Mission Biofuels Limited ABN 117 065 719

Trees produce a range of oils for use in food, therapeutics, medicines, cosmetics and biodiesel.

Trees produce oxygen and remove Carbon Dioxide from our atmosphere reducing the green house effect.

The roots of a tree filter and remove pollutants to protect the quality of water.

Trees shade our homes reducing the use of air conditioners.

The largest living organisms on earth are trees.

Trees reduce surrounding air temperature by evaporating water in their leaves.

There are hundreds of unidentified 'Moon Trees' grown from seeds that orbited the Moon 34 times.

Trees provide shelter, water and food for endangered animals of the world.

CONTENTS

The oil Palm produces two different oils; Palm oil from the fruit flesh and Palm kernel oil from the seeds.

Oil Palm

MISSION BIOFUELS LIMITED

ONE MISSION | ONE FUEL | BIO FUEL

Vision

Our vision is to be an integrated world-class producer of sustainable biofuels.

Mission

We will deliver superior value to our stakeholders by producing biofuels with best-of-breed technology, best-in-class people and sustainable feedstock.

Our core values... the T.I.E.S. that bind us

Teamwork

We trust, respect and support each other to achieve corporate objectives without self-interest.

Integrity

We are committed to act in an ethical, honest, fair and transparent manner.

Entrepreneurial

We encourage calculated risk taking, over-delivering, a bias for action and creating win-win relationships.

Socially Responsible

We have an over-riding commitment to safety, community development and the environment.

COMPANY PROFILE

Mission Biofuels Limited is an integrated producer of Biodiesel.

Our first facility is a 100,000 tpa biodiesel refinery located at Kuantan Port in Malaysia. Commissioning of the refinery commenced in September 2007. Using Crude Palm Oil as its primary feedstock, the plant also produces 4000 tpa of Palm Fatty Acid Distillate and 10,000 tpa of 99.7% pure Pharmaceutical grade Glycerine.

Mission Biofuels has recently commenced construction of its second biodiesel facility adjacent to the first facility at Kuantan Port. This second facility, when completed and commissioned in August 2008, will produce 250,000 tpa of biodiesel, 10,000 tpa of Palm Fatty Acid Distillate and 25,000 tonnes of 98% pure technical grade Glycerine, making Mission Biofuels one of the largest biodiesel producers in the region.

Mission Biofuels is also growing its own feedstock. It currently has access to more than 100,000 acres of land planted with Jatropha Curcas, which produces an inedible oil that is very suitable for use in biodiesel production.

Jatropha is a multi purpose crop that can alleviate deforestation, restore wastelands and degraded soil and produce biofuel. One hectare of Jatropha plants will reduce 20 tonnes per year of carbon dioxide for up to 40 years.

Jatropha Curcas

CHAIRMAN'S OVERVIEW

Your Board is committed to making Mission a World Class Company

Dear valued shareholders,

On behalf of the Board of Directors, I am delighted to present Mission Biofuels' annual report for 2007.

The company made significant progress during the course of the year in implementing its business plan. The managing director, Nathan Mahalingam and his team have also been very busy in developing and shaping the company to meet its transformation from a project company to an operational one.

The staffing levels of the company also gradually grew through the year in line with the company's execution of its projects. Commencing with about 15 employees at the beginning of the year, the company now employs close to 170 people throughout its operations in Perth, Malaysia, India and China.

During the year the management team was also strengthened with several key appointments. The managing director also initiated the holding of Quarterly Strategic Business Review Meetings among the key senior executives of the company. I had the privilege of delivering the opening address at the first meeting held in February 2007. One of the key outcomes of this first meeting was the development of the company's Vision and Mission statement, which now features at the front of this report.

Financial Performance

I am pleased to report that the financial results achieved by the company are in line with our IPO prospectus forecast.

Although the net loss for the period under review was marginally higher than forecasted, the cumulative net loss position to-date was almost 40% lower than the cumulative net loss forecasted in our IPO prospectus.

The result is particularly pleasing and is testimony of the prudent financial management of the company by its senior management.

During the year, the company also took advantage of the investment community's interest in our business and raised a further A$65 million through the issue of 5 year, 4% Convertible Notes to institutional investors. The Note issue was oversubscribed and several leading institutions such as Credit Suisse Securities Europe, QVT Fund Limited and D.E. Shaw participated together with existing institutional shareholders, Tiger Global, Tudor Capital, Emerging Sovereign Fund and Rabobank. The company has allocated A$43 million towards construction of a 250,000 tonnes per annum biodiesel refinery at an adjacent project site in Kuantan Port and the balance of A$20 million (after expenses and costs) will be used to fast-track the Jatropha Curcas project.

As at 30 June 2007, the company had cash reserves of approximately A$79 million, putting it in a strong position to meet all its financial obligations.

Dividends

The directors have not recommended a dividend for the period under review as the operations are still in a start up mode. This is in line with the IPO prospectus.

Governance

As Chairman of the company I am pleased to say that your Board of Directors and the two sub-committees have been working extremely hard on your behalf. As a group they work cohesively and their varied backgrounds provides for lively discussions, ensuring that the right outcomes for the company are achieved.

Although we are only a relatively young company I am proud to say that Mission Biofuels complies with the ASX Principles of Good Corporate Governance and Best Practices Recommendations.

During the course of the coming year and in concert with the board and executive management I will be ensuring that succession planning, internal audit and controls and the organisational architecture is commensurate with the business' strategic aspirations. In addition, I will be reviewing board performance along the lines of established best practice criteria.

Your board is committed to making Mission a world class company.

In closing, I would like to thank my fellow directors for their guidance and support and to the many new employees for their dedication and commitment in carrying out their tasks diligently. Last but not least, I would like to thank our valued shareholders and business partners for their support and I confidently look forward to an exciting year ahead for the company.

Yours sincerely,

Dario Amara
Chairman

The olive tree has produced oils and food long before the written language was invented. The olive branch is a recognised symbol of peace.

Olive Tree

HIGHLIGHTS

Raised $65 million through a convertible note issue to institutional investors

100,000 tpa Biodiesel Plant

- Kuantan Port operator advises new berth adjacent to Mission site will be completed by early 2007.
- Piling commences mid July 2006.
- First concrete pour on 25 August 2006.
- Process building site handed over to Crown 6 October 2006.
- Crown commences delivery of process equipment on 30 November 2006.
- Process Plant 'tops-off' in March 2007.
- Construction of the biodiesel refinery is complete in August 2007.

250,000 tpa Biodiesel Plant

- 29 June 2006 Malaysian Government approves 100% Pioneer Tax Status.
- Capex for plant only 1.7 times first plant yet has 2.5 times the capacity.
- Mission awards RM 122 million Turnkey Construction Contract to KNM Process Systems Sdn Bhd, on 24 July 2007, to build plant using AXENS 2nd generation transesterification technology.
- Site filled and compacted at the end of August 2007, ready for piling and foundation work.

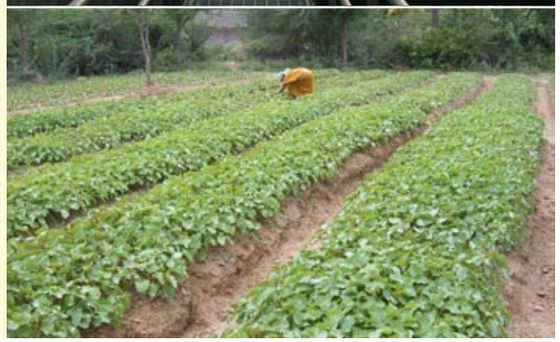
Feedstock Projects

- Feasibility study undertaken by the Energy and Resources Institute of India proves that Jatropha, a non-edible oil crop that can be grown in poor soil at low cost, is commercially feasible as an alternative to Crude Palm Oil.
- Acquired 70% interest in Mission Biofuels India Private Limited (MBIPL)
- MBIPL acquired a 51% interest in Agro Diesel India Private Ltd (ADIPL). ADIPL had more than 17,000 acres of land already planted with Jatropha through contract farming arrangements with more than 5,000 farmers in the states of Maharashtra and Karnataka. ADIPL also operates 2 Jatropha nurseries.
- MBIPL entered into a definitive Contract Farming Agreement with Kalanjium Thozhilagam Ltd (KTL) an organisation owned by primary producers and an affiliate of the DHAN Foundation. KTL will undertake large scale Jatropha cultivation in the state of Tamil Nadu, initially over 25,000 acres and then up to 50,000 acres each year over the next three years. KTL will exclusively supply, over a long term, all the produce of Jatropha seeds to MBIPL on agreed pricing and purchase terms.

- MBIPL has an umbrella collaboration agreement with The Energy and Resources Institute of India covering such issues as: advanced R&D on Jatropha; hi-tech nursery establishment; improvements in agronomy practices; and increases in yields of Jatropha.
- MBIPL signed an agreement with the Centre of Excellence in Biofuels, Tamil Nadu Agricultural University in India that will provide MBIPL with: top quality planting material for MBIPL's nurseries; techniques to improve oil yield per acre; and the development of crop disease protection measures.
- MBIPL signed an agreement with an Indian district controlled entity granting it exclusive, long term access to Jatropha seeds from over 25,000 acres of already planted lands as well as access to additional land in the district that will be planted with Jatropha over the next three years.

China

Mission signed an MoU for a joint venture production contract with East River Resources and Science Technology (Zhejiang) Ltd (ER). Mission will provide feedstock to ER who will convert the feedstock into biodiesel at a fixed processing cost for Mission. The biodiesel will then be sold by Mission into the Chinese biodiesel market.



Cottonseed oil is produced as a by-product of the cotton plant after the lint is removed.

Cotton Plant

'The tree of a thousand uses' is a source of meat, juice, milk and oil. The oil is used for medicine and cosmetic products whilst the husk and shells are used for fuel and as a source for charcoal.

Coconut Palm

MANAGING DIRECTOR'S REPORT

We would like to believe that at Mission, we see the forest and the trees.

Dear fellow shareholders,

The key ingredient in our business is the oil from various plants and trees that can be converted into Biodiesel. The concept of using plant oils as an engine fuel was first mooted by the inventor of the diesel engine himself, Sir Rudolf Diesel, when he revealed the first diesel engine at the World Exhibition in Paris in 1900. It ran on peanut oil, much to the astonishment of scientists and engineers. Even at that time, he had decreed...

"The use of vegetable oils for engine fuels may seem insignificant today. But such oils may become, in the course of time, as important as the petroleum and coal tar products of the present time..."

In this year's annual report, we celebrate and pay tribute to the various plants and trees that produce oil. Throughout this annual report, we showcase many such trees and plants. We hope you find the information provided interesting.

Some see the forest ... Some see the trees. We would like to believe that at Mission, we see the forest and the trees. The forest represents our overall strategy – the big picture; while the trees are the specific action plans we design and implement for each facet of our business.

The year under review

The year 2007 has been one where we focused on execution of our business plan - more specifically, on the construction of our first 100,000 tonnes per annum biodiesel refinery at Kuantan Port in Malaysia.

The construction of the plant, which started in June 2006, progressed at a feverish pace. As we write this report, the plant has been completed and is undergoing commissioning. The project is on schedule and on budget and is to be officially opened by the Deputy Prime Minister of Malaysia, Datuk Seri Dr Najib Tun Abdul Razak later this year.

However, the year has also been an eventful one on other fronts.

As proposed in our IPO prospectus and having successfully completed a feasibility study, the Group made its first foray into the upstream feedstock business, through a 51% acquisition of Agro Diesel India Pvt Limited (now known as Mission Agro Diesel India Pvt Ltd) by the company's subsidiary Mission Biofuels India Pvt Ltd ("MBIPL"). This gave us immediate access to 22,000 acres of Jatropha Curcas – one of the inedible oil seeds. The Group also retained the expertise of Agro Diesel's previous owners and staff who have been instrumental in enhancing our learning in the business as well as facilitating the quick roll out of additional plantation acreage within a short period. The Group set a target of having 100,000 acres of land planted this calendar year. We are glad to inform you that this target will be achieved. The Group also has set a target to have Jatropha contributing to 30% of our feedstock mix in our first year of production to 30 June 2008.

We were also pleased when MBIPL was shortlisted for the 2007 British Renewable Energy Awards. We did not win the award, but being shortlisted to the final 9 companies from a total nomination list of 130 companies is, in our view, a remarkable achievement for such a young organisation. Our congratulations to the Jatropha team under the leadership of CEO, Ashish Swarup for putting us on the world map.

Business Review

Refinery business

The first refinery which should be in production by the time you read this will have the capacity to produce 100,000 tpa of biodiesel as well as 2 valuable by products – 10,000 tpa of 99.7% purified Pharma grade Glycerine and 4,000 tpa of Palm Fatty Acid Distillate (PFAD). The primary feedstock used will be Crude Palm Oil (CPO).

During the first year of production, we are budgeting production volumes to be approximately 73,000 tonnes of Biodiesel, 7,000 tonnes of Glycerine and 3,000 tonnes of PFAD, given that we will be in production effectively for only 9 months.

Feedstock Business

The Company has established a strong presence in India where it is involved in the large scale cultivation of Jatropha Curcas, an inedible oil crop which produces oil that is suitable for biodiesel production.

Within 6 months, the Jatropha acreage has grown from the initial 22,000 acres to almost 66,000. These plants are in various stages of maturity and will commence to produce seeds in the last quarter of 2007, albeit in small quantities initially.

The Group's target is to achieve an acreage of 100,000 acres during the 2007 calendar year and 250,000 acres by 2010. To support this objective, the Group has established several nurseries where Jatropha Curcas saplings are grown and supplied to our partner farmers.

In addition to this, we have also developed a Jatropha seeds procurement business in India where we secure seeds from third party farmers who grow Jatropha Curcus.

Markets

The markets for the company's products continue to grow. During the year, many countries announced impending legislation for the compulsory use of biodiesel within their territories:-

- Germany mandated the use of a 5% biodiesel blend
- The EU continued to promote its objective to meet a 5.75% mandatory blending target by 2010. Many countries within the EU such as Spain, Portugal, Sweden and several other East European countries announced their plans to achieve this target
- The EU is also proposing to increase this 2010 target of 5.75% to 10%. If agreed, this will effectively double the market size for biodiesel from approximately 10 million tonnes to 20 million tonnes.
- The UK will introduce a Road Transport Fuel Obligation (RTFO) which will see Biodiesel being blended to Petroleum diesel gradually from 1 April 2008 to achieve the 2010 target.
- Several states in the US began mandating the use of Biodiesel. So far, 8 states have mandated a blend and many more are expected to follow suit. The Federal Government is also said to be contemplating a national mandate. The US consumes a total of approximately 160 million tonnes of diesel for road transport use per annum. A 10% mandated biodiesel blend will see demand being cemented at approximately 16 million tonnes per annum.
- Several South American countries announced mandates for the first time. Besides Brazil, where Biofuels is an established industry, Argentina and Columbia both announced aggressive mandate targets of up to 20%.
- The drive to reduce Greenhouse Gas emissions has also reached Africa and Asia. Not wanting to be left out, several African countries have voiced strong support for using biodiesel. In Asia, India confirmed its existing Must-buy policy and to work towards a 20% blend target by 2015. Thailand, Philippines, Malaysia, Taiwan and Korea all announced enactment of laws to make use of biodiesel compulsory, while China and Japan are contemplating an announcement soon.

We estimate conservatively that by 2010, world demand for biodiesel will exceed 30 million tonnes. While many new plants are being built all around the world, we anticipate supply to be restricted due to a shortage of feedstock. Many of the new production facilities are stand-alone businesses without being integrated to feedstock production. Hence, we believe that a healthy market for the company's products will exist and being an integrated player, Mission will be well placed competitively.

Prices for biodiesel have come under pressure for most of the year, especially in Europe. This has come about due to loopholes in the existing blending tax credit system in the USA. Traders have been exploiting the tax loopholes. By utilising a tax credit in the US and then dumping US produced and imported biodiesel into Europe. There have even been instances of EU produced biodiesel being sent to the US and immediately being shipped back to Europe in a trade that has become known as "touch-n-go" or "splash & dash". In doing so, the traders use the blenders tax credit from the US government and even after covering "to-n-fro" freight charges, make a decent margin selling the product into Europe at discounted prices.

There has been a huge outcry from the European producers who are already battling high feedstock costs at home and the US government is moving swiftly to put a stop to this practice by threatening that new legislation to outlaw this type of trade will be enacted soon and will be made retrospective to 2005. This has instilled fear in many traders and it is reported that such trade has slowed down leading to a recovery of biodiesel prices in Europe.

Prices in the US however have been fairly stable and in line with movements in Crude oil prices which have remained fairly high during the period.

Raw Material Prices

CPO and Methanol continue to be the Group's primary feedstock and raw material respectively. Feedstock costs are, of course, the driver of the business as they account for almost 85% of the cost of goods sold.

During the year, the price of our primary feedstock, CPO increased sharply from an average of RM1,450 in July 2006 to RM2,610 in June 2007, fuelled by speculation of anticipated demand increases of CPO for food use from the burgeoning economies of China and India and from its relatively new-found use as feedstock for Biodiesel.

Industry observers however believe that CPO prices will stabilise soon at around the RM2,200 to RM2,400 levels as at current prices the anticipated demand from biodiesel sector will not eventuate. CPO is expected to trend even lower in 2008 as production from new large scale plantations in Malaysia, Indonesia and Papua New Guinea comes into the market.

Methanol prices remain fairly stable between US$270 to US$300 per tonne.

The roots of floating rafts of hydroponically grown Sunflower plants were able to extract radioactivity in the water caused by the 1986 Chernobyl nuclear power plant disaster.

Sunflower

Growing our Business

Refinery

The Group commenced the work on its second refinery in June 2007. Located adjacent to its first refinery, the second plant will have a production capacity of 250,000 tpa of biodiesel, 23,000 tpa of glycerine and 10,000 tpa of PFAD.

The plant will use the latest second generation trans-esterification technology developed by Axens, a subsidiary of the French institute of Petroleum. We expect the plant to commence production by the end of August 2008.

The company is reviewing refinery opportunities in India and elsewhere. The objective of the company is to grow its refinery capacity in tandem with its feedstock business to ensure ample supply of low cost, homogenous feedstock. Several acquisition opportunities have also presented themselves on the horizon and the company will review them carefully.

Feedstock business

This is an area of tremendous importance and potential for the company. As intimated, the company expects to expand the acreage under Jatropha Curcas quickly. Initial evaluations indicate that with careful planning and execution, we may be able to significantly increase our initial targets of acreage of Jatropha Curcas. This however is still under planning and will be announced once finalised.

Expansion into China

The Group entered into a Memorandum of Understanding with a Chinese Biodiesel producer near Shanghai to establish a joint venture production arrangement. Mission will supply the feedstock to East River Energy Resources and Science Technology (Zhejiang) Ltd (ER) to refine into Biodiesel under a tolling arrangement and then sell the biodiesel under an off-take agreement to a Petrochina subsidiary.

The Group made its first test shipment to ER during the year which will be followed by gradually increased quantities of feedstock to be shipped to ER, which has allocated 50% of its 50,000 tpa capacity to Mission.

The Company views this as a low cost and low risk strategy to enter and establish its presence in the Chinese market. The Chinese Government has developed a draft biodiesel standard and the Company is confident that a biodiesel mandate will be implemented soon.

The Company is also exploring other joint venture possibilities in both refinery and feedstock businesses in China.

Outlook for 2008

While the increase in CPO prices will put a squeeze on anticipated Biodiesel margins, the company is proposing to use a 30% Jatropha feedstock mix in its first year of operations to 30 June 2008 to offset part of the impact of the CPO price increase. Several other factors have moved favourably for the company:-

- The selling prices for our by-products, glycerine and PFAD almost doubling over the same period
- A 7% increase in the Euro/RM exchange rate from the rate used in our prospectus
- Implementation of several in-house strategic initiatives and action plans to curtail costs and broaden/increase the income base of the company

Into the Future

Building a sustainable business

The two main imperatives driving our business are energy security and climate change. However, in helping to address these issues, we must ensure that we do it sustainably.

Mission is a member of the Roundtable on Sustainable Palm Oil (RSPO) and fully supports the development of the RSPO's sustainability criteria. The RSPO is an international organisation established with the aim of promoting the growth and use of sustainable palm oil, based on economic, social and environmental viability. The RSPO is developing sustainability criteria for the palm oil industry. It is Mission's policy to purchase its palm oil feedstock requirement only from members of the RSPO. Mission's primary supplier, Cargill is also a member of the RSPO.

Mission's move to grow its own inedible feedstock is another step in this direction.

Expansion Plans

The company will pursue its strategy of growing its refinery and feedstock business in tandem with one another. The company has a strong balance sheet which positions us well in the event some attractive cash flow positive acquisitions come by. We are in a growth industry and therefore we will grow accordingly but not at the expense of our balance sheet.

Exploiting opportunities along the value chain

It is also our strategy to pursue opportunities along the biodiesel value chain. Having an integrated business with upstream and downstream activities will assist us to reduce exposure to market risks and strengthen our capability to complete globally.

While our production facilities are located where feedstock is available, we are keen to pursue downstream opportunities in storage, blending and distribution closer to our markets. This will enable us to service our customers more effectively and capture additional margins further down the value chain.

The Feedstock business is also providing us with many opportunities. We have been invited by several public and private organisations in several other geographical locations to explore the development of Jatropha Curcas in their countries. The company is reviewing these opportunities.

There are also opportunities in developing additional income streams within our existing feedstock business and the company is actively reviewing these as well.

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

Yours sincerely

Nathan Mahalingam
Managing Director

Soybean Oil is blended with pigments, resins and waxes to produce printing ink 'Soy Ink'. Soy Ink is environmentally friendly in comparison to petroleum-based inks.

Soybean

EXECUTIVE MANAGEMENT TEAM

Mr. Parantaman Ramasamy (Mike)

Commercial Director (Mission Biotechnologies Sdn Bhd)

Mike graduated with an honours degree in economics from the University of Malaya, Kuala Lumpur, in 1980.

In 1981 he joined a listed multi-national company where he worked for a period of 17 years. During his tenure he held numerous managerial roles primarily in marketing and sales.

Mike then started his own Consultancy and Corporate Advisory services firm, this business focused on advising both local and foreign companies starting business in Malaysia, where he provided guidance on such issues as: tax structures; licensing; company incorporation and expatriate work visas.

Mr. Tamil Venthan (Venthan)

Operations Director (Mission Biotechnologies Sdn Bhd)

Venthan holds a B. Sc (Hons) degree from the University of Malaya, Malaysia. He majored in Chemistry with minors in Biochemistry and Genetics. He has over 12 years of experience in various managerial positions in UMW Toyota Motor Sdn Bhd and whilst at Toyota Motor Corporation he worked on improving systems and operations in the areas of inventory, customer service and sales planning. Venthan is trained in problem solving and Toyota Management Processes. He also served as the Marketing Manager for Citroen in Malaysia. He has spent the last five years helping new businesses in successful planning and implementation of their corporate goals.

Mr. Ashish Swarup

Chief Executive Officer, (Mission Biofuels India PVT Ltd)

Ashish is an Agricultural Engineering Graduate from the Rajasthan Agriculture University and has a postgraduate diploma in management with specialisation in Agriculture from the coveted Indian Institute of Management at Ahmedabad, India.

Ashish spent two years at Wipro Consumer Products, one of India's leading FMCG companies. During this time, Ashish successfully completed several notable assignments in rural marketing.

In 1994, Ashish joined ITC ZENECA, a hybrid seed company where he was involved in the selling of hybrid seeds and supervising contract farming of cotton seed particularly in Gujarat and Rajasthan states in India.

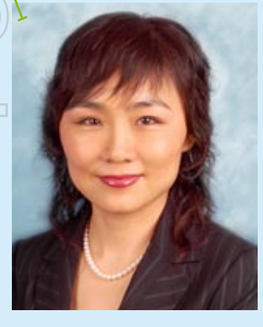
Ashish has just completed a 9 year stint with PT Pindo Deli Pulp and Paper Mills in Indonesia, a leading organization in the pulp and paper industry and the largest forest industry group in Asia (Ex Japan). As head of operations, Ashish had significantly contributed in the areas of international market development, product streamlining/rationalization, supply chain management, operations, marketing, Six Sigma implementation and cycle time reduction.

Mr. Balakrishnan Papaiah (Bala)

Financial Controller (Mission Biotechnologies Sdn Bhd)

Bala has over 25 years of management experience in banking, finance, general/strategic management, business advisory, project management, education and audit in various capacities both in Malaysia and New Zealand. He is a chartered accountant by profession and also holds an MBA from the University of Hull, in the UK. He has also attended the Senior Management Development Programme at Harvard Business School.

Bala spent 10 years as a banker of which 4 years was served with the Reserve Bank of Malaysia and after this period he entered the insurance industry and rose to general management level. He moved to New Zealand and spent 8 years as the Head of Business Faculty of a tertiary educational institution which lead to a position responsible for the development of small to medium sized enterprises in close liaison with various government agencies at a Regional Economic Development Agency. As an approved business mentor in New Zealand, Bala has assisted many companies in addressing issues affecting their growth and profitability.



Ms. Julie Zhu

Chief Executive Officer, (Mission Biofuels (Shanghai) Trading Co., Ltd)

With an in-depth knowledge of biodiesel feedstock, refinery technologies and China's petroleum market mechanism, Julie was one of the pioneers in China in establishing vertically integrated biodiesel operations. She has worked as the Chief Operating Officer of a Chinese operation for a Spanish biodiesel producer. Prior to that, Julie served as President of the Global Division of a State Economic & Trade Commission controlled conglomerate. Educated in both China and the US and with nearly 20 years of experience in doing business in cross-cultural environment, Julie has a great understanding of Western and Eastern mindsets and masters the technique of blending them together for maximum success.

Mr. Wong Kiong Hook

Plant Manager (Mission Biotechnologies Sdn Bhd)

Wong, a graduate from The University of New South Wales (Australia) in Chemical Engineering, has been working in the Palm Oil Industry for the past 16 years.

He has extensive project management, production and general management experience which he gained while working in Palm Oil Mills, Kernel Crushing Mills, Palm Oil Refineries and Oleo Chemical Plants.

Whilst working for Southern Group as the Business Development Manager he was involved in both the upstream and downstream Palm Oil industries.

BOARD OF DIRECTORS

Mr Dario Amara

Non-Executive Chairman

Dario Amara is an Engineer with extensive business experience gained over twenty eight years in the Australian and international markets and across the resources, property and infrastructure sectors. He has occupied senior executive roles with major construction and engineering groups over some 16 years during which time he built record of achievement in establishing, restructuring and rejuvenating companies and operating under challenging conditions.

He has strong business networks across Australia, Africa, South East Asia, North and South America and Europe.

In December 2005 he co founded Emerson Stewart Limited a business which provides advisory, asset management and project management to the resources, property and infrastructure sectors. The business is operating throughout Australia, Indonesia and the Dominican Republic.

He is currently a Non Executive Director of Austal Limited and Non Executive Chairman of Mission Biofuels Limited. Chairman of the City of Perth Heritage Appeal and a Board Member of the Perth International Arts Festival.

He has also served as chairman of the West Australian Opera Company and the Art Gallery of Western Australia.

He is a Fellow of the Institution of Engineers Australia.

Tan Sri Razak Ramli

Non-Executive Deputy Chairman

Tan Sri Razak has had an illustrious career in the Malaysian Civil Service having served in various Ministries and Government Agencies including the Public Services Department and Economic Planning Unit and Policy Research Division of the Prime Minister's Department, Ministry of International Trade and Industry (MITI).

He served as the Deputy Secretary General (Industry) and Deputy Secretary General (Trade), before he retired from his last position as Secretary General, Ministry of International Trade and Industry in October 2004. Tan Sri Razak is also currently the chairman of Shangri-La Hotels (Malaysia) Bhd and a director of Lafarge Malayan Cement Bhd.

Datuk Zain Yusuf

Non-Executive Director

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.

Mr Nathan Mahalingam

Managing Director

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 transhipment facility.

Nathan is currently a resident of Perth and has gained extensive project advisory, corporate finance, mergers and acquisitions experience while running his own boutique corporate advisory practice between 2000 and 2004.

Mr Arvind Bansal

Executive Director

Mr Bansal has over 12 years corporate finance and project development experience. He served for 7 years in the Corporate Finance Department of SSKI, one of India's leading stock-broking firms. During his tenure in SSKI, he worked on several large financing transactions across independent private power projects, ports, media, IT and pharmaceutical companies.

Arvind is currently a director of Skyzen Capital Advisors Pvt Ltd, SkyZen Infrabuild Pvt Ltd and Chitvan Consultants Sdn Bhd.

Mr Peter Williams

Finance Director & Company Secretary

Mr Williams is a senior finance professional with over 25 years commercial experience gained both domestically and internationally. He spent over 20 years with BHP. Some of the more recent senior positions that he held in BHP were Global SAP Business Leader, Vice President Finance, BHP Minerals Development, Vice President Finance, BHP World Minerals (based in San Francisco); and Group Manager Financial Planning, BHP Minerals. He has been a director of numerous BHP subsidiary companies. He has also served as a director of the Big Sky (formerly BHP) Credit Union Ltd from 1993 to 1995 and from 2000 to 2005).

In 2001, Peter became group financial controller of Ticor Limited, and was most recently employed as group financial controller and company secretary of Exoil Limited.

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

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Rapeseed

Rapeseed can be utilised for non-edible purposes such as lubricants, hydraulic fluids and plastics.

CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire year ended 30 June 2007.

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report.

The names of independent directors of the company are:

Mr Dario Amara
Tan Sri Abdul Razak Bin Ramli
Datuk Mohamed Zain Bin Mohamed Yusuf

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the Consolidated Group other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

The names of the members of the Nomination and Remuneration Committee and their attendance at meetings of the committee are detailed in the Directors' Report.

Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the Board of Directors. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Audit and Risk Management Committee

The names and qualifications of those appointed to the Audit and Risk Management Committee and their attendance at meetings of the committee are included in the Directors' Report.

Performance Evaluation

An annual performance evaluation of the Board and all Board members will be conducted by the Board and facilitated by an independent consultant. The company has scheduled this review to be undertaken during the second half of 2007.

Remuneration Policies

The remuneration policy, which sets the terms and conditions for the chief executive officer and other senior executives, was developed by the Nomination and Remuneration Committee after seeking professional advice from independent consultants and was approved by the Board. All executives are entitled to receive a base salary, superannuation, fringe benefits, options and performance incentives. The Nomination and Remuneration Committee will review executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice.

The amount of remuneration for all directors and the executives, including all monetary and non-monetary components, are detailed in the Note 5 to the financial report. All remuneration paid to executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the Consolidated Group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of options and other incentive payments will be reviewed by the Nomination and Remuneration Committee annually as part of the review of executive remuneration and a recommendation will be put to the Board for approval. All options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Nomination and Remuneration Committee

The names of the members of the Nomination and Remuneration Committee and their attendance at meetings of the committee are detailed in the Directors' Report.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

Other Information

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's web site at www.missionbiofuels.com.Your directors present their report on the company and its controlled entities for the year ended 30 June 2007.

DIRECTORS' REPORT

Directors

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

Mr Dario Amara
Tan Sri Abdul Razak Bin Ramli
Datuk Mohamed Zain Bin Mohamed Yusuf
Mr Nathan Mahalingam
Mr Arvind Bansal
Mr Peter Williams

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 held the position of company secretary at the end of the financial year:

Mr Peter John Williams — Bachelor of Business, FCPA, MAICD. Mr Williams has worked for Mission Biofuels Limited since 13 February 2006 as Finance Director. Mr Williams was appointed company secretary on 22 February 2006.

Principal Activities

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

- construction of the Biodiesel plant in Malaysia

The following significant changes in the nature of the principal activities occurred during the financial year:

- With the purchase of Mission Biofuels India Pvt Ltd the consolidated group entered the upstream feedstock business focussing on the growing of Jatropha Curcas which is a plant grown in arid wastelands that produces oil for use in the making of biodiesel.
- Signed a Memorandum of Understanding (MOU) for a joint venture production contract with East River Energy Resources and Science Technology (Zhejiang) Ltd (ER). Using feedstock supplied by Mission, ER will produce biodiesel to be sold by Mission into the Chinese market.

Operating Results

The loss of the consolidated group after providing for income tax and eliminating minority equity interests amounted to $1.820 million (2006: $0.613 million loss)

This loss is not materially different to what was forecast by the Company in its Prospectus and effectively reflects the costs incurred of running a corporate head office and overseas offices, partially offset by interest income earned from cash on deposit with various banks.
The following table shows that on a cumulative basis the consolidated group has effectively managed its financial affairs.

	2006		2007		Cumulative	
	Actual $'000	Prospectus $'000	Actual $'000	Prospectus $'000	Actual $'000	Prospectus $'000
Net Loss before tax	386	2,156	1,711	1,344	2,097	3,500
Add: Tax expense	227	75	199	280	426	355
Net Loss after Tax	613	2,231	1,910	1,624	2,523	3,855
Less: Minority equity interests	-	-	90	-	90	-
NET LOSS	613	2,231	1,820	1,624	2,433	3,855

During 2007 the consolidated group earned its first sales revenue which came from two sources: India, through the sale of Jatropha Curcas saplings; and China, through our trading operations where feedstock was sourced from Indonesia and sold to a biodiesel refiner in China.

For the financial year the consolidated group focussed mainly on the construction of the biodiesel plant at Kuantan in Malaysia, which is currently being commissioned, with our first sales of biodiesel forecast to occur in September 2007.

The Company also took advantage of the investment community's interest in our business strategy and raised a further $65 million through a Convertible Note issue. These funds will be used to build another biodiesel plant at Kuantan (250,000 tpa capacity) and fast-track the development of the upstream feedstock business in India.

Dividends Paid or Recommended

No dividends have been paid or declared for payment.

Review of Operations

Biodiesel Refining

The plant is currently being commissioned and the first sales of biodiesel forecast to occur in October 2007.

Upstream Feedstock Business

Mission Biofuels India Pvt Ltd was acquired at the end of March 2007 as part of our upstream feedstock strategy. Currently we have approximately 66,000 acres of land under Jatropha and we have established two nurseries, one in the state of Maharashtra and the other in the state of Tamil Nadu.

Financial Position

The directors believe that the consolidated group is in a strong financial position to ensure that it is able to meet all its commitments to grow and expand its current operations.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

(i) On 18 May 2007 approval was granted by the shareholders of the Company for 50,000,000 Convertible Notes at $1.30 per note to be issued. The Convertible Notes are unsecured, have a maximum term of five years, attract annual interest of 4% which is payable semi-annually in arrears and are convertible at the option of either the Holder or the Company. The Convertible Notes were issued on 25 May 2007.

Future Developments, Prospects and Business Strategies

(i) The consolidated group recently announced (25 July 2007) that it had awarded the contract for a 250,000 tonne per annum biodiesel refinery to KNM Process Systems Sdn Bhd. The contract is valued at RM 122 million (approx $41 million). The plant will be built using 2nd generation trans-esterification technology developed by Axens, a subsidiary of the French Institute of Petroleum.

The Axens technology offers the following benefits:

- savings in operating costs resulting from the use of a solid catalyst which has a life of 2 years instead of using a consumable catalyst such as Sodium Methylate and several other chemicals that are required in conventional technology
- the yield guaranteed by Axens is 100.3% compared to the normal 99.5%
- the Axens process yields high quality technical grade glycerin that is 97.5% pure without the need for purification

Production from this plant is expected in August 2008.

(ii) Expansion of the Upstream feedstock business will continue. We are targeting to reach 100,000 acres of land under Jatropha by the end of calendar year 2007. We are also developing a seed procurement business that will supplement the seeds harvested from our own acreage. Mission's target is to use at least 30% Jatropha and other inedible crude oils in its feedstock mix in the financial year ended June 2008.

(iii) The consolidated group is cautiously entering the Chinese biodiesel business through joint venture arrangements with local Chinese companies.

These developments together with the commissioning of the first biodiesel plant are expected to enable Mission to become an integrated biodiesel player.

Environmental Issues

The Consolidated Group is not aware of any environmental issue.

DIRECTORS' REPORT (CONTINUED)

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	Appointed Chairman 31 March 2006. Board member since 31 March 2006.
Interest in Shares and Options	200,000 ordinary shares in Mission Biofuels Limited held indirectly (50,000 to Amara family trust account and 150,000 to Amara Superannuation Fund account) 1,000,000 options to acquire a further 1,000,000 ordinary shares.
Special Responsibilities	Mr Amara is a member of the Audit and Risk Management Committee and Chairman of the Nomination and Remuneration Committee.
Directorships held in other listed entities	Current director of Austal Limited (since 16 August 2005), former Managing Director and CEO of GRD Minproc Limited (from August 2001 to June 2005).
Tan Sri Abdul Razak Bin Ramli	Deputy Chairman (Non-executive)
Qualifications	Bachelor of Arts (Hons) (University of Tasmania), Diplome Gestion Publique, (Institut International d'Administration Publique).
Experience	Director since 24 January 2006. Appointed deputy chairman on 31 March 2006.
Interest in Shares and Options	750,000 options to acquire 750,000 ordinary shares in Mission Biofuels Limited.
Special Responsibilities	Tan Sri Razak is the chairman of the Audit and Risk Management Committee and a member of the Nomination and Remuneration Committee.
Directorships held in other listed entities	Current chairman of Shangri-La Hotels (Malaysia) Berhad (since May 2005), director of Ann Joo Resources Berhad (since November 2004), director of Lafarge Malayan Cement Berhad (since November 2004) and director of Transmile Group Berhad (since May 2005).
Datuk Mohamed Zain Bin Mohamed Yusuf	Director (Non-executive)
Qualifications	Bachelor of Economics (Hons.) (University of Western Australia).
Experience	Board member since 24 January 2006.
Interest in Shares and Options	500,000 options to acquire 500,000 ordinary shares in Mission Biofuels Limited.
Special Responsibilities	Datuk Zain is member of both the Audit and Risk Management Committee and the Nomination and Remuneration Committee.
Directorships held in other listed entities	Director of Faber Group Bhd (since October 2001), PJ Bumi Bhd (since May 2003) and chairman of Malacca Securities Sdn Bhd (since November 2000).
Mr Nathan Mahalingam	Managing Director (Executive)
Qualifications	Bachelor of Economics (Hons.) (University of Malaya) and MBA (Murdoch University).
Experience	Board member since incorporation of the Company (17 November 2005).
Interest in Shares and Options	24,640,000 ordinary shares and 7,840,000 performance shares in Mission Biofuels Limited held indirectly through Mission Equities Sdn Bhd (holds 34% of the ordinary shares of the company).
Special Responsibilities	Managing Director of the company
Mr Arvind Bansal	Director (Executive)
Qualifications	Bachelor of Technology (Civil Engineering) (Indian Institute of Technology) and Post Graduate Diploma in Management (Indian Institute of Management).
Experience	Board member since 24 of January 2006.
Interest in Shares and Options	4,400,000 ordinary shares and 1,400,000 performance shares in Mission Biofuels Limited held indirectly through Chitvan Consultants Sdn Bhd (Director and has a controlling interest).
Mr Peter Williams	Finance Director (Executive)
Qualifications	Bachelor of Business (Royal Melbourne Institute of Technology). Fellow of CPA Australia. Member of the Australian Institute of Company Directors.
Experience	Board member since 22 February 2006.
Interest in Shares and Options	500,000 options to acquire 500,000 ordinary shares.
Special Responsibilities	Mr Williams is the company secretary.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Mission Biofuels Limited and for the key executives.

Remuneration policy

The remuneration policy of Mission Biofuels Limited is twofold:

a. to create a remuneration structure that will allow Mission Biofuels to attract, reward and retain qualified Executives and Non-Executive Directors who will lead Mission Biofuels in achieving its strategic objectives.
b. 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 shares) and benefits].
- To make sure appropriate superannuation arrangements are in place for executives.
- To contribute to appropriate attraction and retention strategies for executives.

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 Biofuels Group of Companies.

The Board of Mission Biofuels 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.

DIRECTORS' REPORT (CONTINUED)

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. 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

Details of remuneration for the year ended June 2007

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

	Salary, Fees and Commissions $'000	Superannuation Contribution $'000	Other $'000	Non-cash Benefits $'000	Options $'000	Total $'000	Performance related $'000
Key management personnel							
Mr Dario Amara	100	9	-	3	-	112	-
Tan Sri Razak Ramli	75	1	-	3	-	79	-
Datuk Zain Yusuf	50	1	-	3	-	54	-
Mr Nathan Mahalingam	240	22	-	3	-	265	-
Mr Arvind Bansal [1]	-	-	-	3	-	3	-
Mr Peter Williams	200	10	-	3	77	290	-
Mr Parantaman Ramasamy	93	10	-	3	-	106	-
Mr Tamil Venthan Nallathamby	58	6	1	-	-	65	-
Mr Wong Kiong Hook	49	5	3	5	-	62	-
Mr Balakrishnan Papaiah [2]	28	3	1	-	-	32	-
Mr Ashish Swarup	65	1	-	-	-	66	-
	958	68	5	26	77	1,134	-

[1] Mr Bansal is remunerated as an independent contractor. The details in relation to his contract with the Consolidated Group are disclosed in Note 27 on Related Parties.
[2] Mr Papaiah was employed from February 2007.

Details of remuneration for the year ended June 2006

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

	Salary, Fees and Commissions $'000	Superannuation Contribution $'000	Other $'000	Non-cash Benefits $'000	Options $'000	Total $'000	Performance related $'000
Directors							
Mr Dario Amara	17	1	-	1	244	263	-
Tan Sri Razak Ramli	13	-	-	1	183	197	-
Datuk Zain Yusuf	8	-	-	1	122	131	-
Mr Nathan Mahalingam	84	8	-	1	-	93	-
Mr Arvind Bansal [1]	-	-	-	1	-	1	-
Mr Peter Williams	72	6	-	1	47	126	-
	194	15	-	6	596	811	-

Performance income as a proportion of total remuneration

Executive directors and executives are not paid any portion of their remuneration on a performance basis.
The Nomination and Remuneration committee may review this situation in the future.

[1] Mr Bansal is remunerated as an independent contractor. The details in relation to his contract with the Consolidated Group are disclosed in Note 27 on Related Parties.

Options issued as part of remuneration for the year ended 30 June 2007

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Mission Biofuels Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

During the year no options were issued or granted.

Employment contracts of directors and senior executives

The employment conditions of the managing director, Mr Nathan Mahalingam and the Finance Director and Company Secretary, Mr Peter Williams, are formalised in contracts of employment. Mr Mahalingam and Mr Williams are employed under employment agreements that 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 Biofuels able to terminate the employment prior to the expiration of the maximum term by giving 3 months notice and the employee able to do the same by giving 2 months notice, except that Mission Biofuels may terminate the employment of Mr Mahalingam by giving 2 months notice;
(iii) rights of summary dismissal are preserved;
(iv) total remuneration (including salary and superannuation contributions) of between $180,000 and $240,000 each per annum 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.

Meetings of Directors

During the financial year, 13 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Committee Meetings Audit & Risk Management Committee		Nomination & Remuneration Committee	
	A	B	A	B	A	B
Mr Dario Amara	5	5	5	5	3	3
Tan Sri Abdul Razak Bin Ramli	5	5	5	5	3	3
Datuk Mohamed Zain Bin Mohamed Yusuf	5	5	5	5	3	3
Mr Nathan Mahalingam	5	5	-	-	-	-
Mr Arvind Bansal	5	5	-	-	-	-
Mr Peter Williams	5	5	-	-	-	-

A Number eligible to attend **B** Number attended

Indemnifying Officers

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $3,439 for each director.

Mr Dario Amara
Tan Sri Abdul Razak Bin Ramli
Datuk Mohamed Zain Bin Mohamed Yusuf
Mr Nathan Mahalingam
Mr Arvind Bansal
Mr Peter Williams

DIRECTORS' REPORT (CONTINUED)

Options

At the date of this report, the unissued ordinary shares of Mission Biofuels Limited under options are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
24/1/2006	31/1/2009	$1.20	1,250,000
13/2/2006	28/2/2009	$1.20	500,000
31/3/2006	31/1/2009	$1.20	1,000,000
4/5/2006	31/1/2009	$1.20	3,000,000
			5,750,000

During the period ended 30 June 2007, no ordinary shares of Mission Biofuels Limited were issued on the exercise of options granted under the Mission Biofuels Limited Option Plans. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

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 was not a party to any such proceedings during the year.

Non-audit Services

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 31 of the Directors' Report.

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

Nathan Mahalingam
Managing Director
Dated: 24 August 2007

AUDITOR'S INDEPENDENCE DECLARATION

WHK Horwath

AUDITOR S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Mission Biofuels Limited for the year ended 30 June 2007, 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.

WHK HORWATH PERTH AUDIT PARTNERSHIP

SEAN MCGURK
Principal

Perth, WA

Dated 24 day of August 2007

Total Financial Solutions

Horwath

Horwath refers to Horwath International Association, a Swiss verein. Each member of the Association is a separate and independent legal entity.

Member Horwath International
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A WHK Group firm

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Revenue	2	1,550	424	985	408
Other income	2	-	-	704	190
Total revenue		1,550	424	1,689	598
Cost of goods sold	3	(46)	-	(40)	-
Employee benefits expense		(1,513)	(1,042)	(948)	(978)
Net foreign exchange gain/(losses)		5	812	(1)	520
Travel expenses		(394)	(109)	(200)	(59)
Shareholder expenses		(122)	(76)	(66)	(69)
Consultants expenses		(254)	(62)	(200)	(62)
Rental expenses		(151)	(44)	(51)	(15)
Depreciation and amortisation expenses		(89)	(3)	(60)	(2)
Other expenses from ordinary activities	3	(428)	(177)	(168)	(58)
Finance costs	3	(269)	(109)	(267)	(46)
Profit/(loss) before income tax		(1,711)	(386)	(312)	(171)
Income tax (expense)/benefit	4	(199)	(227)	(78)	(223)
Profit/(Loss) for the year		(1,910)	(613)	(390)	(394)
Profit/(Loss) attributable to minority equity interests		(90)	-	-	-
Net profit/(loss) attributable to members of the parent entity		(1,820)	(613)	(390)	(394)
Overall Operations					
Basic earnings/(loss) per share (cents)	7	(1.80)	(1.48)		
Diluted earnings/(loss) per share (cents)	7	(1.80)	(1.48)		
Continuing Operations					
Basic earnings/(loss) per share (cents)	7	(1.80)	(1.48)		
Diluted earnings/(loss) per share (cents)	7	(1.80)	(1.48)		
Dividends per share (cents)		-	-		

The accompanying notes form part of these financial statements.

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
CURRENT ASSETS					
Cash and cash equivalents	8	78,962	35,047	67,034	15,900
Trade and other receivables	9	1,902	284	597	467
Inventories	10	89	-	-	-
Other assets	15	26	43	25	43
Total current assets		80,979	35,374	67,656	16,410
NON-CURRENT ASSETS					
Financial assets	11	-	-	36,038	24,646
Property, plant and equipment	13	22,418	6,687	611	595
Intangible assets	14	779	-	-	-
Deferred tax assets	18	249	319	249	318
Other assets	15	48	8	-	-
Total non-current assets		23,494	7,014	36,898	25,559
TOTAL ASSETS		104,473	42,388	104,554	41,969
CURRENT LIABILITIES					
Trade and other payables	16	3,806	635	358	119
Financial Liabilities	17	33	-	-	-
Current tax liabilities	18	(74)	-	(74)	-
Total current liabilities		3,765	635	284	119
NON-CURRENT LIABILITIES					
Financial Liabilities	17	52,848	-	52,848	-
Deferred tax liabilities	18	254	177	252	172
Total non-current liabilities		53,102	177	53,100	172
TOTAL LIABILITIES		56,867	812	53,384	291
NET ASSETS		47,606	41,576	51,170	41,678
EQUITY					
Issued capital	19	40,851	40,847	40,746	40,743
Reserves		8,704	1,342	11,208	1,329
Retained earnings (Accumulated losses)		(2,433)	(613)	(784)	(394)
Minority Interests		484	-	-	-
Total Equity		47,606	41,576	51,170	41,678

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

Consolidated

	Share Capital Ordinary $'000	Share Capital Performance $'000	Retained Earnings $'000	Share Option Reserve $'000	Performance Share Reserve $'000	Foreign Currency Translation Reserve $'000	Convertible Notes Reserve $'000	Minority Interests $'000	Total $'000
Balance as at 17 November 2005	-	-	-	-	-	-	-	-	-
Pre-combination equity of Mission Biofuels Ltd/Mission Biotechnologies Sdn Bhd	577								577
Costs of pre-IPO seed capital issue	(39)								(39)
Cash costs of the issue of shares pursuant to the Prospectus	(51)								(51)
Profit/(loss) attributable to members of parent entity			(613)						(613)
Issue of Ordinary Shares to Chitvan Consultants Sdn Bhd and Mr Parantaman Ramasamy	541								541
Issue of Ordinary Shares as pre-IPO seed capital	2,000								2,000
Costs of pre-IPO seed capital issue	(120)								(120)
Issue of 8,800,000 performance shares	-				-				-
Issue of 5,250,000 January 2009 options	(610)			1,282					672
Issue of 500,000 February 2009 options				47					47
Issue and conversion of Convertible Notes (net of costs)	13,463								13,463
Issue of Ordinary Shares pursuant to the Prospectus	27,000								27,000
Cash costs of the issue of shares pursuant to the Prospectus	(2,283)								(2,283)
Deferred tax on IPO and seed capital raising costs	369								369
Adjustments from translations of foreign controlled entities						13			13
Balance as at 30 June 2006	**40,847**	**-**	**(613)**	**1,329**	**-**	**13**	**-**	**-**	**41,576**

	Share Capital Ordinary $'000	Share Capital Performance $'000	Retained Earnings $'000	Share Option Reserve $'000	Performance Share Reserve $'000	Foreign Currency Translation Reserve $'000	Convertible Notes Reserve $'000	Minority Interests $'000	Total $'000
Balance as at 30 June 2006	40,847	-	(613)	1,329	-	13	-	-	41,576
Profit/(loss) attributable to members of parent entity			(1,820)						(1,820)
Profit/(loss) attributable to minority interests								(90)	(90)
Convertible notes							9,802		9,802
Pro-rata expenses of February 2009 options that vested during the year				77					77
Pro-rata expenses of performance shares during the year	-				-				-
Adjustments to deferred tax on IPO seed capital raising costs	4								4
Adjustments from translations of foreign controlled entities						(2,517)			(2,517)
Minority Interest of India subsidiary companies								574	574
Balance as at 30 June 2007	**40,851**	**-**	**(2,433)**	**1,406**	**-**	**(2,504)**	**9,802**	**484**	**47,606**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

Parent Entity

	Share Capital Ordinary $'000	Share Capital Performance $'000	Retained Earnings $'000	Share Option Reserve $'000	Performance Share Reserve $'000	Foreign Currency Translation Reserve $'000	Convertible Notes Reserve $'000	Minority Total $'000
Balance as at 17 November 2005	-	-	-	-	-	-	-	-
Pre-combination equity of Mission Biofuels Ltd/Mission Biotechnologies Sdn Bhd	473							473
Costs of pre-IPO seed capital issue	(39)							(39)
Cash costs of the issue of shares pursuant to the Prospectus	(51)							(51)
Profit/(loss) attributable to members of parent entity			(394)					(394)
Issue of Ordinary Shares to Chitvan Consultants Sdn Bhd and Mr Parantaman Ramasamy	541							541
Issue of Ordinary Shares as pre-IPO seed capital	2,000							2,000
Costs of pre-IPO seed capital issue	(120)							(120)
Issue of 8,800,000 performance shares	-				-			-
Issue of 5,250,000 January 2009 options	(610)			1,282				672
Issue of 500,000 February 2009 options				47				47
Issue and conversion of Convertible Notes (net of costs)	13,463							13,463
Issue of Ordinary Shares pursuant to the Prospectus	27,000							27,000
Cash costs of the issue of shares pursuant to the Prospectus	(2,283)							(2,283)
Deferred tax on IPO and seed capital raising costs	369							369
Balance as at 30 June 2006	**40,743**		**(394)**	**1,329**	**-**	**-**		**41,678**
Profit/(loss) attributable to members of parent entity		(390)						(390)
Convertible notes						9,802		9,802
Pro-rata expenses of performance shares during the year	-				-			-
Pro-rata expenses of February 2009 options that vested during the year				77				77
Deferred tax on IPO and seed capital raising costs	3							3
Balance as at 30 June 2007	**40,746**	**-**	**(784)**	**1,406**	**-**	**-**	**9,802**	**51,170**

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		43	-	5	-
Payments to suppliers and employees		(3,043)	(720)	(1,633)	(520)
Interest received		1,198	360	680	360
Finance costs		(6)	-	(4)	-
Income Tax Paid		(121)	-	-	-
Net cash used in operating activities	24	(1,929)	(360)	(952)	(160)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(14,604)	(5,197)	(29)	(56)
Payments for subsidiary (net of cash acquired)		(270)	-	-	-
Payments for investments in subsidiary		-	-	(9,622)	(24,174)
Loans to related parties		-	-	200	(201)
Net cash used in investing activities		(14,874)	(5,197)	(9,451)	(24,431)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Convertible Notes (net of costs)		62,602	-	62,602	-
Increase in borrowings		14	-	-	-
Proceeds from issue of shares – net of costs		-	40,097	-	39,971
Net cash provided by financing activities		62,616	40,097	62,602	39,971
NET INCREASE (DECREASE) IN CASH HELD		45,813	34,540	52,199	15,380
Cash at beginning of the financial year		35,047	-	15,900	-
Effects of exchange rate fluctuations of cash held in foreign currencies		(1,898)	507	(1,065)	520
CASH AT END OF FINANCIAL YEAR	8	78,962	35,047	67,034	15,900

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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

The financial report of Mission Biofuels Limited and controlled entities, and Mission Biofuels Limited as an individual parent entity, comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Consolidated Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

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 Biofuels Limited and its subsidiaries, as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements', Mission Biotechnologies Sdn Bhd (MBSB), Mission Biofuels Sdn Bhd, Mission Agro Energy Limited, Mission Biofuels (India) Pvt Ltd and Mission Agro Diesel (India) Pvt Ltd

On 13 December 2005, Mission Biofuels Limited acquired all of the issued capital of MBSB. In accordance with the requirements of AASB 3 Business Combinations, MBSB 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 MBSB, and the cost of the combination being recognised at the fair value of the equity instruments on issue in Mission Biofuels Limited at the date of acquisition. The application of AASB 3 Business Combinations does not change the status of Mission Biofuels as the legal parent entity of the Group.

Mission Agro Energy Limited (MAEL), a wholly owned subsidiary of Mission Biofuels Limited was incorporated on 8 September 2006. On 28 March 2007, MAEL acquired 70% of the issued capital of Mission Biofuels (India) Private Limited, who had acquired 51.01% of the issued capital of Mission Agro Diesel (India) Private Limited on 8 March 2007.

A list of controlled entities is contained in Note 29 to the financial statements. All controlled entities have a June financial year-end.

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 consistencies with those 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 or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Consolidated Group 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.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	5%
Leasehold improvements	10%
Plant and equipment	5-20%
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. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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 cost 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. Derivatives are also categorised as held for trading unless they are designated as hedges. 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.

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, comprising original debt less principal payments and amortisation.

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

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

g. Impairment of 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 annually 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.

h. Intangibles

Goodwill

Goodwill and goodwill on consolidation are 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 on acquisitions of subsidiaries is included in intangible assets. 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 are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Development costs are carried forward in relation to the feasibility costs incurred to date on the Biodiesel project. Amortisation of these costs will commence at the time the Biodiesel plant is ready for use.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

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; 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.

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 granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by the Black-Scholes 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 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 10 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.

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

Revenue from investment properties is recognised on an accruals basis or straight-line basis in accordance with leases agreements.

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

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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.

During the year 30 June 2007 the Group raised funds by issuing convertible notes as disclosed in note 17. The convertible note has been allocated between the equity portion and the debt portion.

s. Rounding of Amounts

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

Critical Accounting Estimates and Judgments

The directors evaluate 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.

Key Estimates — Impairment

The group assesses impairment 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. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
2. Revenue					
Operating activities					
- Sales of goods		77	-	39	-
- Interest received	2a	1,473	424	946	408
Total revenue		1,550	424	985	408
Non-operating activities					
- Management fees from controlled entities		-	-	704	190
Other income		-	-	704	190
a. Interest received from:					
- other persons		1,473	424	946	408
Total interest revenue		1,473	424	946	408

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
3. Loss for the Year					
Expenses					
Cost of sales		46	-	40	-
Finance costs:					
- external		269	109	267	46
Total finance costs		269	109	267	46
Other Expenses					
Computer maintenance & consumables		35	4	6	2
Insurance costs		43	7	43	7
Communication expenses		58	19	19	15
Audit fees		43	24	20	18
Legal fees		34	6	33	1
Donations, ceremonies & exhibitions		45	85	-	-
4. Income Tax Expense					
a. The components of tax expense comprise					
Current tax		-	-	-	-
Deferred tax	18	203	227	78	223
Over provision in respect of prior years		(4)	-	-	-
		199	227	78	223
b. The prima facie tax on the loss from ordinary activities before income tax is reconciled to the income tax as follows:					
Prima facie tax receivable on loss from ordinary activities before income tax at 30%					
- Consolidated		(513)	(116)		
- Parent entity				(94)	(51)
		(513)	(116)	(94)	(51)
Add:					
Tax effect of:					
- overseas tax rate differential		12	4	-	-
- non-deductible entertainment		1	-	1	-
- other non-allowable items		585	123	148	58
- share options expensed during year		23	216	23	216
- un-booked tax losses		95	-	-	-
		203	227	78	223
Less					
Over provision for income tax in prior year		4	-	-	-
Income tax attributable to entity		199	227	78	223
The applicable weighted average effective tax rates are as follows:		12%	59%	25%	130%

5. Key Management Personnel Compensation

a. Names and positions held of consolidated group and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr Dario Amara	Chairman – Non-executive
Tan Sri Razak Ramli	Director - Non-executive
Datuk Zain Yusuf	Director - Non-executive
Mr Nathan Mahalingam	Managing Director – Executive
Mr Arvind Bansal	Director – Executive
Mr Peter Williams	Finance Director & Company Secretary – Executive
Mr Parantaman Ramasamy	Commercial Director - Malaysia
Mr Tamil Venthan Nallathamby	Operations Director - Malaysia
Mr Wong Kiong Hook	Plant Manager - Malaysia
Mr Balakrishnan Papaiah	Financial Controller – Malaysia
Mr Ashish Swarup	Chief Executive Officer - India

Key management personnel remuneration has been included in the Remuneration Report section of the Director's Report.

b. Compensation Options

Options Granted As Compensation

	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Terms & Conditions for Each Grant: Exercise Price	First Exercise Date	Last Exercise Date
Mr Dario Amara	1,000,000	1,000,000	31-Mar-06	0.2441	1.20	04-May-06	31-Jan-09
Tan Sri Razak Ramli	750,000	750,000	24-Jan-06	0.2441	1.20	04-May-06	31-Jan-09
Datuk Zain Yusuf	500,000	500,000	24-Jan-06	0.2441	1.20	04-May-06	31-Jan-09
Mr Nathan Mahalingam	-	-	-	-	-	-	-
Mr Arvind Bansal	-	-	-	-	-	-	-
Mr Peter Williams	500,000	500,000	13-Feb-06	0.2490	1.20	13-Feb-07	28-Feb-09
Mr Parantaman Ramasamy	-	-	-	-	-	-	-
Mr Tamil Venthan Nallathamby	-	-	-	-	-	-	-
Mr Wong Kiong Hook	-	-	-	-	-	-	-
Mr Balakrishnan Papaiah	-	-	-	-	-	-	-
Mr Ashish Swarup	-	-	-	-	-	-	-
	2,750,000	2,750,000					

All January 2009 options vested when the Company was admitted to the official list of ASX and expire on 31 January 2009. The February 2009 options (issued to Mr Williams) vest 12 months after his commencement date with the Company i.e. 13 February 2007.

Exercise price equals $1.20

The service and performance criteria set to determine compensation are included per Note 5b.

All options were granted for nil consideration.

c. Shares Issued on Exercise of Compensation Options

No options were exercised during the year that was granted as compensation in prior periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

5. Key Management Personnel Compensation (Cont'd)

d. Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1/7/2006	Granted as Compensation	Options Exercised	Net Change Other	Balance 30/6/2007	Total Vested 30/6/2007	Total Exercisable 30/6/2007	Total Unexercisable 30/6/2007
Mr Dario Amara	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Tan Sri Razak Ramli	750,000	-	-	-	750,000	750,000	750,000	-
Datuk Zain Yusuf	500,000	-	-	-	500,000	500,000	500,000	-
Mr Nathan Mahalingam	-	-	-	-	-	-	-	-
Mr Arvind Bansal	-	-	-	-	-	-	-	-
Mr Peter Williams	500,000	-	-	-	500,000	500,000	500,000	-
Mr Parantaman Ramasamy	-	-	-	-	-	-	-	-
Mr Tamil Venthan Nallathamby	-	-	-	-	-	-	-	-
Mr Wong Kiong Hook	-	-	-	-	-	-	-	-
Mr Balakrishnan Papaiah	-	-	-	-	-	-	-	-
Mr Ashish Swarup	-	-	-	-	-	-	-	-
TOTAL	2,750,000	-	-	-	2,750,000	2,750,000	2,750,000	-

e. Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1/7/2006	Received as Compensation	Exercised	Net Change Other	Balance 30/6/2007
Mr Dario Amara [1]	100,000	-	-	100,000	200,000
Tan Sri Razak Ramli	-	-	-	-	-
Datuk Zain Yusuf	-	-	-	-	-
Mr Nathan Mahalingam [2]	24,640,000	-	-	-	24,640,000
Mr Arvind Bansal [3]	4,400,000	-	-	-	4,400,000
Mr Peter Williams [4]	-	-	-	10,000	10,000
Mr Parantaman Ramasamy	4,400,000			-	4,400,000
Mr Tamil Venthan Nallathamby	-	-	-	-	-
Mr Wong Kiong Hook	-	-	-	-	-
Mr Balakrishnan Papaiah	-	-	-	-	-
Mr Ashish Swarup	-	-	-	-	-
	33,540,000	-	-	110,000	33,650,000

[1] Held indirectly through the family trust and superannuation account.

[2] Held indirectly through Mission Equities Sdn Bhd, a company that Mr Mahalingam has a 34% interest in.

[3] Held indirectly through Chitvan Consultants Sdn Bhd in which Mr Bansal is a director and has a controlling interest.

[4] Held indirectly through the family superannuation account.

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
6. Auditors' Remuneration				
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	20	20	20	18
Remuneration of other auditors of subsidiaries for:				
- auditing or reviewing the financial report of subsidiaries	23	4	-	-
7. Earnings per Share				
a. Reconciliation of earnings to profit or loss				
Profit/(Loss)	(1,910)	(613)		
Profit/(Loss) attributable to minority equity interests	(90)	-		
Earnings used in calculation of both ordinary and dilutive EPS	(1,820)	(613)		
b. Reconciliation of earnings to profit or loss from continuing operations				
Profit/(Loss)	(1,910)	(613)		
Profit/(Loss) attributable to minority equity interests	(90)	-		
Earnings used in calculation of both ordinary and dilutive EPS from continuing operations	(1,820)	(613)		
c. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	101,000,000	41,461,721		
Weighted average number of options outstanding	-	-		
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	101,000,000	41,461,721		
8. Cash and Cash Equivalents				
Cash at bank and in hand	64,331	4,684	63,912	4,443
Short-term bank deposits	14,631	30,363	3,122	11,457
	78,962	35,047	67,034	15,900

The effective interest rate on short-term bank deposits was 4.1%; these deposits have an average maturity of 122 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	78,962	35,047	67,034	15,900
	78,962	35,047	67,034	15,900

Pursuant to ASX Listing Rule 4.10.19 the Company wishes to advise that, since listing on the ASX to the end of the financial year, the Consolidated Group has used its cash and cash equivalents in a manner consistent with the business objectives as stated in the Prospectus.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
9. Trade and Other Receivables				
CURRENT				
Trade receivables	39	5	39	5
	39	5	39	5
Other receivables	1,845	279	557	261
Amounts receivable from:				
- wholly-owned subsidiaries	-	-	1	201
- other related parties	-	-	-	-
- key management personnel	18	-	-	-
	1,902	284	597	467
10. Inventories				
CURRENT				
At Cost				
Work in progress	89	-	-	-
	89	-	-	-
11. Financial Assets				
CURRENT				
Available-for-sale financial assets	-	-	36,038	24,646
	-	-	36,038	24,646
Less: Non-current portion	-	-	(36,038)	(24,646)
	-	-	-	-
Available-for-sale Financial Assets Comprise				
Unlisted investments, at cost				
- shares in controlled entities	-	-	36,038	24,646
	-	-	36,038	24,646

Available-for-sale financial assets comprise investments in the ordinary issued capital of Mission Biotechnologies Sdn Bhd and Mission Agro Energy Limited. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of the unlisted available-for-sale financial asset cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. However, as the investment transaction occurred during the period and there are no indicators of impairment, the carrying value is not considered to be materially different to fair value.

12. Controlled Entities

a. Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)* 2007	Percentage Owned (%)* 2006
Parent Entity:			
Mission Biofuels Limited	Australia		
Subsidiaries of Mission Biofuels Limited:			
Mission Biotechnologies Sdn Bhd	Malaysia	100	100
Mission Biofuels Sdn Bhd	Malaysia	100	-
Mission Agro Energy Limited	Mauritius	100	-
Subsidiaries of Mission Agro Energy Limited			
Mission Biofuels India Private Ltd	India	70	-
Subsidiaries of Mission Biofuels India Private Ltd			
Mission Agro Diesel India Private Limited	India	51	-

* Percentage of voting power is in proportion to ownership

b. Acquisition of Controlled Entities

On 28 March 2007, Mission Agro Energy Limited acquired 70% of Mission Biofuels India Private Limited.

Cost of combination:	$'000
Cash and cash equivalents	1,727

Amounts of classes of acquiree's assets, liabilities and contingent liabilities recognised at acquisition date:

	Carrying amounts immediately before combination determined in accordance with AASBs	Amounts recognised at acquisition date
CURRENT ASSETS		
Cash and cash equivalents	1,457	1,457
Trade and other receivables	1,055	1,055
Other assets	69	69
Total current assets	2,581	2,581
NON CURRENT ASSETS		
Property plant and equipment	45	45
Goodwill	112	768
Total non-current assets	157	813
TOTAL ASSETS	2,738	3,394
CURRENT LIABILITIES		
Trade and other payables	1,085	1,085
Unsecured loan	19	19
Total current liabilities	1,104	1,104
NET ASSETS	1,634	2,290

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

13. Property, Plant and Equipment

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
LAND AND BUILDINGS				
Buildings:				
- at cost	65	-	-	-
- accumulated depreciation	-	-	-	-
	65	-	-	-
OFFICE EQUIPMENT				
- at cost	119	40	52	36
- accumulated amortisation	(11)	(1)	(7)	(1)
	108	39	45	35
COMPUTER EQUIPMENT				
- at cost	315	34	32	20
- accumulated amortisation	(18)	(2)	(7)	(1)
	297	32	25	19
MOTOR VEHICLES				
- at cost	133	-	-	-
- accumulated amortisation	(9)	-	-	-
	124	-	-	-
LEASEHOLD IMPROVEMENTS				
- at capitalised cost	48	33	-	-
- accumulated amortisation	(5)	-	-	-
	43	33	-	-
Capital Work in Progress – Indian Project				
- at cost	154	-	-	-
- accumulated amortisation	-	-	-	-
	154	-	-	-
BIODIESEL PLANT				
- at cost	21,627	6,583	541	541
- accumulated amortisation	-	-	-	-
	21,627	6,583	541	541
Total Property, Plant and Equipment	**22,418**	**6,687**	**611**	**595**

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Freehold buildings				
Carrying amount at beginning of year	-	-	-	-
Additions	65			
Carrying amount at end of year	65	-	-	-
Office equipment				
Carrying amount at beginning of year	39	-	35	-
FX adjustments	(4)	-	-	-
Additions	67	40	16	36
Acquisition	16	-	-	-
Depreciation	(10)	(1)	(6)	(1)
Carrying amount at end of year	108	39	45	35
Computer equipment				
Carrying amount at beginning of year	32	-	19	-
FX adjustments	(23)	-	-	-
Additions	306	34	13	20
Depreciation	(18)	(2)	(7)	(1)
Carrying amount at end of year	297	32	25	19
Motor vehicles				
Carrying amount at beginning of year	-	-	-	-
FX adjustments	(13)	-	-	-
Additions	146	-	-	-
Depreciation	(9)	-	-	-
Carrying amount at end of year	124	-	-	-
Leasehold improvements				
Carrying amount at beginning of year	33	-	-	-
FX adjustments	(4)	-	-	-
Additions	19	33	-	-
Amortisation	(5)	-	-	-
Carrying amount at end of year	43	33	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Capital Work in Progress – India Project				
Carrying amount at beginning of year	-	-	-	-
FX adjustments	4	-	-	-
Additions	121	-	-	-
Acquisitions	29	-	-	-
Carrying amount at end of year	154	-	-	-
Biodiesel Plant				
Carrying amount at beginning of year	6,583	-	541	-
FX adjustments	(1,642)	-	-	-
Additions	16,686	6,583	-	541
Carrying amount at end of year	21,627	6,583	541	541

14. Intangible Assets

Goodwill	779	-	-	-
	779	-	-	-

15. Other Assets

CURRENT				
Prepayments	26	35	25	35
Security Deposits	-	8	-	8
	26	43	25	43
NON-CURRENT				
Staff Loan	5	-	-	-
Security Deposits	43	8	-	-
	48	8	-	-

16. Trade and Other Payables

CURRENT				
Unsecured liabilities				
Trade payables	1,265	33	13	24
Sundry payables and accrued expenses	2,541	602	345	95
	3,806	635	358	119

17. Financial Liabilities

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
CURRENT				
Unsecured liabilities				
Other loans	33	-	-	-
	33	-	-	-
NON-CURRENT				
Convertible Notes				
- Cost	54,823	-	54,823	-
- Costs of issues	(2,023)	-	(2,023)	-
- Amortisation of issue costs	48	-	48	-
	52,848	-	52,848	-

50,000,000 convertible notes were issued during the year at $1.30 per note. The notes have a 4% coupon rate and are convertible into ordinary shares on 18 May 2012, on the basis of 1 share for 1 convertible note.

18. Tax

a. Liabilities

CURRENT				
Income Tax	(74)	-	(74)	-
NON-CURRENT				
Deferred tax liability comprises:				
Unrealised FX gains	158	158	158	158
Accruals	94	19	94	14
Other	2	-	-	-
Total	254	177	252	172

b. Assets

Deferred tax assets comprise:				
Provisions	25	10	25	9
Transaction costs on equity issue	372	369	372	369
Other	(148)	(60)	(148)	(60)
	249	319	249	318

c. Reconciliations

i. Gross Movements

The overall movement in the deferred tax account is as follows:				
Opening balance	142	-	146	-
FX translation adjustments	-	-	-	-
(Charge)/credit to income statement	(74)	(227)	(78)	(223)
Credited to equity	3	369	3	369
Closing balance	71	142	71	146

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
ii. Deferred Tax Liability				
The movement in deferred tax liability for each temporary difference during the year is as follows:				
Tax allowances relating to unrealised FX gains:				
Opening balance	158	-	158	-
Charged to the income statement	-	158	-	158
Closing balance	158	158	158	158
Tax allowances relating to accruals:				
Opening balance	19	-	14	-
FX translation adjustments	-	-	-	-
Charged to the income statement	75	19	80	14
Closing balance	94	19	94	14
Other				
Opening balance	-	-	-	-
Charge to the income statement	2	-	-	-
Closing Balance	2	-	-	-
iii. Deferred tax assets				
The movement in deferred tax assets for each temporary difference during the year is as follows:				
Provisions:				
Opening balance	10	-	9	-
FX translation adjustments	-	-	-	-
(Credited)/Charged to the income statement	15	10	16	9
Closing balance	25	10	25	9
Transactions costs on equity issue:				
Opening balance	369	-	369	-
Credited directly to equity	3	369	3	369
Closing balance	372	369	372	369
Other:				
Opening balance	(60)	-	(60)	-
(Credited)/Charged to the income statement	(88)	(60)	(88)	(60)
Closing balance	(148)	(60)	(148)	(60)

19. Issued Capital

91,000,000 fully paid ordinary shares	40,851	40,847	40,746	40,743
14,000,000 fully paid performance shares	-	-	-	-

The Company has no maximum authorised share capital.

	Consolidated 2007 Number	Consolidated 2006 Number	Parent Entity 2007 Number	Parent Entity 2006 Number
a. Ordinary shares				
At the beginning of reporting period	91,000,000	-	91,000,000	-
Shares issued during the year				
- 12 December 2005	-	46,400,000	-	46,400,000
- 16 January 2006	-	6,400,000	-	6,400,000
- 17 January 2006	-	4,000,000	-	4,000,000
- 23 February 2006	-	2,400,000	-	2,400,000
- 1 May 2006	-	43,000,000	-	43,000,000
Shares converted to performance shares				
- 16 January 2006	-	(10,400,000)	-	(10,400,000)
- 23 February 2006	-	(800,000)	-	(800,000)
At reporting date	91,000,000	91,000,000	91,000,000	91,000,000

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.

b. Performance Shares				
At the beginning of the reporting period	14,000,000	-	14,000,000	-
Shares issued during the year				
- 16 January 2006	-	2,600,000	-	2,600,000
- 23 February 2006	-	200,000	-	200,000
Shares converted from ordinary shares				
- 16 January 2006	-	10,400,000	-	10,400,000
- 23 February 2006	-	800,000	-	800,000
At reporting date	14,000,000	14,000,000	14,000,000	14,000,000

The performance shares are not transferable, are non-voting and are not eligible to participate in dividend distributions, repayment of capital and surplus assets and are not to be quoted.

The performance shares will automatically convert to Ordinary Shares as follows:

- If the Adjusted EBITDA for Fiscal Year 2008 is equal to or greater than the Adjusted EBITDA Target, into 1 ordinary share.
- If the Adjusted EBITDA for Fiscal Year 2008 is less than the Adjusted EBITDA Target, into 1/1000th of an ordinary share.

c. Options

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

ii. For information relating to share options issued to key management personnel during the financial year, refer to Note 25 Share-based Payments.

d. Convertible Notes

The A $65 million Notes are convertible to 50,000,000 fully paid ordinary share subject to adjustments in accordance with the Terms & Conditions of the Notes.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

20. Reserves

a. Performance share

The performance share reserve arises on the issue of 2,800,000 Performance Shares to Chitvan Consultants Sdn Bhd and Mr Parantaman Ramasamy in part consideration for services. The terms of the Performance Shares are set out in Note 19. The 2,800,000 Performance Shares have a fair value at grant date of $0.075 per share. The Directors have assessed this after considering the value of Ordinary shares at the date of issue and after applying a discount of 50% to account for the risk that the Performance Shares may not convert into Ordinary Shares. Amounts are transferred out of the reserve and into issued capital when the Performance Shares are converted. This amount has been expensed as an equity share based payment based on the fair value of the Performance Shares issued.

b. Share option

The share option reserve arises on the grant of 5,750,000 options to various officers and advisers of the Company that carry an option exercise price of $1.20 per Share. The 5,250,000 January 2009 Options have a fair value at grant date of $0.2441 per option and the 500,000 February 2009 Options have a fair value at grant date of $0.2490 per option. Amounts are transferred out of the reserve and into issued capital when the options are exercised. These amounts have been recognised based on the fair value of the options issued. 2,500,000 January 2009 Options have been issued to Argonaut Capital in their role as adviser and accordingly an amount of $610,209 has been recognised as a cost of the IPO in contributed equity. 2,250,000 January 2009 Options and 500,000 February 2009 Options have been issued to directors as remuneration. Accordingly $718,302 has been recognised as an expense.

c. Foreign currency translation reserve

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

d. Convertible Notes Reserve

The Convertible Notes reserve is used to record the equity component of the convertible notes.

21. Capital and Leasing Commitments

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
a. Operating Lease Commitments				
Operating leases contracted for but not capitalised in the financial statements				
Payable – minimum lease payments				
- not later than 12 months	272	106	30	29
- between 12 months and 5 years	780	387	22	52
- greater than 5 years	1,680	1,924	-	-
	2,732	2,417	52	81

Kuantan Port Sub-Lease
Mission Biotechnologies Sdn Bhd has entered into a sub-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 Biofuels Sdn Bhd has entered into a sub-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 2010, the annual rental will be increased by 10%.

Office lease – Perth
The office lease is for a term of 3 years from 15th March 2006. The annual lease payments will increase by 4% each year.

Office lease – Powai, India
The office lease is for a term of 3 years from 1st February 2007.

Office lease – Bhopal, India
The office lease is for a term of 12 months from 20th April 2007.

Office lease – Sangli, India
The office lease is for a term of 36 months from 7th March 2007.

Nursery – Sholapur, India
The lease is for a term of 3 years from April 2007.

Nursery – Madurai, India
The lease is for a term of 3 years from 25th May 2007.

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
b. Capital Expenditure Commitments				
Capital expenditure commitments contracted for: -				
- Acquisition and installation of biodiesel plant	7,993	-	-	-
Malaysia Office Building	579	-	-	-
Payable:	8,572	-	-	-
- not later than 12 months	8,572	-	-	-
	8,572	-	-	-

22. Contingent Liabilities and Contingent Assets

The parent entity is not aware of any contingent liabilities or contingent assets as at 30 June 2007.

23. Segment Reporting

	Biodiesel Refining 2007 $'000	Biodiesel Refining 2006 $'000	Jatropha 2007 $'000	Jatropha 2006 $'000	Trading 2007 $'000	Trading 2006 $'000	Unallocated 2007 $'000	Unallocated 2006 $'000	Consolidated (Continuing Operations) 2007 $'000	Consolidated (Continuing Operations) 2006 $'000
a. PRIMARY REPORTING — BUSINESS SEGMENTS										
Revenue										
External sales	-	-	38	-	39	-	1,473	424	1,550	424
Other segments	-	-	-	-	-	-	-	-	-	-
Total segment revenue	-	-	38	-	39	-	1,473	424	1,550	424
Total revenue									1,550	424
Result										
Segment result (before elimination of intra-group transactions)	-	-	31	-	(1)	-	(1,741)	(386)	(1,711)	(386)
Intra-group transactions	-	-	-	-	-	-	-	-	-	-
Segment result (after elimination of intra – group transactions)	-	-	31	-	(1)	-	(1,741)	(386)	(1,711)	(386)
Share of net profit/(loss) of equity accounted investments										
Profit/loss from ordinary activities before income tax									(1,711)	(386)
Income tax expense									(199)	(227)
Net profit/(loss)									(1,910)	(613)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	Biodiesel Refining		Jatropha		Trading		Unallocated		Consolidated (Continuing Operations)	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Assets										
Segment assets (before intra-group eliminations)	21,627	6,583	154	-	-	-	82,692	35,805	104,473	42,388
Intra-group eliminations	-	-	-	-	-	-	-	-	-	-
Segment assets (after intra-group eliminations)	21,627	6,583	154	-	-	-	82,692	35,805	104,473	42,388
Consolidated total assets									104,473	42,388
Liabilities										
Segment liabilities (before intra-group eliminations)	-	-	-	-	-	-	56,867	812	56,867	812
Intra-group eliminations	-	-	-	-	-	-	-	-	-	-
Segment liabilities (after intra-group eliminations)	-	-	-	-	-	-	56,867	812	56,867	812
Consolidated total liabilities									56,867	812
Other										
Acquisitions of non-current assets	15,044	6,583	154	-	-	-	1,432	431	16,630	7,014
Depreciation and amortisation	-	-	-	-	-	-	89	3	89	3
Non-cash expenses other than depreciation and amortisation	-	-	-	-	-	-	92	718	92	718

b. SECONDARY REPORTING — GEOGRAPHICAL ASSETS

	Australia		Malaysia		India		Mauritius		China		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Segment revenue from external customers	947	407	509	17	55	-	-	-	39	-	1,550	424
Carrying amount of segment assets	68,514	17,125	32,685	25,263	2,591	-	683	-	-	-	104,473	42,388
Acquisition of non-current segment assets	40	914	15,580	6,100	342	-	666	-	-	-	16,628	7,014

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

Business Segments

The Consolidated Group has three business segments. The Biodiesel Refinery segment is in a phase of construction and will not commence production until Fiscal Year 2008, the Jatropha business segment relates to our Indian operations which are in a start-up phase and should start operating in 2008. The last business segment is our trading segment which relates to our business in China where the Company will source feedstock for biodiesel producers.

Geographical Segments

The Consolidated Group's business segments are located in Malaysia, India, China and Mauritius with the Consolidated Group's head office located in Australia.

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
24. Cash Flow Information				
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Loss after income tax	(1,910)	(613)	(390)	(394)
Non cash flows in profit				
Depreciation of plant and equipment	41	3	12	2
Amortisation of Convertible Note Costs	49	-	48	-
(Increase)/decrease in future tax benefit	74	(142)	75	(146)
Net foreign exchange differences	-	(507)	-	(520)
Options expense	77	718	77	718
Management fee income	-	-	(704)	-
Deferred tax on IPO costs	3	369	3	369
Net cash provided by operating activities before change in assets and liabilities	(1,666)	(172)	(879)	29
Change in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
- (Increase) decrease in receivables	(536)	(284)	(330)	(265)
- (Increase) decrease in inventories	(89)	-	-	-
- (Increase) decrease in other assets	17	(51)	18	(43)
- Increase (decrease) in creditors and accruals	345	147	239	119
	(263)	(188)	(73)	(189)
Cash used in operations	(1,929)	(360)	(952)	(160)
b. Credit Standby Facilities with Banks				
Credit facility	8,554	21,930	3,354	12,023
Amount utilised	(7,525)	(21,459)	(2,324)	(11,551)
	1,029	471	1,030	472

The major facilities are summarised as follows:

Letters of Credit

Letters of credit have been established, as required under the contracts with Crown Iron Works and Hexagon, to facilitate payments to these companies. The total value of the facilities has been secured by term deposits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

25. Share-based Payments

The following share-based payment arrangements existed at 30 June 2007:

The company has issued a total of 5,250,000 January 2009 Options. These options are held by Argonaut Securities Pty Limited and directors of the parent entity and subsidiary company. Each option is an option to acquire 1 Share at an exercise price of $1.20 and can be exercised at any time on or before 31 January 2009.

The company has issued 500,000 February 2009 Options to Mr Williams. Each option is an option to acquire 1 Share at an exercise price of $1.20 and can only be exercised on or before 28 February 2009. In addition these options cannot be exercised until (1) Mr Williams has completed 12 months service with the company as Finance Director and Company Secretary; or (2) a takeover bid is made for the Company, the Company enters into a scheme of arrangement or a person acquires more than 50% of the Shares.

The terms of the January 2009 Options and the February 2009 Options shall be adjusted for pro rata and bonus issues of Shares to hareholders and for capital reconstructions in accordance with their terms.

Neither the January 2009 Options or the February 2009 Options are quoted on ASX.

	Consolidated 2007		Consolidated 2006		Parent Entity 2007		Parent Entity 2006	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	5,750,000	1.20	-	-	5,750,000	1.20	-	-
Granted	-	-	5,750,000	1.20	-	-	5,750,000	1.20
Forfeited	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-	-
Outstanding at year-end	5,750,000	1.20	5,750,000	1.20	5,750,000	1.20	5,750,000	1.20
Exercisable at year-end	5,750,000	1.20	5,750,000	1.20	5,750,000	1.20	5,750,000	1.20

The options outstanding at 30 June 2007 had a weighted average exercise price of $1.20 and a weighted average remaining contractual life of 1.6 years. The exercise price is $1.20 in respect of all options outstanding at 30 June 2007.

Both the January 2009 Options and the February 2009 Options were valued using the Black-Sholes Model. The key assumptions were as follows:

- The exercise price of the options was $1.20;
- The underlying share price was $1.00;
- The volatility of the share price was implied to be 39.82% which was calculated by reference to other biodiesel producing companies listed on ASX;
- A risk free rate of return of 5.17%, based on the Commonwealth Bonds 3 Year Indicator Rate;
- There was no dilution factor attributable to the issue of the options; and
- No options would be exercised before their maturity date.

The impact of applying these assumptions was that the January 2009 Options were valued, at grant date, at $0.2441 per option and the February 2009 Options were valued, at grant date, at $0.2490 per option.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

Included under employee benefits expense in the income statement is $77,430 (2006: $47,072), and relates, in full, to equity-settled share-based payment transactions.

26. Events Occurring Subsequent to Balance Date

Mission Biofuels Sdn Bhd, a wholly owned subsidiary of Mission Biofuels Limited has awarded KNM Process Systems Sdn Bhd the construction contract for 250,000 tpa Expansion Facility on the 24 July 2007. The contract is valued at RM122 million which is A$41 million equivalent.

Konsultant Proses Sdn Bhd (Konpro) was appointed as Owners' Engineers and Project Managers for the construction contract of the 250,000 tpa expansion facility. The contract is valued at RM6 million which is A$2 million equivalent.

On the 17 July 2007, 144,231 fully paid ordinary shares were issued by Mission Biofuels Limited on the conversion of 144,231 Convertible Notes.

On 8 August 2007, 1,538,462 fully paid ordinary shares were issued by Mission Biofuels Limited on the conversion of 1,538,462 Convertible Notes.

27. Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
a. Other Related Parties				
Management fee charged to Mission Biotechnologies Sdn Bhd, a 100% owned subsidiary company			704	190
b. Key Management Personnel				
Retainer and bonus paid to Mr Parantaman (director of Mission Biotechnologies Sdn Bhd) for his role in bringing the Biodiesel project to fruition.		271		271
Retainer and bonus paid to Chitvan Consultants Sdn Bhd (executive director Mr Bansal is a director of this company and has a controlling interest) for his role in bringing the Biodiesel project to fruition.		271		271
Company secretarial and advisory fees paid to Wize Platform Sdn Bhd, a company that is owned by the wife of Mission Biotechnologies Sdn Bhd director, Mr Parantaman.	47	67	-	-
Provision of services by Mr Arvind Bansal per an independent contractor agreement. The key terms of the agreement are: • a term of 3 years, with Mission Biofuels 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 $120,000 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	120	19	120	19
Office rental paid to Wize Platform Sdn Bhd, a company that is owned by the wife of Mission Biotechnologies Sdn Bhd director, Mr Parantaman	12	-	-	-
Inter Corporate Loan receipt from SkyZen Capital Advisors Pty Ltd, a company owned 50% by Mr Arvind Bansal.	138	-	-	-
Repayment of Inter Corporate Loan to SkyZen Capital Advisors Pty Ltd, a company owned 50% by Mr Arvind Bansal.	138	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

28. Financial Instruments

a. Financial Risk Management

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

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

Interest rate risk
Interest rate risk is managed with a mixture of fixed and floating rate deposits. At 30 June 2007 approximately 19% of group deposits are fixed. This high % will diminish over the course of the next year as money is drawn down to pay for the build of the Biodiesel plant. For further details on interest rate risk refer to Note 28(b)(i).

Foreign currency risk
The group is exposed to fluctuations in foreign currencies arising from the foreign currencies held in its bank accounts, sale and purchases of goods in currencies other than the group's measurement currency.

Liquidity risk
The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash is maintained.

Credit risk
The Consolidated Group does not have any material credit risk exposure.

i 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								Weighted Average	
				Within 1 Year		1 to 5 years		Over 5 years		Non-Interest Bearing		Total		Effective Interest Rate	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 %	2006 %
Financial Assets:															
Cash and cash equivalents	8	63,912	4,443	14,631	30,363	-	-	-	-	419	241	78,962	35,047	4.1	4.1
Receivables	9	-	-	-	-	-	-	-	-	1,902	284	1,902	284	-	-
		63,912	4,443	14,631	30,363	-	-	-	-	2,321	525	80,864	35,331		
Financial Liabilities:															
Trade and other payables	16	-	-	-	-	-	-	-	-	3,806	635	3,806	635	-	-
Convertible Notes	17	-	-	-	-	-	-	-	-	52,848	-	52,848	-	4.0	-
										56,654	635	56,654	635		

ii. Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value.

	2007 Carrying Amount $'000	2007 Net Fair Value $'000	2006 Carrying amount $'000	2006 Net Fair Value $'000
Financial Assets				
Cash and cash equivalents	78,962	78,962	35,047	35,047
Receivables	1,902	1,902	284	284
Financial Liabilities				
Trade and other payables	3,806	3,806	635	635
Convertible Notes	52,848	52,848	-	-

29. Company Details

The registered office of the company is:

Mission Biofuels Limited
Level 8, 50 St. Georges Terrace
Perth, WA 6000, Australia

The principal places of business are:

Mission Biofuels Limited
Head Office
Level 8, 50 St. Georges Terrace
Perth, WA 6000, Australia

Mission Biotechnologies Sdn Bhd
Suite 50-4-1, 4th Floor
Wisma UOA Damansara
50 Jalan Dungun
50490 Kuala Lumpur, Malaysia

Mission Biofuels Sdn Bhd
Suite 50-4-1, 4th Floor
Wisma UOA Damansara
50 Jalan Dungun
50490 Kuala Lumpur, 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

In the 1970's Jojoba oil was found to be superior to Sperm Whale oil for cosmetic purposes. Jojoba oil is chemically similar to the natural oils produced by the human skin.

Jojoba
Copyright 2005 Michelle Cloud-Hughes

DIRECTORS' DECLARATION

MISSION BIOFUELS 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 21 to 63, 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 2007 and of the performance for the year ended on that date of the company and Consolidated Group;
2. the Chief Executive Officer and 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: 24 August 2007

INDEPENDENT AUDIT REPORT TO MEMBERS OF MISSION BIOFUELS LIMITED

INDEPENDENT AUDIT REPORT TO MEMBERS OF MISSION BIOFUELS LIMITED

We have audited the accompanying financial report of Mission Biofuels Limited (the company) and Mission Biofuels Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, 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 and 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.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 7 to 10 of the directors' report and not in the financial report.

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 control 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 Note1, 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 (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Audit 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 and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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 judgment, 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 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 opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Mission Biofuels Limited on 24 August 2007, would be in the same terms if provided to the directors as at the date of this auditor s report.

Total Financial Solutions

Horwath

Horwath refers to Horwath International Association, a Swiss verein. Each member of the Association is a separate and independent legal entity.

Member Horwath International
WHK Horwath Perth Audit Partnership ABN 96 844 819 235
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A WHK Group firm

INDEPENDENT AUDIT REPORT TO MEMBERS OF MISSION BIOFUELS LIMITED

Auditor's Opinion

In our opinion, the financial report of Mission Biofuels Limited is in accordance with the Corporations Act 2001 including:

(a) (i) giving a true and fair view of the company s and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the remuneration disclosures that are contained in pages 7 to 10 of the directors' report comply with Accounting Standard AASB 124.

(c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

WHK HORWATH PERTH AUDIT PARTNERSHIP

SEAN MCGURK
Principal

Perth, WA

Dated this 24 day of August 2007

Oil bearing Trees and Plants	Vegetable Oil Yield in kg/ha	The Part of the tree that can be used for producing Biodiesel
Oil Palm	5000	Kernels (seeds) and the fruit flesh
The Coconut Palm	2260	The coconut shell
Avocado	2217	The fruit flesh
Jatropha Curcas	1590	The seeds
Babassu Palm	1541	The kernels (seeds)
Jojoba	1528	The seeds
Olive Tree	1019	The fruit flesh
Rapeseed	1000	The seeds
Groundnut (Peanuts)	890	Seeds
Sun Flower	800	The sunflower seeds
Soy Bean	375	The beans in the pod
Cotton Plant	273	Seeds

Source: Journey to Forever

SHAREHOLDER INFORMATION

Twenty largest shareholders as at 31 August 2007

Investor	Number of shares	% Issued Capital
MISSION EQUITIES SDN BHD	24,640,000	26.59
TIGER GLOBAL INVESTMENT PARTNERS III LP	16,000,000	17.26
CITICORP NOMINEES PTY LIMITED	7,259,490	7.83
NU EQUITY SOLUTIONS SDN BHD	7,040,000	7.60
CHITVAN CONSULTANTS SDN BHD	4,400,000	4.75
MR PARANTAMAN RAMASAMY	4,400,000	4.75
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,009,604	4.33
RETRO ENERGY SDN BHD	3,520,000	3.80
ANZ NOMINEES LIMITED CASH INCOME A/C	1,562,862	1.69
MR JEFFREY CHARLES HOGAN	1,309,008	1.41
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	1,045,252	1.13
MR WAYNE MASTERTON MRS ROSLYN MASTERTON MASTERTON S/F A/C	789,899	0.85
RAFTSEA PTY LTD	667,757	0.72
MR KARTHIK SARMA	600,000	0.65
COGENT NOMINEES PTY LIMITED	452,489	0.49
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	435,000	0.47
PACIFIC 2000 FOUNDATION DORFERSTRASSE	400,000	0.43
TERRA DEVELOPMENTS PTY LTD TERRA SUPER FUND NO 2 A/C	385,000	0.42
MR GARY JOHN BERRELL	350,000	0.38
TERRA DEVELOPMENTS PTY LTD TERRA SUPER FUND A/C	320,000	0.35
Totals	**79,586,361**	**85.90**

Distribution of equity securities as at 31 August 2007

Ranges	Investors	Number of shares	% Issued Capital
1 - 1,000	205	154,818	0.17
1,001 - 5,000	376	1,157,120	1.25
5,001 - 10,000	173	1,480,064	1.60
10,001 - 100,000	226	7,542,396	8.14
100,001 - 9,999,999,999	35	82,348,295	88.85
Rounding			-0.01
Total	**1,015**	**92,682,693**	**100.00**

There were 18 holders holding less than a marketable parcel of ordinary shares.

Voting rights

Ordinary fully paid shares carry voting rights of one vote per share.

Number of securities subject to escrow

Class of Security	Number held in Escrow	Escrow Period
Ordinary shares	44,060,000	24 months from quotation
Options	5,750,000	24 months from quotation
Performance	14,000,000	24 months from quotation

CORPORATE DIRECTORY

Directors

Mr Dario Amara, Non-Executive Chairman

Tan Sri Abdul Razak Bin Ramli, Non-Executive Deputy Chairman

Datuk Mohamed Zain Bin Mohamed Yusuf, Non-Executive Director

Mr Nathan Mahalingam, Managing Director

Mr Arvind Bansal, Executive Director

Mr Peter Williams, Finance Director and Company Secretary

Registered Office and Head Office

Level 8
50 St Georges Terrace
PERTH WA 6000

Phone: +61 (0) 8 9218 9111
Fax: +61 (0) 8 9218 9100

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Mission Biofuels Sdn Bhd

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50 Jalan Dungun
50490 Kuala Lumpur
Malaysia

Phone: +60 (3) 2094 4388
Fax: +60 (3) 2094 4788

Email: info@missionbiofuels.com

Indian Office
Mission Biofuels India Pvt Ltd
Mission Agro Diesel India Pvt Ltd

608, Powai Plaza,
Hiranandani Business Park
Powai
Mumbai 400076
India

Phone: +91 (22) 2570 6216
Fax: +91 (22) 2570 6215

Email: mbipl@missionbiofuels.com

Legal Advisers

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Perth WA 6000

Share Registry

Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
Perth WA 6000

Auditors

WHK Horwath Business Services Pty Ltd
Level 6
256 St. Georges Terrace
Perth WA 6000

Website

www.missionbiofuels.com

ASX Code

MBT

ABN

63 117 065 719

Bankers

Australia and New Zealand Bank Limited
Level 7
77 St Georges Terrace
Perth WA 6000

HSBC Bank Australia Limited
188-190 St Georges Terrace
Perth WA 6000