



Mission NewEnergy Limited

Financial Report for the year ended

30 June 2009

TABLE OF CONTENTS

CORPORATE GOVERNANCE STATEMENT	3
DIRECTORS' REPORT	7
AUDITOR'S INDEPENDENCE DECLARATION	21
INCOME STATEMENTS	22
BALANCE SHEETS	23
STATEMENT OF CHANGES IN EQUITY	24
CASH FLOW STATEMENTS	26
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	27
SALES REVENUE	37
EXPENSES	37
INCOME TAX EXPENSE	39
AUDITORS' REMUNERATION	40
EARNINGS PER SHARE	40
CASH AND CASH EQUIVALENTS	41
TRADE AND OTHER RECEIVABLES	41
BIOLOGICAL ASSETS	42
INVENTORIES	43
OTHER FINANCIAL ASSETS	43
INVESTMENTS IN SUBSIDIARIES	44
Property, Plant and Equipment	45
INTANGIBLE ASSETS	47
OTHER ASSETS	47
TRADE AND OTHER PAYABLES	47
FINANCIAL LIABILITIES	48
TAX	49
ISSUED CAPITAL	51
RESERVES	52
CAPITAL AND LEASING COMMITMENTS	52
CONTINGENT LIABILITIES AND CONTINGENT ASSETS	53
SEGMENT REPORTING	54
CASH FLOW INFORMATION	56
SHARE-BASED PAYMENTS	58
RELATED PARTIES	60
FINANCIAL INSTRUMENTS	61
COMPANY DETAILS	67
DIRECTORS' DECLARATION	68
INDEPENDENT AUDIT REPORT TO MEMBERS OF MISSION NEWENERGY LIMITED	69

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Mission New Energy Limited (Mission) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange (ASX) Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations" the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

The Company's corporate governance practices were in place throughout the year and are compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are noted below.

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the Board to add value
- Principle 3. Promote ethical and responsible decision making
- Principle 4. Safeguard integrity in financial reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of shareholders
- Principle 7. Recognise and manage risk
- Principle 8. Remunerate fairly and responsibly

The Board has developed policies and practices consistent with the ASX Recommendations, with such adjustments as the Board believes are appropriate for the particular circumstances of the Company. Consistent with these policies, a summary of the corporate governance policies and practices adopted by Mission is set out below.

Role of the Board of Directors

The Board of Mission is responsible for setting the Company's strategic direction and providing effective governance over Missions' affairs in conjunction with the overall supervision of the Company's business with the view of maximising shareholder value. The Board's key responsibilities are to:

- (a) chart the direction, strategies and financial objectives for Mission and monitor the implementation of those policies, strategies and financial objectives;
- (b) monitor compliance with regulatory requirements, ethical standards and external commitments;
- (c) appoint, evaluate the performance of, determine the remuneration of, plan for the succession of and, where appropriate, remove the Managing Director; and
- (d) ensure that the Board continues to have the mix of skills and experience necessary to conduct Missions' activities, and that appropriate directors are selected and appointed as required.

The Board has adopted a Board Charter, which sets out in more detail the responsibilities of the Board. The Board Charter sets out the division of responsibility between the Board and management to assist those affected by decisions to better understand the respective accountabilities and contribution to Board and management.

In accordance with Missions' Constitution, the Board delegates responsibility for the day-to-day management of Mission to the Managing Director (subject to any limits of such delegated authority as determined by the Board from time to time). Management as a whole is charged with reporting to the Board on the performance of the Company.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

Board structure and composition

The Board currently is comprised of 6 directors, of which four are independent non-executive Directors. Details of each directors skills, expertise and background are contained within the directors report included with the company's annual financial statements.

Independence, in this context, is defined to mean a non-executive Director who is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Mission. The definition of independence in ASX Recommendation 2.1 is taken into account for this purpose.

A Director cannot hold the position of both Chairman and Managing Director.

Missions' non-executive Directors may not hold office for a continuous period in excess of three years or past the third annual general meeting following their appointment, whichever is longer, without submitting for re-election. Directors are elected or re-elected, as the case may be, by shareholders in a general meeting. Directors may offer themselves for re-election. A Director appointed by the Directors (e.g., to fill a casual vacancy) will hold office only until the conclusion of the next annual general meeting of Mission but is eligible for re-election at that meeting.

Under Missions' Constitution, voting requires a simple majority of the Board. The Chairman does not hold a casting vote.

Board and management effectiveness

Responsibility for the overall direction and management of Mission, its corporate governance and the internal workings of Mission rests with the Board notwithstanding the delegation of certain functions to the Managing Director and management generally (such delegation effected at all times in accordance with Mission' Constitution and its corporate governance policies).

An evaluation procedure in relation to the Board, individual directors and Company executives was completed during the year. The evaluation of the Board as a whole was facilitated through the use of a questionnaire required to be completed by each Board Member, the results of which were summarised, discussed with the Chairman of the Board and tabled for discussion at a Board Meeting. Similarly each individual director was required to self assess his performance and discuss the results with the Chairman. Individual Directors' performance is evaluated by reference to the Director's contribution to monitoring and assessing management performance in achieving strategies and budgets approved by the Board (among other things).

The process for review of committees is currently being drafted and will be in place during the 2009/2010 financial year. Reviews of Committees have not been undertaken by the Company in the past, however, certain aspects of the Board review cover the effectiveness of the committees.

To ensure management, as well as Board effectiveness, the Remuneration and Nomination Committee has direct responsibility for evaluating the performance of the Managing Director and other executives. This process involves a formal interview and questionnaire format with results disclosed to the Board.

Internal control, risk management and financial reporting

The Board has overall responsibility for Mission's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations, with a view to managing the risk of failure to achieve business objectives. It must be recognised, however, that internal control systems can provide only reasonable and not absolute assurance against the risk of material loss.

The Board reviews the effectiveness of the internal control systems and risk management on an ongoing basis, and monitors risk through the Audit and Risk Management Committee (see the Audit and Risk Management Committee). The Board regularly receives information about the financial position and performance of Mission. For annual and half-yearly accounts released publicly, the Managing Director and the Chief Financial Officer sign-off to the Board:

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

- the accuracy of the accounts and that they represent a true and fair view, in all material respects, of Missions financial condition and operational results, and have been prepared in accordance with applicable accounting standards and
- that the representations are based on a system of risk management and internal compliance and control relating to financial reporting which implements the policies adopted by the Board, and that those systems are operating efficiently and effectively in all material respects.

In addition, management has reported to the Board on the effectiveness of the company's management of its material business risks.

BDO Haribhakti, an external firm, assists the Board by providing a comprehensive internal audit service in India.

The companies risk management policy is included in the Corporate Governance section of the Companies website.

Committees of the Board of Directors

The Board has established two permanent Board committees to assist the Board in the performance of its functions:

- (a) the Audit and Risk Management Committee; and
- (b) the Remuneration and Nomination Committee.

Each committee has a charter, which sets out the Committee's purpose and responsibilities. The Committees are described further below.

The names of the members of the two committees are set out in the directors report contained within the Company's annual financial statements.

Audit and Risk Management Committee

The purpose of the Audit and Risk Management Committee is to provide assistance to the Board in its review of:

- (a) Mission' financial reporting, internal control structure and risk management systems;
- (b) the internal and external audit functions; and
- (c) Mission' compliance with legal and regulatory requirements in relation to the above.

The Audit and Risk Management Committee has specific responsibilities in relation to Missions' financial reporting process; the assessment of accounting, financial and internal controls; the appointment of the external auditor; the assessment of the external audit; the independence of the external auditor; and setting the scope of the external audit.

The Audit and Risk Management Committee comprises three independent non-executive Directors that have diverse and complementary backgrounds. The Chairman of the Audit and Risk Management Committee must be an independent non-executive Director.

Remuneration and Nomination Committee

The purpose of the Remuneration and Nomination Committee is to discharge the Board's responsibilities relating to the nomination and selection of Directors and the compensation of the Company's executives and Directors.

The key responsibilities of the Remuneration and Nomination Committee are to:

- (a) ensure the establishment and maintenance of a formal and transparent procedure for the selection and appointment of new Directors to the Board; and
- (b) establish transparent and coherent remuneration policies and practices, which will enable Mission to attract, retain and motivate executives and Directors who will create value for shareholders and to fairly and responsibly reward executives.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

The Remuneration and Nomination Committee comprises three independent non-executive Directors. The Chairman of the Remuneration and Nomination Committee must be an independent non-executive Director.

The remuneration policy which sets out the terms and conditions for the Managing Director and other senior executives is set out in the Remuneration Report included in the Directors Report contained within the Company's annual report.

Timely and balanced disclosure

Mission is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company. Additionally, Mission recognises its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. To assist with these matters, the Board has adopted a Continuous Disclosure and Shareholder Communication Policy.

The Continuous Disclosure and Shareholder Communication Policy allocates roles to the Board and management in respect of identifying material information and coordinating disclosure of that information where required by the ASX Listing Rules.

The Policy also identifies authorised company spokespersons and the processes Mission has adopted to communicate effectively with its shareholders. In addition to periodic reporting, Mission will ensure that all relevant information concerning the Company is placed on its website.

Ethical and responsible decision-making

Code of Conduct

The Board has created a framework for managing the Company including internal controls, business risk management processes and appropriate ethical standards.

The Board has adopted practices for maintaining confidence in the Company's integrity including promoting integrity, trust, fairness and honesty in the way employees and Directors conduct themselves and Missions' business, avoiding conflicts of interest and not misusing company resources. A formal Code of Conduct has been adopted for all employees and Directors of Mission.

Securities Trading Policy

A Securities Trading Policy has been adopted by the Board to set a standard of conduct, which demonstrates Missions' commitment to ensuring awareness of the insider trading laws, and that employees and Directors comply with those laws. The Securities Trading Policy imposes additional share trading restrictions on Directors, the Company Secretary, executives and employees involved in monthly financial accounting processes ("specified persons").

Under the Securities Trading Policy, specified persons are only permitted to buy and sell securities if they do not possess non-public price sensitive information and trading occurs outside of specified restricted periods. These periods are the periods commencing on the first day of the month before the end of the half-year or full year period and ending on the next business day after the announcement of the results for that period. In addition, before a specified person can deal in Mission' securities they must obtain clearance from the appropriate officer, confirming that there is no reason why they cannot trade.

Other Information

Mission New Energy Limited is included on its website (www.missionnewenergy.com) full details of its corporate governance regime.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the year ended 30 June 2009.

Directors

The names of directors in office at any time during or since the end of the year are:

Mr Dario Amara
Admiral (Ret) Tan Sri Mohd Anwar bin Haji Mohd Nor (Since 25/06/2009)
Mr Arun Bhatnagar (Since 25/06/2009)
Datuk Mohamed Zain Bin Mohamed Yusuf
Mr Nathan Mahalingam
Mr Guy Burnett (since 6/04/2009)
Mr Arvind Bansal (resigned 24/06/2009)
Tan Sri Abdul Razak Bin Ramli (resigned 25/06/2009)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person's held the joint position of company secretary during the financial year:

Mr Peter Torre
Mr Jerry Monzu

Mr Torre holds a Bachelor of Business, is a Chartered Accountant, a Chartered Secretary and a Member of the Australian Institute of Company Directors. He is the Company Secretary of several ASX Listed Companies and is also a Director of ASX listed Carbine Resources Limited and ORT Limited. Mr Monzu has a Bachelor of Business and is a Certified Practising Accountant, a Fellow of the Taxation Institute of Australia and has had extensive corporate experience at a financial and managerial level in multinational companies.

Principal Activities

The principal activities of the consolidated group during the financial year were:

- Operations of the 1st Biodiesel Plant in Malaysia during the financial year,
- Construction of the 2nd Biodiesel Plant in Malaysia,
- Feedstock establishment in India,
- Research and development of ligno cellulosic ethanol.

There were no significant changes in the nature of the principal activities occurred during the financial year:

Operating Results

The EBITDA of the consolidated group for the current financial year amounted to a loss of \$12.6 million (2008: \$12.6 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 \$25 million (2008: \$ 4.8 million profit). Net cash used in operations for the financial year was \$10.9 million (2008 \$16.5 million used).

During 2009 the consolidated group continued to produce biodiesel from its 1st 100,000 tpa biodiesel plant, construct its 2nd 250,000 tpa biodiesel plant adjacent to the 1st biodiesel plant, and expand its contract farming acreage of *Jatropha Curcas*.

The business is steadfastly progressing from a development company to an operating entity. The completion of the second biodiesel facility and the achievement of first commercial quantities of *Jatropha* feedstock will mark a critical milestone for the ability of the group to generate positive cash flows.

DIRECTORS' REPORT (Cont'd)

Dividends Paid or Recommended

No dividends have been paid or declared for payment.

Review of Operations

The following table shows the 2009 EBITDA results by segment;

	Biodiesel refining \$'000	Jatropha Feedstock \$'000	Other including Wind farm Operation \$'000	Total \$'000
Sales	42,894	9,418	497	52,809
Cost of Sales	(44,421)	(1,605)	-	(46,026)
Contribution:	(1,527)	7,813	497	6,783
Other Income	2,150	177	41	2,368
Other Cost	(6,086)	(14,437)	(1,232)	(21,755)
EBITDA	(5,463)	(6,447)	(694)	(12,604)

Biodiesel Refining

The first Biodiesel Plant (100,000 tpa) was operational during the financial year under spot sale and term contracts. All biodiesel produced and sold met and exceeded international EN14214 biodiesel specifications. Due to the lower than expected volumes, the contribution generated from biodiesel sales was insufficient to cover costs.

Mission receives numerous requests for the supply of biodiesel and several longer term contracts are under negotiation. With the completion of the 2nd biodiesel plant, Mission hopes to be better placed to benefit from economies of scale and logistic costs, thereby increasing the viability of producing economically profitable biodiesel sales.

The second Biodiesel Plant (250,000 tpa) has achieved mechanical completion and is currently under final commissioning and testing.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

Upstream Feedstock Business

Mission operates under a contract farming arrangement, whereby a farmer plants *Jatropha* saplings in their fields and Mission agrees to buyback all the seeds from the farmer once the planted saplings have matured into trees and have begun to bear fruit. The saplings are anticipated to take around 3 years to bear significant fruit and continue to bear fruit for over 30 years.

During the year, the Company expanded its *jatropha curcas* plantations in India under contract farming arrangements from around 178,000 acres to over 350,000 acres. The Company's work force is predominantly decentralised within the five states where Mission operates, being Maharashtra, Tamil Nadu, Orissa, Madhyapradesh and Karnataka.

Mission sells the *jatropha curcas* saplings to the farmers, securing this receivable against the future buy back of oil seeds produced by the saplings. After oil extraction the resultant seed cake is known to be a valuable organic fertiliser and is a readily saleable by-product. Mission has also established relationships with a number of key banks, willing to fund the farmers associated with Mission. This is anticipated to speed up the recovery of the sapling sale receivables. Despite sanction of the loans from the Banks head office, all loans are required to be processed and approved by small rural branches, who require extensive documentation and a physical inspection of the fields. This process has taken more time than expected and accordingly management has taken a conservative approach to receivable collection and classified the majority of receivables as non-current, attracting a discounting charge to reflect the time value of money until collection.

Along with the reclassification of the receivables as non-current, the Board has reassessed the likelihood of default by the farmers. As the likelihood of default is directly linked to the existence and productivity of the saplings generating oil seeds, a review of the existence and condition of the saplings is required. In order to meet the timeframes around financial year end reporting, a review of the status and condition of sapling fields was undertaken at the end of the dry season, before the onset of monsoon rains. As a key attribute of the *Jatropha* sapling is to drop its leaves and limit growth in order to survive in dry times, the review was inconclusive as to the condition and status of the plantations. Accordingly the Board have taken a conservative approach in providing for the recoverability of the receivables from the sale of saplings. The sapling plantations will be reviewed periodically using the organisations proprietary state of the art low cost GPS mapping technology, pre and post rains. This will enable the Board to more accurately determine the status and condition of the plantations.

Wind farm business

The Company's two Wind Mills continue to generate electricity. By the end of the year, the two wind mills had generated and delivered 5,356,785 kwh of total electricity. The electricity has been supplied to the Maharashtra State Electricity Distribution Company Limited, India.

Financial Position

The Board believes that the consolidated group has sufficient financial resources to meet its committed financial liabilities.

Subsequent events

During August 2009, the Group drew down US\$4.3 million from the approved term loan it has available, in order to make payment for the engineering completion phase of the 2nd 250,000 tpa biodiesel plant currently under construction.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

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.

Future Developments, Prospects and Business Strategies

The future financial performance of the business principally rests on its ability to fully utilise its biodiesel facilities by generating biodiesel sales and to maximise its profit margin by generating low cost feedstock.

It is an exciting time for Mission with the expansion of its refining capacity and its first quantities of jatopha oil in the near future.

The Company is in the process of commissioning its second biodiesel facility, which when completed will increase the company's capacity from 100,000 tpa to 350,000 tpa. In order to fully utilise both the first and second biodiesel facilities, Mission is currently in discussions with its existing customer to extend the current supply agreement into future years, as well as discussions with a number of large oil majors for the supply of palm oil and Jatropa based biodiesel.

The Company is eagerly anticipating its first commercial quantities of Jatropa oil, which is expected to significantly enhance the Group's profit margins. In order to achieve the desired quantities of oil, the Indian operations are shifting focus from growth in new acreage, to the collection of seeds and the production of Jatropa oil feedstock. This focus on establishing systems and processes to collect and process the oil seeds results in the Company not expecting to significantly grow its contract acreage in the 2009 planting season (June '09 to October '09). Upon consolidation and optimisation of logistics, Mission expects to again resume the expansion of Jatropa plantation area.

Mission continues to develop its Ligno Cellulosic ethanol technology, with the continued operation of its pilot scale plant and development of detailed engineering plans to design the full scale plant.

Environmental Issues

The Consolidated Group is subject to a number of Australian and International Environmental legislation and regulations and is not aware of any material breach of these legislation and regulations.

Information on Directors

Mr Dario Amara	—	Chairman (Non-executive)
Qualifications	—	Bachelor of Engineering with Distinction (Curtin University of Technology). Fellow of the Institution of Engineers Australia.
Experience	—	<p>Mr Amara is an engineer with extensive business experience gained over 30 years in the Australian and international markets and across the resources, energy and infrastructure sectors.</p> <p>Prior to co-founding Emerson Stewart in 2005 and for over 16 years, he occupied senior executive roles with major construction and engineering groups. Dario successfully led GRD Minproc as managing director/chief executive and John Holland Asia as chief executive officer. Dario has a record of achievement in establishing, growing and rejuvenating businesses and strategic leadership, and has served as chairman of the Art Gallery of Western Australia and the West Australian Opera Company.</p> <p>Appointed Chairman 31 March 2006. Board member since 31 March 2006.</p>
Interest in Shares and Options	—	200,000 ordinary shares in Mission New Energy Limited held indirectly (50,000 to Amara family trust account and 150,000 to Amara Superannuation Fund account).
Special Responsibilities	—	Mr Amara is a member of the Audit and Risk Management

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

		Committee and Chairman of the Nomination and Remuneration Committee.
Directorships held in other listed— entities		Current director of Austal Limited (since 16 August 2005), Managing Director/CEO of Emerson Stewart Group Ltd (since 25 June 2008)
Datuk Mohamed Zain Bin Mohamed Yusuf		Director (Non-executive)
Qualifications	—	Bachelor of Economics (Hons.) (University of Western Australia)
Experience	—	Datuk Zain has over 25 years experience in Shell Malaysia. From 1986 to 1988, he was seconded to Shell International, United Kingdom and worked as Marketing Consultant in Shell UK and Shell Caribbean. Upon his return to Malaysia, he was made Marketing Director of Shell Malaysia. He subsequently served on the board of Directors of Shell Group Malaysia as Executive Director, with responsibility over a total of 18 group subsidiaries involved in both the upstream and downstream petrochemical business. Datuk Zain is currently chairman of the Malaysian Australia Business Council and serves as a director of Airod Sdn Bhd , NADI Bhd, Malacca Securities Sdn Bhd, Faber Group Bhd, PJ Bumi Bhd and as chairman of Confoil (Malaysia) Bhd, a Malaysian - Australian joint venture company in Malaysia. Board member since 24 January 2006.
Interest in Shares and Options	—	Nil
Special Responsibilities	—	Datuk Zain is Chairman of the Audit and Risk Management Committee from 25 June 2009 and a member of the Nomination and Remuneration Committee.
Directorships held in other listed— entities		Director of Faber Group Bhd (since October 2001) and chairman of Malacca Securities Sdn Bhd (since November 2000). Resigned as a director of PJ Bumi Bhd during the year.
Admiral (Ret) Tan Sri Dato' Sri Mohd Anwar bin Haji Mohd Nor		Director (Non-executive)
Qualifications	—	Master of Science in Engineering Business Management (University of Warwick, U.K)
Experience	—	Tan Sri Anwar made history in April 2005 when he became the first naval chief in the Malaysian Armed Forces (MAF) to ascend to its highest military office of the Chief of Defence Force, commanding a strength of nearly 100,000. With nearly 40 years of military experience with the Royal Malaysian Navy (RMN) and MAF, he has acquired a massive portfolio of achievements. His outstanding performance extends to the academic arena as well inclusive of stints at the Naval Staff College (Rhode Island, USA), Navigation and Direction Course and Principal Warfare Officers Course (HMS DRYAD, United Kingdom). He also holds a Master of Science in Engineering Business Management from the University of Warwick, United Kingdom.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

Tan Sri Anwar has received numerous commendations, awards and accolades in recognition of his talents, and was bestowed the Panglima Mangku Negara (PMN), which carries the title of Tan Sri, by His Majesty the Yang Di-Pertuan Agong (the King of Malaysia). He has also received distinguished medals from foreign governments such as the Ordre National De La Legion D'Honneur from France and the Command of the Legion of Merit from the US.

Board member since 25 June 2009.

Interest in Shares and Options	—	<i>Nil</i>
Special Responsibilities	—	<i>Nil</i>
Directorships held in other listed entities	—	Corporate Advisor to Sime Darby, Bhd, the largest plantation company in the world.

Mr Arun Bhatnagar

Director (Non-executive)

Qualifications	—	Honours Degree in Economics (St. Stephen's College, Delhi)
----------------	---	--

Experience	—	Mr. Bhatnagar is currently the chairman of the Government of India owned television and radio broadcaster, Prasar Bharti (likened to the BBC of India).
------------	---	---

Prior to this, he was the Secretary of the National Advisory Council, a body tasked with the implementation of the National Common Minimum Program and to provide inputs in the formation of policy and support to the government in its legislative business.

During his long tenure with the government since 1966, Mr Bhatnagar has served as head or in senior positions in various ministries, amongst others the Ministries of Rural Development, Energy, Irrigation and Personnel. He also served as Minister (Economics) in the Indian High Commission in UK.

Board member since 25 June 2009.

Interest in Shares and Options	—	<i>Nil</i>
Special Responsibilities	—	Chairman, Mission Biofuels India Pvt Ltd
Directorships held in other listed entities	—	Chairman, Prasar Bharati

Mr Nathan Mahalingam

Managing Director (Executive)

Qualifications	—	Bachelor of Economics (Hons.) (University of Malaya) and MBA (Murdoch University).
----------------	---	--

Experience	—	Mr Mahalingam has over 25 years of management experience in banking and finance, heavy industries and infrastructure development. He has successfully implemented numerous start-up manufacturing operations in Malaysia during his tenure of service with a large Malaysian conglomerate. Between 1995 and 2000, he served as project director in the Westport Group, developers of one of Malaysia's largest privatised port and transshipment facility.
------------	---	--

Board member since incorporation of the Company (17 November 2005).

Interest in Shares and Options	—	25,647,840 ordinary shares in Mission New Energy Limited held
--------------------------------	---	---

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

		personally and indirectly through Mission Equities Sdn Bhd, a company that Mr Mahalingam has a 34% interest in.
Special Responsibilities	—	Managing Director of the company.
Directorships held in other listed entities	—	<i>Nil</i>
Mr Guy Burnett (Since 6 April 2009)		Finance Director (Executive)
Qualifications	—	Member of the Institute of Chartered Accountant Australia
Experience	—	Mr Burnett, a Chartered Accountant, has had an impressive career as a Finance Professional in several large corporations. He first started work as a CA trainee and Audit manager in 1989 after completing a Bachelor of Commerce-Accounting degree at the University of Natal in South Africa. In mid 1996, Mr Burnett joined Umgeni Water, a large corporatized water utility in South Africa, as its Financial Accountant. He was promoted to the position of Financial Controller in mid 1999. He left Umgeni in 2004 to migrate to Western Australia with his family. Prior to joining the Company Mr Burnett was Manager: Corporate Accounting & Tax with Western Power where he had 27 direct and indirect reports. Prior to this Guy worked as Acting Financial Accountant for Water Corporation on a one year contract and served as a Manager with KPMG for 15 months where he played a key role in assisting KPMG's clients in rolling out their IFRS accounting implementations. Board member since 6 April 2009.
Interest in Shares and Options	—	<i>Nil</i>
Special Responsibilities	—	Finance Director, director of Mission Biofuels India Pvt Ltd
Directorships held in other listed entities	—	<i>Nil</i>

REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each director of Mission New Energy Limited and for the key management personnel.

Remuneration policy

The remuneration policy of Mission New Energy Limited is twofold:

- To create a remuneration structure that will allow Mission New Energy to attract, reward and retain qualified Executives and Non-Executive Directors who will lead Mission New Energy in achieving its strategic objectives.
- To provide and motivate the Executives and Non-Executive Directors with a balanced and competitive remuneration.

The specific objectives of the Executive Remuneration Policy are as follows:

- To motivate executive management to manage and lead the business successfully and to drive strong long-term organisational growth in line with the Group's strategy and business objectives.
- To drive successful organisational performance by incorporating an annual performance incentive and establish longer-term performance objectives.
- To further drive longer-term organisational performance through an equity-based reward structure.
- To make sure that there is transparency and fairness in executive remuneration policy and practices.
- To deliver a balanced solution addressing all elements of total pay [base-pay, incentive pay (cash and equity) and benefits.
- To make sure appropriate superannuation arrangements are in place for executives.
- To contribute to appropriate attraction and retention strategies for executives.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

DIRECTORS' REPORT (CONT'D)

The specific objectives of the Non-Executive Director remuneration policy are as follows:

- To attract and retain appropriately qualified and experienced directors.
- To remunerate directors fairly having regard to their responsibilities, including providing leadership and guidance to management.
- To build sustainable shareholder value by encouraging a longer-term strategic perspective, by not linking fees to the results of the Mission New Energy Group of Companies.

The Board of Mission New Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Consolidated Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the Consolidated Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Nomination and Remuneration Committee and approved by the Board after seeking professional advice (when appropriate) from independent external consultants.
- All executives are entitled to receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Nomination and Remuneration Committee reviews executive packages annually by reference to the Consolidated Group's performance, executive performance and comparable information from industry sectors.

The directors and executives receive a superannuation guarantee contribution (or equivalent) required by the relevant government authority and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Nomination and Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice will be sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is allocated to each non-executive Director based on responsibility, which include the Chairman of the Board, Chairman of the Audit and Risk Committee and Chairman of the Nomination and Remuneration Committee. Fees for non-executive directors are not linked to the performance of the Consolidated Group.

Key Management Personnel

The Company has defined the following classes of people as key management personnel:

- Non-executive directors
- Executive directors
- Management reporting directly to the Managing Director

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

Details of remuneration for the year ended June 2008

The remuneration for the key management personnel of the consolidated group during the year was as follows:

2009

	Short term		Non-cash Benefits	Share Based Options and performance shares	Post employment Super Contribution	Total	Proportion of remuneration performance related	Value of options and performance shares as a proportion of remuneration
	Salary	Other						
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Directors								
Mr Dario Amara	100	-	-	-	9	109	-	-
Tan Sri Razak Ramli ¹	75	-	-	-	1	76	-	-
Datuk Zain Yusuf	50	-	-	-	1	51	-	-
Mr Nathan Mahalingam	255	-	-	-	14	269	-	-
Mr Arvind Bansal ²	-	-	-	-	-	-	-	-
Admiral (Ret) Tan Sri Dato' Sri Mohd Anwar bin Haji Mohd Nor ³	-	-	-	-	-	-	-	-
Mr Arun Bhatnagar ⁴	33	-	-	-	-	33	-	-
Mr Guy Burnett ⁵	185	-	-	-	16	201	-	-
Key management personnel								
Mr Ashish Swarup ⁶ (Feedstock CEO)	150	-	-	-	-	150	-	-
Mr Gautam Chopra ⁷ (Feedstock COO)	135	-	-	-	-	135	-	-
Mr Balakrishnan Papaiah ⁸ (Refining COO)	104	-	-	-	13	117	-	-
Mr Abu Bakar Bin Jani (non- executive Director of Mission Biofuels Sdn Bhd)	23	-	-	-	-	23	-	-
Datuk Azizan Bin Abd Rahman (non-executive Director of Mission Biofuels Sdn Bhd)	23	-	-	-	-	23	-	-
Mr James Garton ⁹ (Group Head of Corporate Finance)	142	-	-	183	13	338	3.8%	54%
	1,275	-	-	183	67	1,525		

¹ Mr. Tan Sri Razak Ramli resigned on 25/06/2009.

² Mr Bansal is remunerated as an independent contractor and resigned on 24 June 2009. The details in relation to his contract with the Consolidated Group are disclosed in Note 26 on Related Parties.

³ Mr. Tan Sri Anwar was appointed to the Board of Mission NewEnergy Ltd on 25 June 2009.

⁴ Mr. Bhatnagar was appointed to the Board of Mission NewEnergy Ltd on 25 June 2009. His remuneration reflected above is in respect of his capacity as chairman of Mission Biofuels India PL.

⁵ Mr Burnett was appointed on 1 July 2008

⁶ Mr. Ashish Swarup resigned on 10/07/2009.

⁷ Mr. Gautam Chopra resigned on 10/07/2009.

⁸ Mr. Balakrishnan Papaiah resigned on 31/01/2009.

⁹ Mr Garton was appointed from 15/10/2008

Mission New Energy Limited and Controlled Entities
(ABN 63 117 065 719)

2008

	Short term		Non-cash Benefits	Share Based Options and performance shares	Post employment Super Contribution	Total	Proportion of remuneration performance related	Value of options and performance shares as a proportion of remuneration
	Salary	Other						
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Directors								
Mr Dario Amara	100	-	-	-	9	109	-	-
Tan Sri Razak Ramli	75	-	-	-	1	76	-	-
Datuk Zain Yusuf	50	-	-	-	1	51	-	-
Mr Nathan Mahalingam	272	-	-	-	24	296	-	-
Mr Arvind Bansal ¹⁰	-	-	-	-	-	-	-	-
Mr Peter Williams ¹¹	228	-	-	-	18	246	-	-
Key management personnel								
Mr Ashish Swarup ¹² (Feedstock CEO)	122	-	-	-	-	122	-	-
Mr Gautam Chopra ¹³ (Feedstock COO)	82	-	-	-	-	82	-	-
Mr Balakrishnan Papaiah ¹⁴ (Refining COO)	120	1	-	-	14	136	-	-
Mr Abu Bakar Bin Jani (non- executive Director of Mission Biofuels Sdn Bhd)	20	-	-	-	-	20	-	-
Datuk Azizan Bin Abd Rahman (non-executive Director of Mission Biofuels Sdn Bhd)	20	-	-	-	-	20	-	-
	1,089	-	-	-	67	1,158		

¹⁰ Mr Bansal is remunerated as an independent contractor and resigned on 24 June 2009. The details in relation to his contract with the Consolidated Group are disclosed in Note 26 on Related Parties.

¹¹ Mr Williams resigned with effect 31 May 2008.

¹² Mr. Ashish Swarup resigned on 10/07/2009.

¹³ Mr. Gautam Chopra resigned on 10/07/2009.

¹⁴ Mr. Balakrishnan Papaiah resigned on 31/01/2009.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

Options and performance shares are issued to directors, executives and senior employees as part of their remuneration.

During the year the following options and performance shares were issued to key executives and individuals who have a strategic impact on the business.

Options

	Balance 1/7/2008	Expired	Options Exercised	New issue	Balance 30/6/2009	Total Vested 30/6/2009	Total Exercisable 30/6/2009	Grant date	Exercise price \$	Fair value at grant date \$
Directors										
Mr Dario Amara	1,000,000	(1,000,000)	-	-	-	-	-	31/3/2006	1.20	0.2441
Tan Sri Razak Ramli	750,000	(750,000)	-	-	-	-	-	24/1/2006	1.20	0.2441
Datuk Zain Yusuf	500,000	(500,000)	-	-	-	-	-	24/1/2006	1.20	0.2441
Executives										
James Garton	-	-	-	1,750,000	1,750,000	1,750,000	1,750,000	25/6/2009	0.17	0.0968 ¹⁵
TOTAL	2,250,000¹⁶	(2,250,000)	-	1,750,000	1,750,000	1,750,000	1,750,000			

Performance shares

	Balance 1/7/2008	New issue	Balance 30/6/2009	Total Vested 30/6/2009	Grant date	Fair value at grant date (\$)
Executives						
James Garton		1,500,000	1,500,000	-	25/6/2009	0.1387
Other Senior employees collectively	-	1,200,000	1,200,000	-	25/6/2009	0.1387
Total	-	2,700,000	2,700,000	-		

¹⁵ Share price on grant date was 18.5 cents, volatility and risk free rate used in valuation was 138.77% and 4.16% respectively, exercise price is \$0.17, option life is 2 years from grant date.

¹⁶ All January 2009 options vested when the Company was admitted to the official list of ASX and expired on 31 January 2009. There were no service and performance criteria. All options were granted for nil consideration.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

Performance criteria for performance shares

- 40% of the performance shares vest in equal tranches at 31/12/2009, 30/06/2010 and 31/12/2010 for service, and
- 60% of the performance shares vest in equal tranches on;
 1. Positive Group cash generation from operations by 30 June 2010.
 2. EPS of A\$0.06 by 30 June 2011, and
 3. EPS of A\$0.15 by 30 June 2012.

Employment contracts of directors and senior executives

The employment conditions of the Managing Director, Finance Director/Chief Financial Officer and the Head of Corporate Finance are formalised in contracts of employment which the Directors consider to be on reasonable and commercial terms.

The employment agreements contain the following terms and conditions:

- (i) standard leave entitlements;
- (ii) fixed terms of 3 years, with Mission New Energy able to terminate the employment prior to the expiration of the maximum term by giving 2 months notice and the employee able to do the same by giving 2 months notice,
- (iii) rights of summary dismissal are preserved;
- (iv) total remuneration is subject to yearly review, but an increase is not guaranteed;
- (v) no provision for bonus payments;
- (vi) no probationary periods;
- (vii) no provision for payment in the case of redundancy; and
- (viii) cascading post employment restraints.

All other key personnel are on similar contracts but are not for a fixed term.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

Meetings of Directors

During the financial year, 14 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Committee Meetings			
	A	B	Audit & Risk Management Committee		Nomination & Remuneration Committee	
	A	B	A	B	A	B
Mr Dario Amara	7	7	4	4	3	3
Tan Sri Abdul Razak Bin Ramli	7	6	4	3	3	2
Datuk Mohamed Zain Bin Mohamed Yusuf	7	7	4	4	3	3
Tan Sri Dato' Sri Mohd Anwar bin Haji Mohd Nor ¹⁷	0	0	-	-	-	-
Arun Bhattnagar ¹⁸	0	0	-	-	-	-
Mr Nathan Mahalingam	7	7	-	-	-	-
Mr Arvind Bansal	7	6	-	-	-	-
Mr Guy Burnett ¹⁹	2	2	-	-	-	-

A Number eligible to attend

B Number attended

Insurance premium paid for Directors and Officers

The Company has paid an insurance premium in respect of a contract insuring each of the Directors of the Company named earlier in this report and the executive officers of the Company against liabilities and expenses, to the extent permitted by law, arising from claims made against them in their capacity as Directors and officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company. Due to confidentiality clauses contained in the insurance policy the Limit of Liability and Premium paid has not been disclosed.

Proceedings on Behalf of Company

Apart from the item discussed below, no person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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.

Non-audit Services

During the year no fees were paid to the auditor of the company for non-audit services.

¹⁷ Appointed on 25 June 2009

¹⁸ Appointed on 25 June 2009

¹⁹ Appointed on 6 April 2009

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

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.

The lead auditor's independence declaration

The lead auditor's independence declaration, in accordance with S307C of the Corporations act 2001 for the year ended 30 June 2009 has been received and can be found on page 21 of the Directors' Report.

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



Nathan Mahalingam
Group Managing Director
Date: 25 August 2009


10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

**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 audit of Mission New Energy Limited for the year ended 30 June 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 (WA) PARTNERSHIP
Chartered Accountants



M J HILLGROVE
Partner

Perth, 25 August 2009

**INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Consolidated Group		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Sales/Revenue	2	52,809	28,754	-	175
Other income	2	2,368	2,322	910	1,312
Total revenue		55,177	31,076	910	1,487
Cost of Sales	3a	(46,026)	(10,964)	-	(176)
Employee benefits expense		(5,117)	(2,694)	(1,212)	(842)
Net foreign exchange gains/(losses)		469	194	340	(1)
Consultants expenses		(518)	(1,465)	(339)	(276)
Hedging Cost		(67)	-	-	-
Impairment of trade receivables		(8,334)	(1,185)	-	-
Impairment of Inventories		(2,947)	-	-	-
Shareholder expenses		(106)	(129)	(106)	(112)
Travel expenses		(1,109)	(924)	(191)	(259)
Research and Development		(367)	-	-	-
Rental expenses		(247)	(226)	(48)	(51)
Other expenses from ordinary activities	3b	(3,412)	(1,042)	(228)	(138)
Earnings before interest, tax, depreciation and amortisation		(12,604)	12,641	(874)	(368)
Impairment of loans and investments	28	-	(403)	(9,538)	(1,364)
Depreciation and amortisation expenses		(2,873)	(1,179)	(448)	(432)
Finance costs	3c	(7,844)	(5,471)	(4,336)	(4,334)
Profit/(loss) before income tax		(23,321)	5,588	(15,196)	(6,498)
Income tax (expense)/benefit	4	(1,817)	(641)	(134)	63
Profit (loss) for the year		(25,138)	4,947	(15,330)	(6,435)
Profit/(Loss) attributable to minority equity interests		95	(90)	-	-
Net (loss)/profit attributable to members of the parent entity		(25,043)	4,857	(15,330)	(6,435)
Basic earnings/(loss) per share (cents)	6	(25.30)	5.24		
Diluted earnings/(loss) per share (cents)	6	(25.30)	5.24		

The accompanying notes form part of these financial statements.

**BALANCE SHEETS
AS AT 30 JUNE 2009**

	Note	Consolidated Group		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
CURRENT ASSETS					
Cash and cash equivalents	7	16,247	24,733	12,862	2,386
Trade and other receivables	8	2,438	16,112	512	1,660
Biological assets	9	1,339	7,096	-	-
Inventories	10	4,204	2,819	-	-
Other financial assets	11	1,242	917	-	-
Other assets	15	848	2,640	24	22
Total current assets		26,318	54,317	13,398	4,068
NON-CURRENT ASSETS					
Trade and other receivables	8	11,574	1,482	-	-
Other financial assets	11	147	-	90,457	95,590
Property, plant and equipment	13	78,924	57,464	537	577
Intangible assets	14	1,013	1,013	-	-
Deferred tax assets	18	-	293	-	293
Other assets	15	-	11	-	-
Total non-current assets		91,658	60,263	90,994	96,460
TOTAL ASSETS		117,976	114,580	104,392	100,528
CURRENT LIABILITIES					
Trade and other payables	16	8,890	6,884	1,459	684
Financial Liabilities	17	599	3,400	-	-
Current tax liabilities	18	(54)	95	-	-
Short-term provisions		61	-	60	-
Total current liabilities		9,496	10,379	1,519	684
NON-CURRENT LIABILITIES					
Financial Liabilities	17	57,413	55,437	53,695	51,542
Deferred tax liabilities	18	1,891	622	-	160
Total non-current liabilities		59,304	56,059	53,695	51,702
TOTAL LIABILITIES		68,800	66,438	55,214	52,386
NET ASSETS		49,176	48,142	49,178	48,142
EQUITY					
Issued capital	19	61,123	45,038	61,019	44,934
Reserves		9,385	579	9,427	10,427
Retained earnings (Accumulated losses)		(21,338)	2,424	(21,268)	(7,219)
Minority Interests		6	101	-	-
Total Equity		49,176	48,142	49,178	48,142

The accompanying notes form part of these financial statements.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009**

Consolidated Group

	Ordinary Share Capital	Retained Earnings	Share Based Payments Reserve	Foreign Currency Translation	Convertible Notes Reserve	Minority Interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2007	40,851	(2,433)	1,406	(2,504)	9,802	398	47,520
Profit/(loss) attributable to members of parent entity	-	4,857	-	-	-	-	4,857
Profit/(loss) attributable to minority interests	-	-	-	-	-	90	90
Pro-rata expenses of February 2009 options that lapsed during the year	-	-	(125)	-	-	-	(125)
Conversion of convertible notes to equity	4,187	-	-	-	(656)	-	3,531
Adjustments from translations of foreign controlled entities	-	-	-	(7,344)	-	-	(7,344)
Minority Interest of India subsidiary companies	-	-	-	-	-	(387)	(387)
Balance as at 30 June 2008	45,038	2,424	1,281	(9,848)	9,146	101	48,142
Profit/(Loss) attributable members of parent entity	-	(25,043)	-	-	-	-	(25,043)
Profit/(Loss) attributable minority interests	-	-	-	-	-	(95)	(95)
Pro-rata expenses of 2009 options that lapsed during the year	-	1,281	(1,281)	-	-	-	-
Pro-rata expenses for Options	(87)	-	281	-	-	-	194
Issue of New Shares	16,172	-	-	-	-	-	16,172
Adjustments from translations of foreign controlled entities	-	-	-	9,806	-	-	9,806
Balance as at 30 June 2009	61,123	(21,338)	281	(42)	9,146	6	49,176

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009 (CONT'D)**

Parent Entity

	Ordinary Share Capital \$'000	Retained Earnings \$'000	Share Based Payments Reserve \$'000	Convertible Note Reserve \$'000	Total \$'000
Balance as at 30 June 2007	40,746	(784)	1,406	9,802	51,170
Profit/(Loss) attributable members of parent entity	-	(6,435)	-	-	(6,435)
Conversion of convertible notes to equity	4,188	-	-	(656)	3,532
Pro-rata expenses of February 2009 options that lapsed during the year	-	-	(125)	-	(125)
Balance as at 30 June 2008	44,934	(7,219)	1,281	9,146	48,142
Profit/(Loss) attributable members of parent entity	-	(15,330)	-	-	(15,330)
Pro-rata expenses of 2009 options that lapsed during the year	-	1,281	(1,281)	-	-
Pro-rata expenses for June 09 Options	(87)	-	281	-	194
Issue of New Shares	16,172	-	-	-	16,172
Balance as at 30 June 2009	61,019	(21,268)	281	9,146	49,178

The accompanying notes form part of these financial statements.

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		53,362	3,774	-	452
Payments to suppliers and employees		(61,552)	(17,664)	(1,816)	(978)
Interest received		716	325	40	308
Finance costs		(3,248)	(2,983)	(2,586)	(2,503)
Income Tax Paid		(169)	-	-	-
Net cash (used in) operating activities	24	<u>(10,891)</u>	<u>(16,548)</u>	<u>(4,362)</u>	<u>(2,721)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(14,099)	(35,827)	(5)	(1)
Payments for subsidiary (net of cash acquired)		-	(591)	-	-
Payments for investments in subsidiary		-	-	(4,083)	(60,476)
Purchase of performance bond Investments		(1,299)			
Receipt from investment in held to maturity investment		1,002	(917)	-	-
Loans (to) / from subsidiaries from parent		-	-	2,754	
Loans to related parties		-	-	-	(1,450)
Net cash (used in) investing activities		<u>(14,396)</u>	<u>(37,335)</u>	<u>(1,334)</u>	<u>(61,927)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issue (net of costs)		16,172	-	16,172	-
(Repayments)/proceeds from borrowings		(3,787)	7,254	-	-
Net cash provided by financing activities		<u>12,385</u>	<u>7,254</u>	<u>16,172</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(12,902)</u>	<u>(46,629)</u>	<u>10,476</u>	<u>(64,648)</u>
Cash and cash equivalents at beginning of the financial year		24,733	78,841	2,386	67,034
Effects of exchange rate fluctuations of cash held in foreign currencies		4,416	(7,479)	-	-
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	7	<u>16,247</u>	<u>24,733</u>	<u>12,862</u>	<u>2,386</u>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

1. Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the Consolidated Group of Mission New Energy Limited and its controlled entities, and Mission New Energy Limited as an individual parent entity. Mission New Energy Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Mission New Energy Limited and controlled entities, and Mission New Energy Limited as an individual parent entity, comply with all International Financial Reporting Standards in their entirety.

The financial report was authorised for issue by the Board of Directors on 25 August 2009.

The following is a summary of the material accounting policies adopted by the Consolidated Group in the preparation of the financial report.

Basis of Preparation

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.

The financial statements have been prepared on a going concern basis which assumes continuity of normal business activities with the realisation of assets and settlement of liabilities in the ordinary course of business.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

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 subsequently on 15 November 2007 increased the shareholding to 97.66%, with a further increase in on 31 December 2007 to 99.17%.

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.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a 30 June financial year-end.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

1. Statement of Significant Accounting Policies (Cont'd)

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.

Property, plant and equipment

Property, plant and equipment are measured on the cost basis.

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

1. Statement of Significant Accounting Policies (Cont'd)

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.

e. 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.

f. 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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

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.

g. 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.

1. Statement of Significant Accounting Policies (Cont'd)

h. 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

i. 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.

1. Statement of Significant Accounting Policies (Cont'd)

j. 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 value is measured using the Binomial model. 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.

k. 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

l. 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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

measured.

m. 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.

n. 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 (refer accounting policy 1u), 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).

o. Borrowing Costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

1. Statement of Significant Accounting Policies (Cont'd)

p. 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.

q. 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.

r. 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.

s. 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.

t. Non-current assets held for sale

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

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.

u 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.

v Going Concern

The Board believes 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 equity raised and term loan secured. 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.

w New standards and interpretations not yet adopted

The following amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied preparing this financial report:

- Revised AASB 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
 - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
 - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
 - Transaction costs, other than share and debt issue costs, will be expensed as incurred
 - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
 - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.
- Amended AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 31 December 2009 financial statements, are not expected to have a significant impact on the consolidated financial statements.
- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 31 December 2009 financial statements, will require a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments.
- Revised AASB 101 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 31 December 2009 financial statements, is expected to have a significant

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

impact on the presentation of the consolidated financial statements.

- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, effective from 31 December 2009.
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 31 December 2009 financial statements, with retrospective application.
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 December 2009 financial statements, are not expected to have any impact on the financial statements.

AASB 2008-7 Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The

amendments become mandatory for the Group's 31 December 2009 financial statements. The Group has not yet determined the potential effect of the amendments.

- AASB 2008-8 Amendments to Australian Accounting Standard - Eligible Hedged Items clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Group's 31 December 2010 financial statements, with retrospective application.
- Interpretation 16 Hedges of a Net Investment in a Foreign Operation clarifies that net investment hedging can only be applied when the net assets of the foreign operation are recognised in the entity's consolidated financial statements. Interpretation 16 will become mandatory for the Group's 31 December 2009 financial statements.

The Group has not yet determined the potential effect of the amending standards on the Group's financial report.

Critical Accounting Estimates and Judgments

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. The following are the key estimates and judgements for the group;

Impairment

The group assesses impairment of the Groups assets at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The Board has based a number of its assumptions and estimates on an independent review commissioned to determine the life span, yield of fruit, yield of oil and key operating costs of the jatropha curcas feedstock operations. In each impairment review below, a discount rate of between 14% and 20% was used where applicable.

Goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(h). Goodwill has arisen as a result of the purchase of equity in Mission Biofuels India Pvt Ltd. 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'. The significant assumptions applied in this value in use calculation are;

- that forecast cash inflows from sale of jatropha curcas saplings will be realised,

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

- the jatropha curcas saplings yield the expected quantity of oil seeds,
- the resultant oil extracted meets expected outputs. and
- this will result in the utilisation of jatropha oil in the Groups biodiesel refineries.

The recoverable amounts of goodwill have been estimated using value in use calculations and has been applied to the forecast cash generated from operations within the feedstock cash generating unit. Please refer to note 14 for details on the carrying value of goodwill.

Credit risk of Receivables in feedstock business

The carrying value of receivables is reviewed for impairment and expected timing of receipt at each reporting date. Please refer to note 8 for details of receivables, and a detailed discussion on the credit risk exposure of these receivables in Note 27. 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 assessing such recoverability, the following factors are taken into account;

- actual recovery of receivables to date,
- anticipated timing of future receipts, based on;
 - anticipated loan disbursement 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.

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 with an assumption that these volumes will be rolled forward, plus an estimate of sales volumes resulting directly from Biodiesel mandates, both within Malaysia and Internationally
- Forecast future commodity prices,
- ,Forecast future commodity prices,

The input costs of crude palm oil and Missions own feedstock source of Jatropha oil from its operations in India, and the expected yield of oil from the jatropha oil seeds collected.

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, with a 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.

Cash generating units are deemed to be the Malaysian operations, the Jatropha operations and the wind farm operations.

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.

No impairment loss has been provided for at 30 June 2009.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

Funding of expenditure commitments

The Board believe that the consolidated group has sufficient financial resources to meet its committed financial liabilities from funds raised in 2009.

Biological Asset

The fair value of the *Jatropha Curcas* saplings is determined by reference to independent market prices. Subsequent movements in the fair value of the *Jatropha Curcas* saplings are determined through operational reviews of the market prices.

Parent entity carrying value of investments and loans in subsidiaries

The impairment assessments of goodwill, receivables and property plant and equipment (discussed above) have been taken into account in assessing the carrying value of investments held by the parent entity. Accordingly the carrying value of investments in subsidiaries have been written down to the extent that the net assets of the parent are equal to the net assets of the group (refer note 28).

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
2. Sales Revenue					
- Sales of goods		43,368	9,403	-	175
- Change in fair value of biological assets		9,441	19,351	-	-
Total revenue		52,809	28,754	-	175
Other Income					
Dividend received		6	126	-	-
Interest received		387	1,914	40	872
Sundry income		1,975	282	-	-
Management fees from controlled entities		-	-	870	440
Other income		2,368	2,322	910	1,312
3. Expenses					
Profit (loss) for the year includes the following specific expenses					
3a) Cost of sales		44,421	8,222	-	176
Cost of growing the biological asset		1,605	2,742	-	-
Total		46,026	10,964	-	176
<i>3b) Other expenses:</i>					
Audit fees		204	96	100	25
Advertising		31	-	6	-
Computer maintenance & consumables		33	35	7	3
Communication expenses		316	163	34	17
Donations, ceremonies & exhibitions		2	93	2	-
Insurance costs		261	128	30	32
Legal fees		51	136	1	13
Loss on disposal of asset		2	40	-	-
Other		2,512	351	48	48
Total		3,412	1,042	228	138

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
3c) Finance Costs					
- External		3,244	2,968	2,586	2,505
- Amortization of Liability portion of Convertible Notes		1,750	1,829	1,750	1,829
- interest expense on financial liabilities measured at amortised cost		2,850	674	-	-
Total		7,844	5,471	4,336	4,334

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)

	Note	Consolidated		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
4. Income Tax Expense					
a. The components of tax expense comprise					
Current tax		64	243	-	-
Deferred tax	18	1,753	324	134	(137)
Over provision in respect of prior years		-	74	-	74
		1,817	641	134	(63)
b. The prima facie tax on the profit (loss) from ordinary activities before income tax is reconciled to the income tax as follows:					
Accounting profit (loss) before tax		(23,321)	5,588	(15,196)	(6,498)
Prima facie tax on profit/ (loss) from ordinary activities before income tax at 30%		(6,996)	1,676	(4,559)	(1,949)
Adjusted for:					
Tax effect of:					
- overseas tax rate differential		379	511	-	-
- non-deductible entertainment		-	1	-	1
- other non-assessable items		3,047	(1,742)	4,559	1,690
- share options expensed during year		-	-	-	-
- Deferred tax asset not recognised (tax losses)		1,753	121	134	121
		1,817	567	134	(137)
Add:					
Over provision for income tax in prior year		-	74	-	74
Income tax attributable to entity		1,817	641	134	(63)
The applicable weighted average effective current tax rates are as follows:		- ²⁰	11.5%	-	0%

²⁰ No effective tax rate calculated due to the loss position.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
5. Auditors' Remuneration				
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	64	42	64	42
Remuneration of other auditors of subsidiaries for:				
- auditing or reviewing the financial report of subsidiaries	83	71	-	-
			Consolidated	
			2009	2008
			\$'000	\$'000
6. Earnings per Share				
a. Reconciliation of earnings to profit or loss				
Profit/(Loss)		(25,138)		4,947
Profit/(Loss) attributable to minority equity interests		95		(90)
Earnings used in calculation of both ordinary and dilutive EPS		(25,043)		4,857
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		98,986,256		92,642,651
Effect of:				
- Performance Shares		44,384		14,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS		99,030,640		92,656,651

Diluted earnings per share exclude convertible notes and options that had an exercise price above the average market price during the period they existed.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
7. Cash and Cash Equivalents				
Cash at bank and in hand	15,524	4,316	12,862	1,449
Short-term bank deposits	723	20,417	-	937
	<u>16,247</u>	<u>24,733</u>	<u>12,862</u>	<u>2,386</u>

The effective interest rate on short-term bank deposits was 7.46%; these deposits have a weighted average maturity of 72 days (2008: 37 days).

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	16,247	24,733	12,862	2,386
	<u>16,247</u>	<u>24,733</u>	<u>12,862</u>	<u>2,386</u>

8. Trade and Other Receivables

CURRENT

Trade receivables	1,533	16,435	-	-
Less: Impairment provision	(361)	(1,185)	-	-
Other receivables	1,266	836	16	9
Amounts receivable from:				
- wholly-owned subsidiaries	-	-	496	1,651
- other related parties	-	26	-	-
TOTAL	<u>2,438</u>	<u>16,112</u>	<u>512</u>	<u>1,660</u>

NON – CURRENT

Trade receivables	23,976	1,482	-	-
Less: Impairment provision	(9,183)	-	-	-
Less: Discount charge	(3,219)	-	-	-
TOTAL	<u>11,574</u>	<u>1,482</u>	<u>-</u>	<u>-</u>

Impairment provision

Opening Balance:	1,185	-	-	-
Charge for the year	8,334	1,185	-	-
Foreign currency translation difference	25	-	-	-
Closing Balance	<u>9,544</u>	<u>1,185</u>	<u>-</u>	<u>-</u>

At financial year end, the Board reassessed the likely timing of recoverability of receivables and reallocated a material portion to non-current, attracting a discounting charge. The value of current receivables has been based on historical success rates of recovering receivables. Please refer to note 1, significant assumptions and estimates, and note 27 for a detailed discussion around credit risk, provisioning and age analysis of trade and other receivables.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

9. Biological Assets

Mission Biofuels India Pvt Ltd grows *Jatropha Curcas* saplings from seeds. The *Jatropha Curcas* saplings meet the definition of a biological asset and are carried on balance sheet at fair value, with fair value being determined with reference to the existing arms length sales transactions with a large number of geographically disbursed contract farmers, and other readily available market information on the fair value of these saplings. At 30 June 2009, Mission Biofuels India Pvt Ltd had an estimated 18,7 million (2008: 98,8 million) saplings on hand in its controlled nurseries, with an average age of 185 days old. The average life of saplings sold in the financial year was 51 days. During the 2009 financial year, the company harvested and sold approximately 176,2 million (2008: 178 million saplings).

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Opening Balance	7,096	-	-	-
Add: Increase in fair value due to new plantations	9,441	19,351	-	-
Less: Sale of saplings transferred to trade receivables	(14,569)	(12,351)	-	-
Less: Impairment of saplings	(1,475)	-	-	-
FX adjustments	846	96	-	-
Closing Balance	1,339	7,096	-	-

Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of *Jatropha Curcas* saplings. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and other risks

The Group's *Jatropha Curcas* nurseries are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular nursery health inspections and industry pest and disease surveys.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
10. Inventories				
CURRENT				
Raw Material and stores	1,676	1,612	-	-
Finished goods	2,024	946	-	-
Work in progress	504	261	-	-
	<u>4,204</u>	<u>2,819</u>	-	-

The above is shown at the lower of cost or net realisable value.

11. Other Financial Assets

CURRENT

Held to maturity financial assets	45	917	-	-
Performance bond	1,197	-	-	-
	<u>1,242</u>	<u>917</u>	-	-

NON-CURRENT

Other financial assets	147	-	-	-
Investment in unlisted subsidiaries – at cost less provision for impairment (Note 28)	-	-	90,457	95,590
	<u>147</u>	<u>-</u>	<u>90,457</u>	<u>95,590</u>

Held to maturity investments (zero interest) relate to investments in Mutual Funds which mature within 12 months.

Performance bond placed with a leading Malaysian bank for contract to supply biodiesel which earns a variable interest rate and matures in August 2009.

Investments in unlisted subsidiaries relate to investments in Mission Biotechnologies Sdn Bhd, Mission Biofuels Sdn Bhd, Indas Green Acquisition Corporation and Mission Agro Energy Limited.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)****12. Investments in subsidiaries****a. Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)*	
		2009	2008
<i>Parent Entity:</i>			
Mission NewEnergy Limited	Australia		
<i>Subsidiaries of Mission NewEnergy Limited:</i>			
Mission Biotechnologies Sdn Bhd	Malaysia	100	100
Mission Biofuels Sdn Bhd	Malaysia	100	100
Mission Agro Energy Limited	Mauritius	100	100
Indas Green Acquisition Corporation	Cayman Islands	73.2	73.2
<i>Subsidiaries of Mission Agro Energy Limited</i>			
Mission Biofuels India Private Ltd	India	99.17	99.17
b. Jointly controlled entities			
<i>Subsidiaries of Mission Biofuels India Private Ltd</i>			
Mission Agro Diesel (India) Private Limited	India	51	51

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)

13. Property, Plant and Equipment

	Land and Building	Office Equipment	Computer equipment & Software	Motor Vehicle	Plant and Equipment	Asset under Construction	Biodiesel Plant	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost at 1 July 2008	800	203	535	149	5,575	22,417	28,553	58,232
Additions	815	82	259	64	1	17,547	1,154	19,922
Foreign currency translation	10	4	23	10	293	826	2,705	3,871
Disposal	-	(4)	(11)	-	-	-	-	(15)
Cost at 30 June 2009	1,625	285	806	223	5,869	40,790	32,412	82,010
Accumulated depreciation								
Accumulated depreciation at 1 July 2008	8	37	93	35	99	-	496	768
Depreciation for the year	44	82	149	43	338	-	1,813	2,469
Foreign currency translation	(3)	(3)	(5)	-	(24)	-	(112)	(147)
Disposal	-	(1)	(3)	-	-	-	-	(4)
Accumulated depreciation at 30 June 2009	49	115	234	78	413	-	2,197	3,086
Net book value at 30 June 2009	1,576	170	572	145	5,456	40,790	30,215	78,924
Net book value at 30 June 2008	792	166	442	114	5,476	22,417	28,057	57,464

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)

13. Property, Plant and Equipment (Parent)

	Land and Building	Office Equipment	Computer equipment & Software	Motor Vehicle	Plant and Equipment	Asset under Construction	Biodiesel Plant	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost at 1 July 2008	-	52	33	-	-	-	541	626
Additions	-	-	6	-	-	-	-	6
Foreign currency translation	-	-	-	-	-	-	-	-
Disposal	-	(3)	-	-	-	-	-	(3)
Cost at 30 June 2009	-	49	39	-	-	-	541	629
Accumulated depreciation								
Accumulated depreciation at 1 July 2008	-	13	16	-	-	-	20	49
Depreciation for the year	-	6	11	-	-	-	27	44
Foreign currency translation	-	-	-	-	-	-	-	-
Disposal	-	(1)	-	-	-	-	-	(1)
Accumulated depreciation at 30 June 2009	-	18	27	-	-	-	47	92
Net book value at 30 June 2009	-	39	17	-	-	-	521	577
Net book value at 30 June 2008	-	31	12	-	-	-	494	537

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
14. Intangible Assets				
Goodwill				
Carrying amount at beginning of year	1,013	667	-	-
Additions	-	352	-	-
FX Adjustments	-	(6)	-	-
Carrying amount at end of year	1,013	1,013	-	-

Goodwill has been tested for impairment with no impairment required. Refer to Note 1, significant accounting estimates and judgements for further detail on the impairment assessment.

15. Other Assets

CURRENT

Prepayments	848	2,640	24	22
	848	2,640	24	22

NON-CURRENT

Security Deposits	-	11	-	-
	-	11	-	-

16. Trade and Other Payables

CURRENT

Unsecured liabilities

Trade payables	686	3,907	137	58
Sundry payables and accrued expenses	8,204	2,977	1,322	626
	8,890	6,884	1,459	684

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
17. Financial Liabilities				
CURRENT				
Unsecured loans	599	3,400	-	-
	599	3,400	-	-
NON-CURRENT				
Unsecured loans	3,718	3,895	-	-
Convertible Notes (unsecured)				
- Nominal value (excluding equity portion)	54,823	54,823	54,823	54,823
- Converted to equity	(3,531)	(3,531)	(3,531)	(3,531)
- Amortisation of liability portion	3,577	1,829	3,577	1,829
- Costs of issues	(2,023)	(2,023)	(2,023)	(2,023)
- Amortisation of issue costs	849	444	849	444
	57,413	55,437	53,695	51,542

50,000,000 convertible notes were issued on 25 May 2007 at \$1.30 per note.

Principal terms of the Notes are as follows:

- Final maturity date: 18 May 2012
- Conversion price: A\$1.30
- Interest rate: 4.00% per annum
- Convertible into ordinary shares at the option of the Holder or the Company in the circumstances set out in the Terms and Conditions of the Notes
- on the basis of 1 share for 1 convertible note

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
18. Tax				
a. Liabilities				
CURRENT				
Current Tax liability / (asset)	(54)	95	-	-
NON-CURRENT				
Deferred tax liability comprises:				
Unrealised FX gains	-	(158)	-	158
Accruals	-	(2)	-	2
Other	(1,891)	(462)	-	-
Total	(1,891)	(622)	-	160
b. Assets				
Deferred tax assets comprise:				
Provisions	-	144	-	144
Transaction costs included in equity	-	372	-	372
Other	-	(223)	-	(223)
	-	293	-	293
c. Reconciliations				
i. Gross Movements				
The overall movement in the deferred tax account is as follows:				
Opening balance	(329)	(5)	134	(3)
(Charge)/credit to income statement	(1,753)	(324)	(134)	137
Foreign currency translation difference	191	-	-	-
Closing balance	(1,891)	(329)	-	134
ii. Deferred Tax Liability				
The movement in deferred tax liability for each temporary difference during the year is as follows:				
<i>Tax allowances relating to unrealised FX gains:</i>				
Opening balance	(158)	(158)	(158)	(158)
Charged to the income statement	158	-	158	-
Closing balance	-	(158)	-	(158)
<i>Tax allowances relating to accruals:</i>				
Opening balance	(2)	(94)	(2)	(94)
Charged to the income statement	2	92	2	92
Closing balance	-	(2)	-	(2)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
18. Tax (Cont'd)				
Other				
Opening balance	(462)	(2)	-	-
Charge to the income statement	(1,620)	(460)	-	-
Foreign currency translation difference	191	-	-	-
Closing Balance	(1,891)	(462)	-	-
iii. Deferred tax assets				
The movement in deferred tax assets for each temporary difference during the year is as follows:				
<i>Provisions:</i>				
Opening balance	144	25	144	25
Charged to the income statement	(144)	119	(144)	119
Closing balance	-	144	-	144
<i>Transactions costs on equity issue:</i>				
Opening balance	372	372	372	372
(Charged)/Credited directly to equity	(372)	-	(372)	-
Closing balance	-	372	-	372
<i>Other</i>				
Opening balance	(223)	(148)	(222)	(147)
Charged/(Credited) to the income statement	223	(75)	222	(75)
Closing balance	-	(223)	-	(222)

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

19. Issued Capital

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
194,235,155 (2008: 94,221,155) fully paid ordinary shares	61,123	45,038	61,019	44,934

The Company has no maximum authorised share capital and shares have no par value.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	Number	Number	Number	Number
a. Ordinary shares				
At the beginning of reporting period	94,221,155	91,000,000	94,221,155	91,000,000
Shares issued from conversion of convertible notes				
- 17 July 2007	-	144,231	-	144,231
- 8 August 2007	-	1,538,462	-	1,538,462
- 31 May 2008	-	1,538,462	-	1,538,462
Shares issued on performance share conversion (10 November 2008)	14,000	-	14,000	-
Ordinary shares issued				
- 30 April 2009	7,000,000	-	7,000,000	-
- 17 June 2009	93,000,000	-	93,000,000	-
At reporting date	194,235,155	94,221,155	194,235,155	94,221,155

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

All ordinary shares issued in 2009 include a warrant (option). Each warrant entitles the holder to acquire one ordinary share of Mission NewEnergy at an exercise price of A\$0.30. The Warrants may not be exercised on a "cashless" or "net exercise" basis. In addition, a Warrant will not entitle the holder to participate in a new issue of ordinary shares or other securities of Mission NewEnergy unless the Warrant has been exercised. The expiration date for exercise of the Warrants will be 30 April 2014. However, if at any time on or after April 15, 2012 the immediately preceding 20-trading day volume weighted average price (as published by or derived from the Australian Securities Exchange) is at least A\$1.00, the Company may give written notice to each warrant holder that if such holder does not exercise its Warrants within 15 days from the date of such notice, then the Warrants would expire on that 15th day.

The Warrants will not be listed on any stock exchange

b. Options and Performance Shares

For information relating to the Mission NewEnergy Limited option and performance share plans, including details of options and performance shares issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 25 Share-based Payments

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

c. Capital Management

Management controls the capital of the group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital, performance shares, convertible notes and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

20. Reserves

a. Share based payments reserve

The share based payments reserve arose on the grant of 1,750,000 options and 2,700,000 performance shares to various officers of the Company. Refer to note 25 for details of the share based payments.

Amounts are transferred out of the reserve and into issued capital when the options are exercised, or if lapsed, then transferred to retained earnings.

b. Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

c. Convertible Notes Reserve

The Convertible Notes reserve is used to record the equity component, less the cost of issue, of the convertible notes.

21. Capital and Leasing Commitments

	Note	Consolidated		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
a. Operating Lease Commitments					
Operating leases contracted for but not reflected in the financial statements					
Payable – minimum lease payments					
- not later than 12 months		340	486	12	22
- between 12 months and 5 years		856	1,090	-	-
- greater than 5 years		3,369	2,989	-	-
		<u>4,565</u>	<u>4,565</u>	<u>12</u>	<u>22</u>

Kuantan Port Sub-Lease

Mission Biotechnologies Sdn Bhd has entered into a lease of 2 lots totalling 24,000 sq metres of land at Kuantan Port, Malaysia. The term of the sub-lease is from 1st March 2006 to 30th December 2027. Every 3 years, commencing 1st January 2007, the annual rental will be increased by 10%.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)

Mission Biofuels Sdn Bhd has entered into a lease of 2 lots totalling 24,000 sq metres of land at Kuantan Port, Malaysia for the 250,000 TPA plant. The term of the sub-lease is from 1st June 2007 to 31st December 2027. Every 3 years, commencing 1st January 2013, the annual rental will be increased by 10%.

Office lease – Perth

The office lease is for a term of 1 year from 3 March 2009.

Lease Commitments– India

Mission Biofuels India Pvt Ltd. has entered into cancellable lease agreements for the office premises, godown (warehouse), guest house, car and nurseries, renewable by mutual consent on mutually agreeable terms. The company has entered into 93 lease agreements throughout India. Lease terms range between 3 and 36 months.

b. Capital Expenditure Commitments

Capital expenditure commitments
contracted for: -

Acquisition and installation biodiesel
plants

13,425 7,993 - -

Other

28 579 - -

13,453 8,572 - -

Payable:

- not later than 12 months

13,453 8,572 - -

13,453 8,572 - -

22. 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 2009.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

23. Segment Reporting

	Biodiesel Refining (Malaysia)		Jatropha (India)		Power generation (India)		Unallocated		Consolidated (Continuing Operations)	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
a. PRIMARY REPORTING — BUSINESS SEGMENTS										
Revenue										
Revenue	42,894	9,040	9,418	19,348	497	192	-	174	52,809	28,754
Other revenue	2,151	854	177	592	-	-	40	876	2,368	2,322
Total segment revenue	45,045	9,894	9,595	19,940	497	192	40	1,050	55,177	31,076
Result										
Segment result	(7,482)	(202)	(9,469)	11,438	(395)	(80)	(5,975)	(5,568)	(23,321)	5,588
Profit/(Loss) attributable to minority equity interests									95	(90)
Profit/loss from ordinary activities before income tax									(23,226)	5,498
Income tax expense									(1,817)	(641)
Net profit/(loss)									(25,043)	4,857

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)

23. Segment Reporting (Cont'd)

	Biodiesel Refining (Malaysia)		Jatropha (India)		Power generation (India)		Unallocated		Consolidated (Continuing Operations)	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
a. PRIMARY REPORTING — BUSINESS SEGMENTS (CONT'D)										
Assets										
Segment assets	80,007	82,384	17,606	22,152	5,424	5,576	14,939	4,468	117,976	114,580
Segment liabilities	7,019	9,821	2,689	1,055	3,812	4,584	55,280	50,978	68,800	66,438
Other										
Acquisitions of property, plant and equipment	19,423	30,399	321	819	-	5,496	178	1,032	19,922	37,746
Depreciation and amortisation	1,920	482	485	30	-	51	44	616	2,449	1,179

Segment reporting accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Consolidated Group at an arm's length. These transfers are eliminated on consolidation.

Business and Geographical Segments

The Consolidated Group has three key business segments. The Biodiesel Refinery segment, the Jatropha business segment and the Power generation segment. The Consolidated Group's business segments are located in Malaysia, India and Mauritius (the Mauritian entity acts as a holding company for Mission Biofuels India Pvt Ltd, and as such no operational activities occur in Mauritius) with the Consolidated Group's head office located in Australia.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
24. Cash Flow Information				
a. Reconciliation of Cash Flow from Operations with Profit (loss) after Income Tax				
Profit / (Loss) after income tax	(25,138)	4,947	(15,330)	(6,435)
Non cash flows in profit / (loss)				
Depreciation of plant and equipment	2,469	782	44	35
Amortisation of Convertible Note Costs	404	396	404	397
Amortisation of Liability portion of Convertible Note	1,750	1,829	1,750	1,829
Provision for employee entitlements	22		22	
(Increase)/decrease in tax assets and liabilities	1,603	493	134	(62)
Impairment of Trade Receivables	8,333	1,185	-	-
Discounting of long term receivables	2,850			
Interest expense on financial assets measured at amortised cost	-	674	-	-
Impairment of assets	2,947	403	9,538	1,364
Share based payment expense	193	(125)	193	(125)
Management fee income	-	-	(870)	(440)
Net cash provided by / (used in) operating activities before change in assets and liabilities	(4,567)	10,584	(4,115)	(3,437)
Change in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
- (Increase) decrease in receivables	(7,610)	(18,888)	(9)	390
- (Increase) decrease in inventories	(2,351)	(2,744)	-	-
- (Increase) decrease in biological assets	4,906	(7,096)	-	-
- (Increase) decrease in other assets	2,749	(2,581)	-	3
- Increase (decrease) in creditors and accruals	(4,384)	4,177	(238)	323
Foreign Currency Adjustments	366	-	-	-
	(6,324)	(27,132)	(247)	716
Cash used in operations	(10,891)	(16,548)	(4,362)	(2,721)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000

24. Cash Flow Information (Cont'd)

b. Credit Standby Facilities with Banks

Credit facility	25,448	8,235	-	-
Amount utilised	(4,317)	(7,295)	-	-
	21,131	940	-	-

The loan facilities above include an approved and signed US\$17 million term loan which has been arranged to finance the remainder of the Group's 2nd Bio Diesel plant capital expenditure commitments. This loan had not yet been drawn down at 30 June 2009.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

25. Share-based Payments

Options

	Balance 1/7/2008	Expired	Options Exercised	New issue	Balance 30/6/2009	Total Vested 30/6/2009	Total Exercisable 30/6/2009	Grant date	Exercise price \$	Fair value at grant date (\$)
Directors										
Mr Dario Amara	1,000,000	(1,000,000)	-	-	-	-	-	31/3/2006	1.20	0.2441
Tan Sri Razak Ramli	750,000	(750,000)	-	-	-	-	-	24/1/2006	1.20	0.2441
Datuk Zain Yusuf	500,000	(500,000)	-	-	-	-	-	24/1/2006	1.20	0.2441
Executives										
James Garton	-	-	-	1,750,000	1,750,000	1,750,000	1,750,000	25/6/2009	0.17	0.0968 ²¹
Third party suppliers										
For services rendered in 2009 equity raising	-	-	-	731,492	731,492	365,746	731,492	19/6/09	1.00/1.20	0.06 ²²
TOTAL	2,250,000²³	(2,250,000)	-	2,481,492	2,481,492	2,115,746	2,115,746			

Refer to the Remuneration report for full details on key management personnel remuneration and benefits.

²¹ Share price on grant date was 18.5 cents, volatility and risk free rate used in valuation was 138.77% and 4.16% respectively, exercise price is \$0.17, option life is 2 years from grant date.

²² Share price on grant date was 16 cents, volatility and risk free rate used in valuation was 138.77% and 4.16% respectively, exercise price is \$1/\$1.2, option expires on 31/7/2011.

²³ All January 2009 options vested when the Company was admitted to the official list of ASX and expired on 31 January 2009. There were no service and performance criteria. All options were granted for nil consideration.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)

25. Share based payments contd.

Performance shares

	Balance 1/7/2008	New issue	Balance 30/6/2009	Total Vested 30/6/2009	Grant date	Fair value at grant date (\$)
Executives						
James Garton		1,500,000	1,500,000	-	25 June 2009	0.1387
Senior employees collectively						
	-	1,200,000	1,200,000	-	25 June 2009	0.1387
Total	-	2,700,000	2,700,000	-		

Performance criteria for performance shares

- 40% of the performance shares vest in equal tranches at 31/12/2009, 30/06/2010 and 31/12/2010 for service, and
- 60% of the performance shares vest in equal tranches on;
 - Positive Group cash generation from operations by 30 June 2010.
 - EPS of A\$0.06 by 30 June 2011, and
 - EPS of A\$0.15 by 30 June 2012.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

	Consolidated		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
26. Related Parties				
Transactions between related parties are on a normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
a. Other Related Parties				
Management fee charged to Mission Biotechnologies Sdn Bhd, a 100% owned subsidiary company	-	-	580	440
Management fee charged to Mission Biofuels Sdn Bhd, A 100% owned subsidiary company	-	-	290	-
Interest free Loans to or (from) Subsidiaries with no fixed term of repayment, but regular repayments are made.				
• Mission Biotechnologies Sdn Bhd	-	-	(1,048)	1,293
• Mission Biofuels Sdn Bhd	-	-	183	117
• Mission Agro Energy Ltd	-	-	312	63
b. Key Management Personnel				
Provision of services by Mr Arvind Bansal per an independent contractor agreement. The key terms of the agreement are:	163	130	163	120
• a term of 3 years, with Mission NewEnergy able to terminate the agreement prior to the expiration of the maximum term by giving 2 months notice and payment of a fee of 12 months retention;				
• rights of termination for cause are included for both parties;				
• total remuneration of \$250,000 per annum plus reimbursable expenses;				
• no provision for bonus payments; and				
• a cascading restraint for either 1 or 3 years commencing on the termination date of this agreement throughout South East Asia or Australia				
Short term unsecured, non-interest bearing working capital loan taken from Nathan Mahalingam	125	-	125	-
Short term unsecured, non-interest bearing working capital loan repayment to Nathan Mahalingam	(125)	-	(125)	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)

27. Financial Instruments

a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable, loans to and from subsidiaries and derivatives.

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

Fair value of financial instruments

	Consolidated		Parent	
	Carrying amount \$,'000	Fair Value \$,'000	Carrying amount \$,'000	Fair Value \$,'000
Financial assets				
Cash and cash equivalents	16,247	16,247	12,862	12,862
Other Financial Assets	1,242	1,242	-	-
Receivables (Current and non-current)	14,012	14,012	512	512
Financial liabilities				
Trade and other payables	8,890	8,890	1,459	1,459
Current loans	599	599	-	-
Non-current loans	57,413	60,037	53,695	56,319

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate deposits, fixed rate convertible note debt and floating rate debt. For further details on interest rate risk refer to Note 27(b). The group and parents main interest rate risk, being fair value interest rate risk, arises from the long term convertible note debt held by the parent.

Group sensitivity

At 30 June 2009, if interest rates had changed by +/- 25 basis points, with all other variables held constant, the following financial impacts would have been recorded by the group;

- Effect on post tax profit – A\$ Nil million lower/higher
- Equity would have been – A\$ Nil lower/higher
- The fair value of convertible notes – A\$ 0.4 million lower/higher

Parent sensitivity

At 30 June 2009, if interest rates had changed by +/- 25 basis points, with all other variables held constant, the following financial impacts would have been recorded by the parent;

- Effect on post tax profit – A\$ Nil lower/higher
- Equity would have been – A\$ Nil lower/higher
- The fair value of convertible notes – A 0.40 million lower/higher

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

27. Financial Instruments (Contd)

Foreign currency risk

The group operates internationally through a number of subsidiaries and is thus exposed to fluctuations in foreign currencies, arising from the foreign currencies held in its bank accounts, the sale of goods in currencies other than the group's measurement currency, and the translation of net investments in foreign operations. The foreign exchange exposures are primarily to the Indian Rupee, Malaysian Ringgit and the US dollar.

Foreign exchange risks arising from the sale of products are not hedged.

Foreign currency risks arising from commitments in foreign currencies are managed by holding cash in that currency. Foreign currency translation risk is not hedged, with translation differences being reflected in the foreign currency translation reserve.

Group sensitivity

At 30 June 2009, if foreign currencies had changed by +/- 10%, with all other variables held constant, the following financial impacts would have been recorded by the group;

- Effect on post tax profit – A\$ 1.0 million lower/ A\$1.2 higher
- Equity would have been – A\$ 1.0 million lower/ A\$1.2 higher

Parent sensitivity

At 30 June 2009, if foreign currencies had changed by +/- 10%, with all other variables held constant, the following financial impacts would have been recorded by the parent;

- Effect on post tax profit – A\$ 1.0 million lower/ A\$ 1.2 million higher
- Equity would have been – A\$ 1.0 lower/ A\$ 1.2 million higher

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash is maintained. Please refer to note 27b for a maturity analysis of the Group's financial instruments.

Credit risk

Credit risk arises from the sale of biodiesel, Jatropha Curcas saplings and cash held at period end.

Cash is only held in accredited banks and credit risk arising from the sale of biodiesel is managed through the use of Letter of Credits.

Credit risk arising from sales of Jatropha Curcas saplings is managed through the following approach:

- Sales of Jatropha Curcas saplings to contract farmers are concluded after a detailed review of the suitability of the contract farmer and the proposed land to be used for contract farming. The sale is concluded via a Demand Cum Delivery Note, which states that the balance owing is at call by Mission Biofuels India Pvt Ltd,
- A portfolio approach, where a large number of relatively low value sales (around AU\$220 per contract farmer, depending on the contract farming acreage) are made to a geographically disbursed series of contract farmers, Contract farmers are required to incur considerable expense to prepare the land, prior to delivery of saplings by Mission Biofuels India Pvt Ltd, and thus have significant incentive to ensure the crop is viable.
- Mission Biofuels India Pvt Ltd has entered into contract farming agreements with each farmer to purchase back the oil seeds produced by the Jatropha Curcas saplings sold to the farmers. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

27 Financial Instruments (Contd)

- Mission Biofuels India Pvt Ltd has in place memorandums of understanding with a number of leading financial institutions in India who have expressed a desire to loan monies directly to the contract farmers to fund their working capital requirements. Disbursement of these loans will assist the farmers in repaying monies owed to Mission Biofuels India Pvt Ltd.
 - 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,
 - Several financial institutions, who do not have memoranda of understanding with the Company, have also disbursed loans to the contract farmers of the Company based on the standardized scheme stipulated by NABARD,
 - Disbursement of these loans to the farmers will enable them to repay the amounts owed to the Company,

Despite the memoranda of understanding being signed with the Banks in Mid 2008, various logistical issues prevented the Banks from processing loan applications for the large volume of contract farmers. These issues ranged from insufficient loan application forms to working with contract farmers and the banks to obtain the required documentation and signatures necessary for loan disbursement. The Board is confident that these logistical issues are now largely resolved.

Loans to the farmers started being disbursed from December 2008, and despite still low in quantity and quantum, are increasing exponentially. The Board believes that due to the extensive effort put in by banks and Mission staff, loans will be disbursed to farmers in due course.

As the likelihood of default is directly linked to the existence and productivity of the saplings generating oil seeds, a review of the existence and condition of the saplings is required. In order to meet the timeframes around financial year end reporting a review of the status and condition of sapling fields was undertaken at the end of the dry season, before the onset of monsoon rains. As a key attribute of the Jatropha saplings is to drop its leaves and limit growth in order to survive in dry times, the review was inconclusive as to the condition and status of the plantations. Accordingly the Board has revised its assessment of recoverability of receivables from the sale of saplings based on the outcome of the internal review of sapling mortality.

Despite the fact that outstanding receivables are secured against the contracted future supply of oil seeds, thus the risk of not recovering the receivable is low, the Board has increased the provision for bad debts to A\$9.18 million (A\$1.2 million at 30 June 2008) and classified the majority of these receivables as non-current. Refer to note 8 for details of this provision.

Second Biodiesel plant guarantee

The parent entity has provided a corporate guarantee to the contractor of the second Biodiesel plant in place of the standard letter of credit originally placed at construction commencement.

Commodity Risk

The group is exposed to market prices of input costs into the production of biodiesel. The key raw material currently being used to manufacture biodiesel is crude palm oil. This risk is managed by negotiating 'cost plus a margin' sales contracts which minimises the groups exposure to variations in this key input cost.

Group sensitivity

At 30 June 2009, if the price of crude palm oil had changed by +/- 10%, with all other variables held constant, the following financial impacts would have been recorded by the group;

- Effect on post tax profit – A\$ Nil lower/higher
- Equity would have been – A\$ Nil lower/higher

Parent sensitivity

At 30 June 2009, the parent entity is not exposed to commodity price risk.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

27. Financial Instruments (cont'd)

b Interest Rate Risk

The Consolidated Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities, is as follows:

Notes	Floating Interest Rate		Fixed Interest Rate				Non-Interest Bearing		Total		Weighted Average Interest Rate			
	Within 1 Year		Within 1 Year		1 to 5 years		Over 5 years		2009	2008	2009	2008		
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 %	2008 %		
Financial Assets:														
Cash and cash equivalents	7	16,247	24,733	-	-	-	-	-	-	-	16,247	24,733	-	-
Held to Maturity investments	11	1,242	917	-	-	-	-	-	-	-	1,242	917	0.1	4.03
Receivables	8	-	-	-	-	-	-	-	14,012	17,594	14,012	17,594	-	-
		17,489	25,650	-	-	-	-	-	14,012	17,594	31,501	43,244		
Financial Liabilities:														
Trade and other payables	16	-	-	-	-	-	-	-	8,890	6,884	8,890	6,884	-	-
Current debt	17	599	3,400	-	-	-	-	-	-	-	599	3,400	11.75	4.25
Non-current debt	17	-	-	-	56,651	51,645	762	1,963	-	-	57,413	53,608	4.23	4.0
		599	3,400	-	-	56,651	51,645	762	1,963	8,890	6,884	66,902	63,892	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

28. Impairment of loans and investments

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Non-Current asset held for sale	161	161	-	-
Investment in subsidiaries	-	-	101,037	96,954
Loans , receivables and advances to jointly controlled entity/subsidiary	242	242	322	-
Less: Provision for impairment	(403)	(403)	(10,902)	(1,364)
Carrying value	-	-	90,457	95,590

Non-current assets held for sale

On 2 May 2008 the Board resolved to sell Mission Agro Diesel (India) Pvt Ltd (MADIPL). Subsequently the Board has exercised an option to sell the groups shareholding in MADIPL to the remaining shareholders. However, as no firm outcome on the sale has been achieved, the Board considered it prudent for the group to fully provide for the carrying value of the investment.

Investment in subsidiaries

Details of investments in subsidiaries are disclosed in note 12. The increase in the strength of the Australian Dollar against the Malaysian Ringett and the Indian Rupee from the date of investment to the 30 June 2009 has resulted in the net assets of the Parent entity being greater than the net assets of the Consolidated Group. The Board has deemed it prudent to provide for this difference, being A\$10.902 million. This provision for impairment has no impact on the cash position of the Parent or the Group.

29. Subsequent events

During August 2009, the Group drew down US\$4.3 million from the approved term loan it has available, in order to make payment for the engineering completion phase of the 2nd 250,000 tpa biodiesel plant currently under construction.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

29. Prior period error

In May 2007 the Group raised finance in the form of a Convertible note. The accounting standards require the disclosure of this debt/equity instrument to be separately disclosed to reflect the option available to the note holders to convert the note to equity. This was done at inception by reflecting a portion of the convertible note debt in equity (reflected in reserves under the heading "Convertible notes reserve").

In the current reporting period it has been determined that the liability portion (reflected in Long term liabilities) should be measured at amortised cost, which requires the value of the liability to be increased, over time, to reflect the expected nominal value of the debt on maturity.

Accordingly, the prior period's results have been restated to reflect the impact of these adjustments. This accounting adjustment has no impact on the cash flows of the group.

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)**

The net impact of the adjustment is as follows:

	Consolidated Group			Parent Entity		
	30 June 2008 (as previously reported)	Adjustment	Revised 30 June 2008	30 June 2008 (as previously reported)	Adjustment	Revised 30 June 2008
Income Statement						
EBITDA	12,641	-	12,641	(368)	-	(368)
Interest expense	(3,642)	(1,829)	(5,471)	(2,505)	(1,829)	(4,334)
Net Profit attributable to members of the Parent entity	6,686	(1,829)	4,857	(4,606)	(1,829)	(6,435)
Balance Sheet						
Convertible notes	53,608	1,829	55,437	49,713	1,829	51,542

Mission New Energy Limited and Controlled Entities

(ABN 63 117 065 719)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Cont'd)

30. Company Details

The registered office of the company is:

Mission NewEnergy Limited

Tempo Offices

Unit B9, 431 Roberts Road

Subiaco, WA 6008, Australia

The principal places of business are:

Mission New Energy Limited

Head Office

Unit 217, 396 Scarborough Beach Road

Osborne Park, WA 6017, Australia

Mission Biotechnologies Sdn Bhd

C-26-05, Dataran 32

No. 2, Jalan 19/1

46300 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Mission Biofuels Sdn Bhd

C-26-05, Dataran 32

No. 2, Jalan 19/1

46300 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Mission Agro Energy Limited

2nd Floor, Fairfax House

21, Mgr Gonin Street

Port Louis

Republic of Mauritius

Mission Biofuels (India) Pvt Ltd

608 Powai Plaza,

Hiranandani Business Park

Powai, Mumbai - 400076,

India

Mission Agro Diesel (India) Pvt Ltd

608 Powai Plaza,

Hiranandani Business Park

Powai, Mumbai - 400076,

India

Mission NewEnergy Limited and Controlled Entities

(ABN 63 117 065 719)

DIRECTORS' DECLARATION

Mission NewEnergy Limited and Controlled Entities

(ABN 63 117 065 719)

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 22 to 67, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and Consolidated Group;
2. the Managing Director and Finance Director/Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. The financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. The financial statements and notes for the financial year give a true and fair view;
3. in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Nathan Mahalingam
Managing Director

Dated: 25 August 2009

10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

**Independent Auditor's Report
To the Members of Mission New Energy Limited**

Report on the Financial Report

We have audited the accompanying financial report of Mission New Energy Limited (the Company) which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the

Grant Thornton (WA) Partnership ABN 17 735 344 518, a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation.

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we complied with applicable independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Mission New Energy Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding the carrying value of biodiesel plants

Without qualification to our opinion above, we draw attention to the critical accounting estimates and judgements set out in Note 1 to the financial report including the assumptions made regarding sales volumes from current contracts and from Biodiesel mandates, both within Malaysia and internationally, sale prices and costs of inputs. The recoverability of the carrying value of the biodiesel plants aggregating \$73.202 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 our opinion above, we draw attention to Notes 1 and 27 to the financial report regarding the credit risks associated with the receivables aggregating \$11.574 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 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.

Significant uncertainty regarding the carrying value of the Parent Entity's investments and loans in subsidiaries

Without qualification to our opinion above, we draw attention to Note 1 to the financial report regarding the existence of the above uncertainties regarding the future profits and cash flows of the subsidiaries casting significant doubt on the recoverability of the parent company's investment and loans advanced to subsidiaries which aggregate to \$90.457 million in value at 30 June 2009.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Mission New Energy Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants



M J Hillgrove
Partner

Perth, 25 August 2009