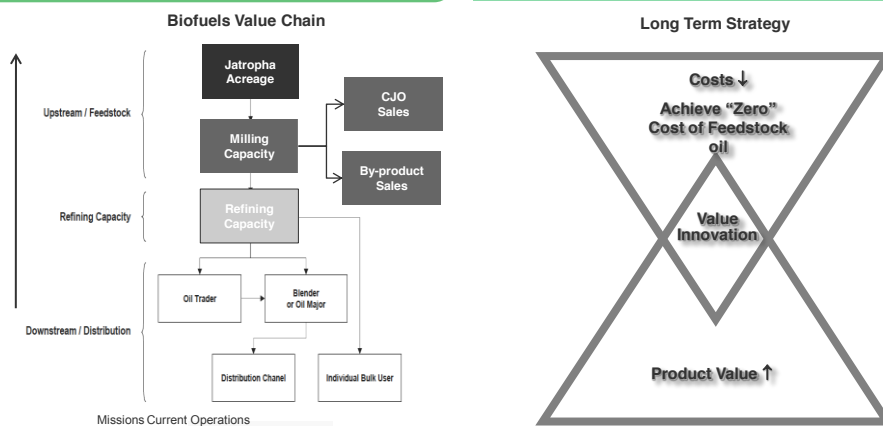
The Business Model Holds but..

Mission must be integrated...need captive feedstock

- › Refining operation is an option on feedstock to oil spread
- › Long term ROI is in feedstock

Mission must be lowest cost producer...as a price taker

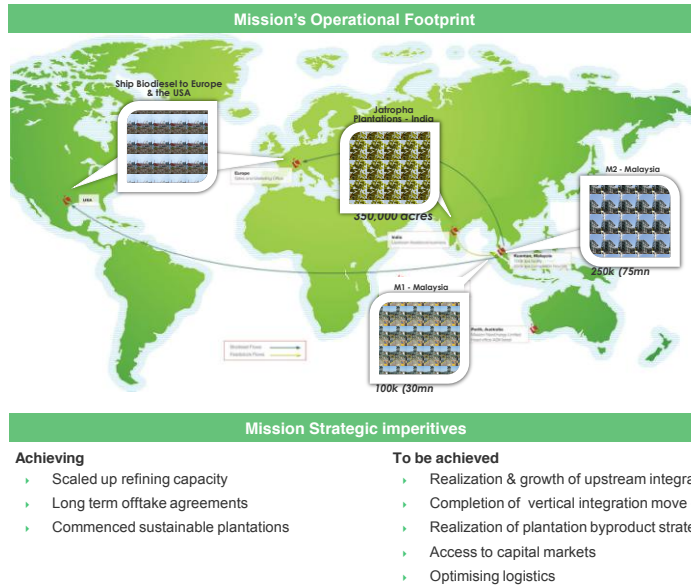
- › Focus on lowest cost feedstock
- › Utilise byproducts to further lower input costs



For a long term offtake relationship...need scale, sustainability and most importantly low cost



We need to build a Global Renewable Energy Company



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We have to put our assets and attributes to good use and make it the basis of entering into innovative long term off-take agreements. Typically, the industry operates on spot sales and yearly contracts due to the nature of the commodity markets. Traders and producers keep a close watch on spreads between crude oil (ULSD) and feedstock and whenever spreads open up, go into a frenzy to close deals. The outcome here is not always positive as margins get cannibalised in the bidding process and markets move quickly against the spreads.

Mission's strategy would be to form longer term off-take partnerships where both parties can leverage on their individual strengths to create a mutually beneficial co-existence. Such partnerships could also be strategic. Such partnerships are not uncommon in the natural gas supply market where producers and customers get into 5 to 20 year supply arrangements. However, certain attributes are necessary for this to happen, chief among which is long term access to captive and cheap feedstock.

This is why the realisation and growth of the upstream feedstock business is very important. While Mission has scaled up extremely quickly in its feedstock operations by planting 350,000 acres of *Jatropha Curcas* through its 125,000 farmers in India, the year has been very challenging indeed as we struggled to collect the A\$30 million in receivables from the farmers. The challenge was to make the micro-finance initiative work smoothly so that Mission could be paid for the saplings it sold to farmers through bank loans extended by its

tie-up banking partners. For the whole financial year, just over A\$700,000 was collected. The feedstock business once again started to depend on the parent for funding.

The lack-lustre performance in collections of receivables meant that we had to take a more prudent accounting approach to the treatment of receivables which resulted in a huge provision of A\$7.9 million for the year.

During the year, team from the head office took over the leadership of that business. In a way, that has served to align the objectives of the feedstock business with the rest of the business. Several simple strategic initiatives were implemented immediately which saw costs being drastically reduced and collections of receivables improved significantly.

Strategies and actions plans are now being put in place to further reduce costs and to enhance the value of the by-products to achieve our stated target of "Zero-cost" of Jatropha. We are looking at every aspect of the Jatropha chain to extract maximum value and bring product to market in the shortest possible time.

On the refining side, several downstream opportunities are being investigated. There are logistics bottlenecks in the industry which present storage business opportunities especially if these facilities are closer to our markets. Having storage in our markets will help us to enhance the value of our product and service to our customers.

Your company has also been undertaking continuous product and process R&D in-house. Our target & commitment is not to meet customers' requirements but to exceed them. Hence today, we produce biodiesel that exceeds international specifications and this is a major differentiator of Mission's biodiesel in the market. This is important also as in a new industry, standards are changed regularly. Being ahead in R&D helps us to stay ahead and easily become compliant with any new standard that comes into force, thereby building a competitive edge for our product. The company is also in advanced stage of incorporating a new process that will allow it to produce different "cuts" of biodiesel hence enlarging our product offering to customers and further differentiating ourselves in the market.

Needless to say, sustainability is a core part of our strategy. We embrace it whole-heartedly because it is the right way to do business and helps us align the interests of the community

and our future generations, with the interests of the company as a business that needs to deliver strong earnings and growth for our shareholders.

In 2009, Germany and its EU partner countries will be implementing the "Renewable Energy Directive", which will require biofuels to be produced only from feedstock that meet certain minimum sustainability criteria. Mission is well ahead in its efforts to meet these standards. In 2008, we became the only Palm biodiesel manufacturer to receive the German government sponsored International Sustainability & Carbon Certification (ISCC) attestation.

We are a young, growing organisation that is investing in the future. Access to capital is therefore very important. Investors can see the benefit of being an integrated company with a "Soil to Oil" strategy. In 2008/09, we successfully raised A\$18 million through a placement of shares to institutions and retail investors in the US. Then, recently we made a placement to Ir Lee Swee Eng and raised a further A\$7.25 million. Our shareholder base is now predominantly non-Australian. The USA is also set to become an important market for our products with the implementation of the second Renewable Fuels Standards (RFS2). The company is therefore contemplating a US listing by mid 2010.

In closing, I would like to thank our valued shareholders for their support, my fellow directors for their guidance and to all our employees and business partners for their diligence and support.

Thank you.