

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number: 001-35022

Mission NewEnergy Limited

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Western Australia, Australia

(Jurisdiction of incorporation or organization)

**Unit B2, 431 Roberts Rd,
Subiaco, Western Australia 6008, Australia**
(Address of principal executive offices)

Guy Burnett

Chief Financial Officer and Company Secretary
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(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Ordinary Shares, no par value

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of June 30, 2013: 10,870,275 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and

large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT

Unless otherwise indicated or the context clearly implies otherwise, references to “we,” “us,” “our,” “Mission NewEnergy,” “Mission”, “the Group” and “the Company” are to Mission NewEnergy Limited, an Australian corporation, and its subsidiaries. In this annual report “shares” or “ordinary shares” refers to our ordinary shares.

In this annual report, references to “\$,” “US\$” or “U.S. dollars” are to the lawful currency of the United States and references to “Australian dollars” or “A\$” are to the lawful currency of Australia.

Solely for the convenience of the reader, this annual report contains translations of certain Australian dollar amounts into U.S. dollars at specified rates. Except as otherwise stated in this annual report, all translations from Australian dollars to U.S. dollars are based on the noon buying rate of the City of New York for cable transfers of Australian dollars, as certified for customs purposes by the Federal Reserve Bank of New York on the date or year indicated. No representation is made that the Australian dollar amounts referred to in this annual report could have been or could be converted into U.S. dollars at such rates or any other rates. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

The following table sets out relevant conversion measures for Mission NewEnergy’s business:

- 1 Tonne = 2,204.6226 Pounds biodiesel
- 1 Tonne = 1.1023 Tons (short) biodiesel
- 1 Tonne = 298 Gallons biodiesel
- 1 Tonne = 7.4 Barrels biodiesel
- 1 Barrel = 42 Gallons biodiesel
- 1 Hectare = 2.4 Acres

Unless otherwise indicated, the consolidated financial statements and related notes as of and for the fiscal years ended June 30, 2011, 2012 and 2013 included elsewhere in this annual report have been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards (“IFRS”) and interpretations issued by the International Accounting Standards Board.

References to a particular “fiscal year” are to our fiscal year ended June 30 of that year. References to a year other than a “fiscal” year are to the calendar year ended December 31.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that relate to our current expectations and views of future events. All statements, other than historical fact or present financial information, may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Item 3.D — Key Information — Risk Factors,” “Item 4 — Information on the Company” and “Item 5 — Operating and Financial Review and Prospects,” all of which are difficult to predict and many of which are beyond our control, which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “predict,” “forecast,” “budget,” “project,” “target,” “likely to” or other similar expressions. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- our beliefs regarding the design, technology, operation and maintenance of our refinery;
- our ability to procure a sufficient supply of raw materials, in particular, suitable and cost competitive feedstocks;
- our beliefs regarding the competitiveness of our products;
- our beliefs regarding the advantages of our business model;
- our expectations related to our ongoing restructure;
- our expectations regarding the scaling and expansion or reduction of our production capacity;
- our expectations regarding our ability to procure customers and expand them;
- our expectations regarding settlement of our terminated Indonesian Joint Venture ;
- our expectations regarding increased revenue growth and our ability to achieve profitability resulting from increases in our production volumes;
- our beliefs regarding our ability to successfully implement our strategies;
- our beliefs regarding our abilities to secure sufficient funds to meet our cash needs for our operations and capacity expansion;
- our future business development, results of operations and financial condition;
- the effects of weather;
- government regulatory and industry certification, approval and acceptance of our product and its derivatives; and
- government policymaking and incentives relating to renewable fuels.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

INDUSTRY AND MARKET DATA

This annual report includes information with respect to market and industry conditions and market share from third party sources or that is based upon estimates using such sources when available. We believe that such information and estimates are reasonable and reliable. We also believe the information extracted from publications of third party sources has been accurately reproduced and, so far as we are able to ascertain from information published by the third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, we have not independently verified any of the data from third party sources. Similarly, our internal research is based upon the understanding of industry conditions, and such information has not been verified by any independent sources.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data.

The following selected consolidated statements of operations and other consolidated financial data for the fiscal years 2013, 2012 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this annual report. You should read the selected consolidated financial data in conjunction with our consolidated financial statements and related notes and “Item 5 — Operating and Financial Review and Prospects” included elsewhere in this annual report. Our historical results do not necessarily indicate our expected results for any future periods.

Our financial statements have been prepared in Australian dollars and in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Income statement data for the fiscal years ended June 30, 2013, 2012 and 2011 and the balance sheet data as at June 30, 2013 and 2012 have been derived from our audited financial statements that are included elsewhere in this annual report. Income statement data for the fiscal years ended June 30, 2010 and 2009 and the balance sheet data as at June 30, 2011, 2010 and 2009 have been derived from our audited financial statements that are not included in this annual report.

	2013 US\$ ⁽¹⁾	2013 A\$	2012 A\$	2011 A\$	2010 A\$	2009 A\$
	(in thousands, except share and per share data)					
Income Statement data:						
Total sales revenue	174	169	27,543	13,629	14,394	43,368
Total other income	8,468	8,244	10,659	1,890	2,066	11,809
Cost of sales	(378)	(368)	(26,153)	(13,352)	(15,021)	(45,709)
Employee benefits expense	(1,662)	(1,618)	(3,221)	(6,349)	(5,307)	(5,117)
Other income (expenses)	8,603	8,375	(9,012)	(7,965)	(88,751)	(19,271)
Finance costs	(4,159)	(4,048)	(3,243)	(4,865)	(5,152)	(8,401)
Profit/(loss) from operations before income tax	11,046	10,754	(3,427)	(17,012)	(97,771)	(23,321)
Income tax (expense) benefit	21	20	(16)	1	(29)	(434)
Profit/(Loss) from continuing operationNet (loss)/profit	11,067	10,774	(3,443)	(17,011)	(97,800)	(23,755)
Loss for the year from discontinued operations	(736)	(717)	(2,755)	(4,659)	-	-
Net Profit / (Loss)	10,331	10,057	(6,198)	(21,670)	(97,800)	(23,755)
Profit/(Loss) attributable to non-controlling interests	(15)	(14)	68	-	-	-
Profit/(Loss) attributable to members of the parent	10,316	10,043	(6,130)	(21,670)	(97,800)	(23,755)
Basic and diluted earnings (loss) per share ⁽²⁾	0.98	0.96	(0.69)	(3.50)	(20.76)	(12.00)
Weighted average ordinary number of shares outstanding ⁽³⁾	10,481,820	10,481,820	8,919,299	6,199,265	4,711,249	1,979,725
Balance Sheet data:						
Total current assets	5,028	5,486	7,682	29,236	25,007	26,372
Total assets	18,428	20,105	10,703	36,598	33,749	118,030
Total current liabilities	28,458	31,051	2,362	22,059	4,300	9,550
Total non-current liabilities	1,428	1,558	31,215	44,287	59,137	57,441
Total liabilities	29,888	32,609	35,144	66,346	63,437	66,991
Retained earnings (accumulated losses)	(139,366)	(136,188)	(140,377)	(135,720)	(117,259)	(19,475)
Total equity	(11,460)	(12,504)	(24,441)	(29,748)	(29,688)	51,039
Other financial data:						
Dividends per share	—	—	—	—	—	—

- (1) The balance sheet data has been translated into U.S. dollars from Australian dollars based upon the noon buying rate of the City of New York for cable transfers of Australian dollars, as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2013, which exchange rate was A\$1.00 = US\$0.9165. The income statement data has been translated into U.S. dollars from Australian dollars based upon the weighted average of the noon buying rate of the City of New York for cable transfers of Australian dollars, as certified for customs purposes by the Federal Reserve Bank of New York for the period from July 1, 2012 to June 30, 2013 which as A\$1.00 = US\$1.0272. These translations are merely for the convenience of the reader and should not be construed as representations that the Australian dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.
- (2) Net (loss)/profit per ordinary share — basic and diluted is calculated as net loss for the period divided by adjusted weighted average number of ordinary shares outstanding for the same period, after giving effect to the 50-1 share consolidation that was effected on April 4, 2011.
- (3) The weighted average number of ordinary shares outstanding is shown after giving effect to the 50-1 share consolidation that was effected on April 4, 2011.

Exchange Rate Information

The Australian dollar is convertible into U.S. dollars at freely floating rates. There are no legal restrictions on the flow of Australian dollars between Australia and the United States.

For your convenience, we have translated some Australian dollar amounts into U.S. dollar amounts at the noon buying rate in The City of New York for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the “noon buying rate”). On June 30, 2013, the noon buying rate for Australian dollars into U.S. dollars was A\$1.00 = US\$0.9165. On October 11, 2013, the noon buying rate for Australian dollars into U.S. dollars was A\$1.00 = U.S \$ 0.9473.

We make no representation that any Australian dollar or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Australian dollars, as the case may be, at any particular rate, the rates stated below, or at all.

The following table contains information for the noon buying rate for the Australian dollar into U.S. dollars for the periods indicated.

	At Period End	Average Rate ⁽¹⁾	High	Low
Fiscal year ended June 30,				
2009	0.8055	0.7423	0.9797	0.6073
2010	0.8480	0.8837	0.9369	0.7751
2011	1.0732	0.9905	1.0970	0.838
2012	1.0236	1.0323	1.1026	0.9453
2013	0.9165	1.0272	1.0591	0.9165
Month ended				
April 30, 2013	1.0372	1.0380	1.0564	1.0255
May 31, 2013	0.9608	0.9919	1.0313	0.9608
June 30, 2013	0.9165	0.9440	0.9770	0.9165
July 31, 2013	0.8957	0.9155	0.9259	0.8957
August 31, 2013	0.8901	0.9037	0.9193	0.8901
September 30, 2013	0.9324	0.9301	0.9444	0.9055
October 31, 2013 (through October 11, 2013)	0.9473	0.9426	0.9473	0.9366

(1) For the fiscal years, determined by averaging noon buying rates on the last day of each full month during the fiscal year.

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

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D. Risk Factors.

Set forth below are certain risks that we believe are applicable to our business. You should carefully consider the risks described below and the other information in this annual report, including our consolidated financial statements and related notes included elsewhere in this annual report, before you decide to buy, sell or hold our ordinary shares. If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be materially harmed. Additional risks not presently known to us, or risks that do not seem significant today, may also impair our business operations in the future.

Risks Related to Our Business

We may not be able to continue as a going concern.

We have a history of net losses and there is a substantial doubt about our ability to continue as a going concern. We incurred an operating profit for the year ended June 30, 2013 of A\$10.1 million (2012: A\$6.2 million loss), with net cash used in operating activities of A\$3.7 million (2012: A\$4.9 million). At balance date, the current assets less current liability deficit was A\$11.0 million (2012: A\$6.0million surplus) and the net asset deficiency A\$12.5 million (2012: A\$24.4 million). The current asset deficiency is primarily due to convertible note due and payable in May 2014. The net asset deficiency is primarily as a result of the impairment of the majority of the refinery assets during the current and previous financial years (refer to note 5a).

At June 30, 2013, the Company has a current liability for the series three convertible notes of A\$32.9 million (nominal value).As of October 30, 2012 A\$7.5 million of the series three convertible notes were redeemed by the Company resulting in an outstanding debt obligation of A\$25.4 million.

As announced to the market on the February 25, 2013, a debt funding package was signed with SLW International, LLC (SLW) a substantial convertible note holder, to provide the Group with a US\$5 million line of credit facility. As of October 30, 2013 the Company had fully settled all outstanding drawn funds and fully paid the interest and charges on this Facility.

The Directors believe that at the date of this report the Group has sufficient financial resources at June 30, 2013 to meet its committed financial liabilities.

The financial statements for the fiscal year ended June 30, 2013 have been prepared on a going concern basis which has been assessed based on detailed cash flow forecasts extending out twelve months from the date of this financial report. The cash flow forecasts from operations are based on the forecast cash flows required to sustain the business and cash on hand at June 30, 2013. The cash flow forecasts do not take into account any capital commitments as these are not foreseen to be payable within the forthcoming twelve months.

The ability of the Group to continue as a going concern in the ordinary course of business and to achieve the business growth strategies and objectives is dependent upon the ability of the Group to do a sufficient combination of the following things to enable its commitments to be met:

- Generate positive cash flows from operations.
- Raise cash through sale of assets and recovery of receivables.
- Reduce cash outflows through cost control measures.
- Renegotiate the maturity date of the convertible notes.
- Raise cash through the issue of further equity.
- Increase debt facilities.

The Directors consider that there are reasonable grounds to expect that the Group will be able to meet its commitments through the measures listed above, and accordingly have prepared the financial report on a going concern basis in the belief that the Group will realize its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial report. However, should the Group not be successful in the matters discussed above, there is material uncertainty whether the Group will be able to continue as a going concern.

If we are unable to generate sufficient alternative revenue to offset the losses from our primary business, our business and financial condition will suffer a significant adverse effect.

Revenue from our business may not exceed our expenses and thus there is substantial risk that we will not be able to generate enough revenue to reverse our pattern of historical losses and negative cash flow, which would have a significant adverse effect on our business and financial condition.

We may not be able to recover any funds from intercompany loans

The head company holds security over all material assets of the group in regards to all inter company loans. The company's subsidiary's may not be able to repay or service these intercompany loans, which would have a significant adverse effect on our business and financial condition.

Our substantial level of current debt could impair our ability to service our indebtedness, finance our operations and compete with less leveraged players in the industry.

We have substantial current indebtedness. As of June 30, 2013, we had total current indebtedness of A\$31.1 million, including approximately A\$27.4 million (accounting value) outstanding under our convertible notes which is due and payable in May 2014, and A\$3.7 million of other debt. Our high level of indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our indebtedness obligations under the convertible notes, exposing us to the risk of default, which could result in a foreclosure on our assets, which, in turn, would negatively affect our ability to operate as a going concern;
- make it more difficult for us to satisfy our obligations under our other indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to interest and principal payments on our indebtedness, reducing the availability of our cash flow for other purposes, such as capital expenditures, acquisitions, dividends and working capital;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- increase our vulnerability to general adverse economic and industry conditions;
- place us at a disadvantage compared to our competitors that have less debt;
- limit our ability to pursue new strategies and business opportunities;
- increase our cost of borrowing; and
- limit our ability to borrow additional funds.

We may not be able to generate sufficient cash to service our indebtedness and the terms of our indebtedness, as well as economic conditions, may prevent us from successfully refinancing.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our future performance, which will be affected by financial, business and economic conditions and other factors. We will not be able to control many of these factors, such as economic conditions in the industry in which we operate and competitive pressures. Our cash flow may not be sufficient to allow us to pay principal and interest on our debt and to meet our other obligations. Any limitation on our ability to pay principal of, and interest on, the convertible notes would likely reduce the value of our ordinary shares. If our cash flows and capital resources are insufficient to fund our debt service obligation, including those obligations under our convertible notes, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the convertible notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In addition, the terms of existing or future debt agreements, including our convertible notes, may restrict us from pursuing any of these alternatives.

If we do not meet certain EPA requirements under Renewable Fuels Standard 2 ("RFS2"), fuels produced from palm oil may not be able to generate retroactive Renewable Identification Numbers, or RINs, which are commercially necessary to supply biodiesel produced from palm oil into the United States, which would limit our market opportunity and jeopardize our near term financial viability.

Under the National Renewable Fuel Standard, Palm based biodiesel does not qualify as an approved biodiesel generate RINs. A RIN is a 38-character numeric code that is generated by the producer or importer of renewable fuel representing gallons of renewable fuel produced/imported and assigned to batches of renewable fuel that are transferred (change of ownership) to others. RINs are then turned into the EPA each year by petroleum refiners to prove that they have blended the required amount of renewable fuel under RFS2. Therefore, biodiesel that does not generate a RIN may have a very limited market in the U.S. If we are not able to meet these requirements, we may suffer a significant adverse effect on our business, financial performance and financial condition and could cause us to cease operations.

We may not be compliant under the European Renewable Energy Directive, our ability to sell palm-based biodiesel into the European Union will be significantly constrained and the results of our operations will be adversely impacted.

Under the Renewable Energy Directive, the entire pathway for palm based biodiesel including the suppliers of raw materials and the production pathway must be certified. Failure for our production facility to meet such certification or failure by our suppliers of palm oil feedstock to satisfy the Renewable Energy Directive could affect our ability to sell palm-based biodiesel into the European Union. The European Union has been and remains a key market for us. Any limitation on our ability to sell biodiesel into the European Union could have a significant adverse effect on our business, financial performance and financial condition.

The design and technology of our refineries may be unable to meet future biodiesel specifications and further capital expenditures may be required.

The specifications for biodiesel are continually evolving and are subject to further change. Further capital expenditures may be required to ensure that our refineries meet new specifications, adversely affecting our financial performance and financial position. There is also no assurance that the equipment and technology used in our capital improvements will achieve performance specifications. The failure of utilized equipment and technology in this regard may adversely affect our business.

The operation and maintenance of our refineries involve significant risks that could result in disruptions in production or reduced output.

The operations of our refineries are exposed to significant risks, including:

- failure of equipment or processes;
- operator or maintenance errors;
- labor disruptions;
- extended and unscheduled interruptions to production;
- accidents; and
- damage to equipment and disaster whether arising from the actions or omissions by us or our employees or from external factors.

There are operational hazards inherent in chemical manufacturing industries, such as fires, explosions, abnormal pressures, blowouts, pipeline ruptures, and transportation accidents. Some of these operational hazards may cause personal injury or loss of life, severe damage to or destruction of property and equipment or environmental damage, and may result in suspension or termination of operations and the imposition of civil or criminal penalties. In addition, our insurance may not be adequate to fully cover the potential operation hazards described above, and we may not be able to renew our insurance on commercially reasonable terms or at all. See "Item 3.D — Key Information — Risk Factors — Our insurance coverage may not be sufficient to cover our liability risks."

If we are unable to generate profitable sales this will significantly reduce our revenues and harm our results of operations.

In 2013, our biofuel revenue was NIL due to the shut down of the refining operations in the prior financial year. Our historic revenue contracts have since expired and we cannot assure you that we will be able to source new customers and establish and maintain long-term relationships with such customers. As a result of our inability to find profitable sales contracts our refining operations are currently in care and maintenance. If we are unable to source new customers our revenues will be significantly reduced and could have a material adverse effect on our results of operations.

If we cannot find suitably qualified personnel to run our refineries we may be unable to deliver into sales contracts which may result in lost revenues and incurred costs.

The operation of our refineries requires suitably qualified personnel. With the current status of the refineries being in care and maintenance, the majority of personnel have been retrenched. The ability to restart the refineries may be affected by an inability to employ suitably trained staff.

If we cannot get the refineries to run successfully after being in care and maintenance we may be unable to deliver into sales contracts which may result in lost revenues and incurred costs.

With the refineries being under care and maintenance, such non-operation may result in significant costly technical and mechanical delays if the decision were made to restart production.

An increase in cost or an interruption in the supply of our feedstock may inhibit production and adversely affect our financial performance.

The operation of our refineries is dependent on our ability to procure substantial quantities of suitable quality feedstock.

At this time, our refining operation is in care and maintenance and not operating. However, should we return to operations, the failure to procure a sufficient supply of raw materials satisfying our quality, quantity and cost requirements in a timely manner could impair our ability to produce our products or could increase our costs. Any interruption to the supply of suitable quality feedstock may result in disruptions in production or reduced output, which may materially and adversely affect our financial performance.

Additionally, our financial results are substantially dependent on the prices for our feedstock. A substantial increase in feedstock price relative to the value of our end products would adversely affect our financial performance. Although we may attempt to offset the effects of fluctuations in prices by entering into arrangements with our customers on a feedstock price plus contract basis through which we receive a predetermined margin over the price of the feedstock or by engaging in transactions that involve exchange-traded futures contracts (or other contractual arrangements securing future commodity prices), the amount and duration of these hedging and risk mitigation activities may vary substantially over time. These activities also involve substantial risks.

We have experienced and may in the future experience volatile capacity utilization which may adversely affect our results of operations.

We remain reliant on palm oil as a feedstock. If the price of palm oil is greater than the value of our biodiesel, which is generally priced relative to ultra low sulphur diesel ("ULSD"), we may not be able to profitably sell biodiesel into the immediate cash payment and delivery market. Our ability to supply palm-based biodiesel profitably is based on having positive margins where our input costs are lower than the value of our refined product. We are unable to influence the price of palm oil or the price of biodiesel. Resultantly, our biodiesel profitability is reliant on the existence of a positive spread between these two commodities. As we only operate when a positive operating margin exists, currently we have not been operational at anytime during the period, we have and expect to continue to have in the future erratic capacity utilization, which may adversely affect our results of operations.

We have suffered and may continue to suffer low capacity utilization if we are unable to secure term contracts.

Given the volatility of profit margins on biodiesel production due to fluctuations in commodity pricing for palm oil and the value of our finished product, we have not converted palm oil to biodiesel unless we have a committed contract customer willing to accept pricing based on our cost of purchasing feedstock and earning a positive margin from refining. Our refineries are currently shut down and we currently have no customers and have no visibility on our ability to attract customers. As such our refining operations have been put on care and maintenance.

We have suffered and may continue to suffer low capacity utilization if we are unable to secure material volumes of biodiesel sales under the Malaysian Biodiesel mandate.

After numerous years discussing the possible implementation of a biodiesel blending mandate in Malaysia, the Malaysian Government introduced a scheme to mandate a 5% biodiesel blend into commercial diesel sales in the Central region of Malaysia. This scheme may grow or reduce depending on Government support. In addition the scheme was for a lower volume than previously communicated to Malaysian Biodiesel producers. Accordingly we secured relatively low volumes of biodiesel sales under this scheme. If the scheme is not extended, or cancelled altogether, or commercially viable quantities are not secured by us, this may adversely affect our results of operations. Due to insufficient and unprofitable sales volumes under this mandate, we terminated the arrangements to supply biodiesel and we currently have no biodiesel sales in Malaysia and have no visibility towards further sales in Malaysia. As such, our refining operations have been put on care and maintenance.

We may be unable to perform under offtake agreement

The company may not be able to perform under any existing or new offtake agreements, given that its refinery is currently in care and maintenance. Additionally any changes in legislation in the local jurisdiction of the offtaker may prohibit such sales including in the United States where palm based biodiesel is not compliant with governmental regulations.

Our inability to meet margin calls on hedged positions would adversely affect our financial condition.

To maximize and protect the profitability of the offtake agreement, we may enter into hedging positions to protect against commodity risk. Upon entering the hedging positions and the inherent volatility in the commodity markets, we will likely be required to make margin call payments from time to time. Inability to meet such margin calls would adversely affect our financial condition and financial performance.

We may suffer losses due to sales of competing products that infringe on our intellectual property.

We rely on a combination of patents, trademarks, domain names and contractual rights to protect our intellectual property. We cannot assure you that the measures we take to protect our intellectual property rights will be sufficient to prevent any misappropriation of our intellectual property, or that our competitors will not independently develop alternative technologies that are equivalent or superior to technologies based on our intellectual property. In the event that the steps we have taken and the protection afforded by law do not adequately safeguard our proprietary technology, we could suffer losses due to the sales of competing products that exploit our intellectual property, and our profitability would be adversely affected.

If we are subject to claims of infringement of the intellectual property of others, the defense of these claims could drain our resources and any adverse determination could adversely impact or halt our biodiesel production.

Our biodiesel refineries include contracts with Axens for the supply of our proprietary systems, over which they have intellectual property that they have licensed to us. This intellectual property includes the operating procedures and technical schematics of our biodiesel refineries, which are required to operate and maintain the plants. The unauthorized use or Axens' or our intellectual property or the infringement by us of another person's intellectual property right may adversely affect our financial performance..

To the best of our knowledge, our patented process does not infringe any third party's intellectual property rights. However, intellectual property rights are complex and there exists the risk that our process may infringe, or be alleged to infringe, another party's intellectual property rights.

The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our products or manufacturing processes or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies.

Any inability to obtain and maintain all the required licenses and permits related to our business and the resulting increased compliance costs may adversely affect our financial performance.

We are required to hold or obtain a number of licenses and permits, including environmental and those related to materials handling, in various jurisdictions in order to implement and operate our business. In particular our biodiesel refining operation in Malaysia holds a Lembaga Minyak Sawit Malaysia license (which allows for the buying, selling, movement and importation of palm oil products) and a Kementerian Perusahaan Perladangan & Komoditi license (which allows the production of biodiesel). The Lembaga Minyak Sawit Malaysia license is renewed annually and is currently valid. We have no reason to believe that this license will not be renewed, although renewal is not assured. The Kementerian Perusahaan Perladangan & Komoditi license is renewed every three years and is currently valid and we have no reason to believe that this license will not be renewed yearly, although renewal is not assured.

We are subject to environmental regulations, the compliance with which imposes substantial costs on us and the violation of which could result in penalties and other liabilities.

Laws dealing with protection of the environment provide for penalties and other liabilities for the violation of such laws and establish, in certain circumstances, obligations to remediate facilities and locations where operations are conducted. We may incur substantial costs in the future as part of our continued efforts to comply with these environmental laws and to avoid violations of them.

We may experience a significant chemical or biodiesel spill at our refineries or we may experience a chemical spill. If any of these events occur or if we otherwise fail to comply with the applicable environmental or other regulations, we could be subject to significant monetary damages and fines or suspensions of our operations, and our business reputation and profitability could be adversely affected.

Any amendments to the environmental laws could impose substantial pollution control measures that could require us to make significant expenditures to modify our production process or change the design of our products to limit actual or potential impact to the environment. Moreover, new laws, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments could require us to make significant additional expenditures, which may adversely affect our business, results of operations and financial condition.

Our insurance coverage may not be sufficient to cover our liability risks.

Our insurance arrangements may not adequately protect us against liability for all losses, including but not limited to environmental losses, property damage, public liability or losses arising from business interruption and product liability risk. Additionally, we may be unable to renew our existing insurance arrangements on commercially reasonable terms or at all. Should we be unable to maintain sufficient insurance coverage in the future or experience losses in excess of the scope of our insurance coverage, our financial performance could be adversely affected.

Changes in government policy could adversely affect our business.

Our refineries are located in Malaysia and possible sales of biodiesel may be in the United States and Europe. In addition, the equipment for our plants is imported from, and our products are sold in, various other countries. There is a risk that actions of a government in any of these countries may adversely affect our ability to implement and operate our business.

Government action or policy change in relation to access to lands and infrastructure, import and export regulations, environmental regulations, taxation, royalties and subsidies could adversely affect our operations and financial performance. In particular, upon significant changes in U.S. legislation, the renewable fuels standard or the biodiesel blenders excise tax credit, where palm based biodiesel is not compliant. Generally, however, a policy change in any of the jurisdictions in which we operate, or intend to operate, may inhibit our ability or the financial viability of our operations to export feedstock oil or the refined products that we market. This, in turn, could adversely affect our operations and financial performance.

Our financial performance may be adversely affected by fluctuations in exchange rates.

Our revenues and expenditures are potentially denominated in a number of currencies, including U.S. dollars, euros, Australian dollars, Indonesian rupiah, and Malaysian ringgit. Historically, we have experienced losses due to unhedged negative changes in exchange rate. Additionally, we have experienced foreign currency translation differences (which are held on our balance sheet in the foreign currency translation reserve) as a result of reporting consolidation of non-Australian subsidiaries. We have limited foreign currency hedging arrangements in place. As a result, our financial performance may be adversely affected by fluctuations in exchange rates.

We may be unable to recover our investment in our Indonesian palm oleochemical joint venture project.

We terminated our Indonesian joint venture project given material breaches in obligations by the joint venture partner. Under the terms of our Joint Venture Agreement upon termination for breach of obligations the breaching party must acquire all shares of the non-breaching party at the greater value of the initial investment being US\$2.8 million of the market value of the shares. The valuation of the shares is in dispute and the matter has been referred to Indonesian Arbitration. The company can provide no assurances that it will be able to recover the original investment amount or an amount greater than our invested capital nor the timing thereof.

Risks Related to Our Strategy

We may not be able to restart refining operations.

The refining operations are currently held in care and maintenance. Should profitable opportunities present themselves there can be no assurance that the Company would be able to restart refining operations. Further the Company can make no assurances as to its ability or cost thereof to attract necessary staff, obtain working capital lines and re-commission the equipment.

We may be unable to settle the loan raised to fund our operations in India

In April 2013, the Company announced that it had secured a short term financing facility to meet operating costs in India. The lenders required that the equity in the Indian Subsidiary, Mission Biofuels India PL, be held as security in the event that the group does not repay the facility. As at the date of this report the loan is in default and we are working with the lender on a settlement arrangement. If we are unable to negotiate a settlement the lender has the right to enforce their collateral position being security held over all shares in the Indian subsidiary. If this right is enforced we would have no further business interests in India.

We have terminated our joint venture in Indonesia following our joint venture partners breach of material obligations. If we are unable to resolve the dispute we may suffer substantial financial loss.

The Indonesian Joint Venture settlement is in Indonesian arbitration following the breach by the joint venture partner to perform material obligations. If the joint venture partners are unable to determine a way forward the Company may be materially adversely financially effected. The Company can provide no assurances that it will receive adequate compensation following the termination.

We may be unable to sell our assets for fair market value or sell them at all.

If the Company sells its assets, it may not be able to realize its original investment, nor an amount greater than the current debt obligations of the Company and as such upon the sale of its assets can provide no assurance as to the realization of proceeds for the Company or shareholders. Under the sale agreement of the 100,000 tpa refinery the company entered into a right of first refusal with Felda Global Ventures (FGV) to purchase the second biodiesel refinery that expires on 7 Jan 2014. During this time the presence of such a right of first refusal may inhibit the companies efforts to sell its refinery to a third party. The existence of the right of first refusal can provide no assurance as to the intent of FGV to acquire the second refinery.

We may be unable to continue our business in renewable energy or any other Industry.

If the Company sells all its assets, the company may not be able to find suitable projects to continue business in the renewable sector. If this is the case the company may require shareholder approval to change the Groups strategic direction, may not qualify for ASX listing and may not have sufficient capital beyond settling its obligations to launch any new business activities.

Our future growth will depend on our ability to establish and maintain strategic relationships with distributors and feedstock suppliers.

Our future growth depends on our ability to establish and maintain relationships with third parties, including distributors and feedstock suppliers. We may not be able to establish strategic relationships with third parties on terms satisfactory to us or at all, and any arrangements that we enter into may not result in the type of collaborative relationship with the third party that we are seeking. Further, these third parties may not place sufficient importance on their relationship with us and may not perform their obligations as agreed. Any failure to develop and maintain satisfactory relationships with distributors and feedstock suppliers would have a material adverse effect on our business.

We currently are not generating revenue from operations and thus we may be unable to fund our operational and capital requirements and service our existing indebtedness and we may be unable to obtain adequate financing on favorable terms to meet these needs.

We currently expect that our cash flow will be used to fund operating losses and capital expenditures. Should we become operational we would also require substantial working capital. Additionally, as of the date of this annual report we are required to repay approximately A\$25.4million to redeem our outstanding convertible notes in May 2014. We cannot assure you that we will be successful in generating sufficient revenue and we may require financing to meet our needs.

Our ability to access to equity and debt capital and trade financing on favorable terms may be limited by factors such as:

- general economic and market conditions;
- conditions in energy markets;
- credit availability from banks or other lenders for us and our industry peers;
- investor confidence in the industry;
- the operation of our refineries;
- our financial performance; and
- our levels of indebtedness.

Our ability to access equity capital is limited without shareholder approval and we may be unable to obtain the required shareholder approval to obtain financing in future equity offerings.

Our ability to access equity capital is also limited by ASX Listing Rule 7.1, which provides that a company must not, subject to specified exceptions (including approval by shareholders), issue or agree to issue during any 12-month period any equity securities, or other securities with rights to conversion to equity, if the number of those securities exceeds 25% of the number of securities in the same class on issue at the commencement of that 12-month period. Our ability to issue shares in certain subsequent offerings will be restricted by this 25% annual placement capacity to the extent that we are unable to obtain shareholder approval of the offerings.

Risks Related to Our Industry

A decline in the price of diesel or other fuel sources or an increase in their supply could constrain the selling price of our biodiesel.

Biodiesel prices are influenced by market prices for petroleum diesel, the pricing of which is affected by global and domestic market prices for crude oil. The pricing of petroleum diesel is also subject to typical market movements and decreases when there is an increase in supply in the face of unchanged or decreased demand. To remain competitive, the price of biodiesel tends to decrease as the price of petroleum diesel decreases. As a result, any decline in petroleum prices will likely lead to lower prices for biodiesel. If the price of our inputs, such as palm oil feedstock, is greater than the price of our biodiesel in the market, we will be unable to make profitable sales and we would halt production. We did not operate our refinery for twelve months in fiscal 2013, six months in fiscal 2012, nine months in fiscal 2011, nine months in fiscal 2010 and five months in fiscal 2009 due to negative spreads that existed between the potential sales price of biodiesel and the input costs to produce the biodiesel. Declines in the pricing of our biodiesel relative to the cost of the inputs for production may cause us to continue the halt in production in the future which may materially and adversely affect our performance.

The biodiesel industry is a new industry and its continued development is subject to a number of risks and obstacles.

Our primary product is biodiesel. The global biodiesel industry is at an early stage of development and acceptance as compared to petroleum-based fuels. Biodiesel has experienced significant fluctuations in growth during that last five years and demand for biodiesel as our primary product may not grow as rapidly as expected or at all. Biodiesel and the global biodiesel industry, as a whole, also face a number of obstacles and drawbacks, including:

- gelling at lower temperatures than petroleum diesel, which can require the use of low percentage biodiesel blends in colder climates or the use of heated fuel tanks;
- potential water contamination that can complicate handling and long-term storage;
- reluctance on the part of some auto manufacturers and industry groups to endorse biodiesel and their recommendations against the use of biodiesel or high percentage biodiesel blends;
- potentially reduced fuel economy due to the lower energy content of biodiesel as compared with petroleum diesel; and
- potentially impaired growth due to a lack of infrastructure such as dedicated rail tanker cars and truck fleets, sufficient storage facilities, and refining and blending facilities.

Delayed market acceptance of our products may adversely affect our pricing and profitability. The lack of infrastructure to store, ship and distribute our products may also increase our logistical costs and diminish our profitability.

We may be subjected to new or amended standards for biodiesel from time to time and required to modify our production process or procure alternate or additional feedstock.

New standards may be introduced and existing standards may be amended or repealed from time to time. The production of biodiesel that meets stringent quality standards is complex. Concerns about fuel quality may impact our ability to successfully market and sell our biodiesel. If we are unable to produce biodiesel that meets the industry quality standard, our credibility and the market acceptance and sales of our biodiesel could be negatively affected. In addition, actual or perceived problems with quality control in the industry generally may lead to a lack of consumer confidence in biodiesel. This could result in a decrease in demand or mandates for biodiesel, with a resulting decrease in revenue.

A change to the quality standards for biodiesel in any market in which we sell biodiesel may require us to modify our production process or procure alternate or additional feedstock, which may affect our revenue and expenditure and adversely affect our results of operations..

We face significant competition from existing and new competitors as well as competing technologies and other clean energy sources.

Our primary product is a substitute for mineral diesel and a global commodity and as such is highly cost competitive. There are already many global producers of biodiesel with which we currently compete. While these existing competitors are limited by installed refining capacity, we would expect further new entrants into the market if economic opportunities present themselves thereby increasing competition. In addition to existing and new direct competitors, as a relatively new industry with distribution channels still in the development stage, market forces may limit our access to end markets or make our costs of delivering product to end-users uncompetitive. Our future financial performance and earnings growth may be adversely affected if either of the above occurs.

In addition, new technologies may be developed or implemented for alternative energy sources and products that use such energy sources. Advances in the development of fuels other than biodiesel, or the development of products that use energy sources other than diesel, such as gasoline hybrid vehicles and plug-in electric vehicles, could significantly reduce demand for biodiesel and thus affect our sales. Biodiesel also faces competition from fuel additives that help petroleum diesel burn cleaner and therefore reduce the comparative environmental benefits of biodiesel in relation to petroleum diesel.

Other clean energy sources such as liquefied petroleum gas, hydrogen and electricity from clean sources may be more cost-effective to produce, store, distribute or use, more environmentally friendly, or otherwise more successfully developed for commercial production than our products. These other energy sources may also receive greater government support than our products in the form of subsidies, incentives or minimum use requirements. As a result, demand for our products may decline and our business model may no longer be viable and our results of operations and financial condition may be materially adversely affected. The introduction, increase in the availability or reduction in costs of alternative energy sources may materially and adversely affect the demand for our products and our financial performance.

Any increase in competition arising from an increase in the number or size of competitors or from competing technologies or other clean energy sources may result in price reductions, reduced gross profit margins, loss of our market share and departure of key management, any of which could adversely affect our financial condition and profitability.

Risks Related to Our Ordinary Shares

Unless an active trading market develops for our securities, you may not be able to sell your ordinary shares.

Our ordinary shares were delisted from trading on The NASDAQ Global Market effective July 9, 2012 and currently trade on the OTC Bulletin Board under the symbol "MNELF" and on the Australian Stock Exchange under the symbol "MBT." Although we are a reporting company, currently there is only a limited trading market for our ordinary shares and a more active trading market may never develop or, if it does develop, may not be maintained. Failure to develop or maintain an active trading market will have a generally negative effect on the price of our ordinary shares, and you may be unable to sell your ordinary shares or any attempted sale of such ordinary shares may have the effect of lowering the market price and therefore your investment could be a partial or complete loss.

As a foreign private issuer, we follow certain home country corporate governance practices which may afford less protection to holders of our ordinary shares.

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices. As a company incorporated in Australia and listed on the Australian Securities Exchange, or ASX, we expect to follow our home country practice with respect to the composition of our board of directors and nominations committee and executive sessions. The corporate governance practice and requirements in Australia do not require us as to have a majority of our board of directors to be independent, do not require us to establish a nominations committee, and do not require us to hold regular executive sessions where only independent directors shall be present. Such Australian home country practices may afford less protection to holders of our ordinary shares.

We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of our ordinary shares.

We do not expect to be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our current fiscal year ending June 30, 2013. However, we must make a separate determination each fiscal year as to whether we are a PFIC (after the close of each taxable year). Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending June 30, 2013 or any future fiscal year. A non-U.S. corporation will be considered a PFIC for any fiscal year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during the fiscal year) is attributable to assets that produce or are held for the production of passive income. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ordinary shares, fluctuations in the market price of the ordinary shares may cause us to become a PFIC. In addition, changes in the composition of our income or assets may cause us to become a PFIC. If we are a PFIC for any fiscal year during which a U.S. holder (as defined in “Item 10.E - Additional Information Taxation — U.S. Federal Income Tax Considerations”) holds an ordinary share, certain adverse U.S. federal income tax consequences could apply to such U.S. holder. See “Item 10.E - Additional Information Taxation — U.S. Federal Income Tax Considerations — Passive Foreign Investment Company Considerations.”

Currency fluctuations may adversely affect the price of our ordinary shares.

Our ordinary shares are quoted in Australian dollars on the ASX and in U.S. dollars on the OTC Bulletin Board. Movements in the Australian dollar/U.S. dollar exchange rate may adversely affect the U.S. dollar price of our ordinary shares. In the past year the Australian dollar has generally appreciated against the U.S. dollar. Any continuation of this trend may positively affect the U.S. dollar price of our ordinary shares, even if the price of our ordinary shares in Australian dollars increases or remains unchanged. However, this trend may not continue and may be reversed. If the Australian dollar weakens against the U.S. dollar, the U.S. dollar price of the ordinary shares could decline, even if the price of our ordinary shares in Australian dollars increases or remains unchanged.

Risks Relating to Takeovers

Australian takeovers laws may discourage takeover offers being made for us or may discourage the acquisition of large numbers of our ordinary shares.

We are incorporated in Australia and are subject to the takeovers laws of Australia. Among other things, we are subject to the Australian Corporations Act 2001, or the Corporations Act. Subject to a range of exceptions, the Corporations Act prohibits the acquisition of a direct or indirect interest in our issued voting shares if the acquisition of that interest will lead to a person’s voting power in us increasing from 20% or below to more than 20%, or increasing from a starting point that is above 20% and below 90%. Australian takeovers laws may discourage takeover offers being made for us or may discourage the acquisition of large numbers of our ordinary shares. This may have the ancillary effect of entrenching our board of directors and may deprive or limit our shareholders’ strategic opportunities to sell their ordinary shares and may restrict the ability of our shareholders to obtain a premium from such transactions.

Our Constitution and other Australian laws and regulations applicable to us may adversely affect our ability to take actions that could be beneficial to our shareholders.

As an Australian company we are subject to different corporate requirements than a corporation organized under the laws of the United States. Our Constitution, as well as the Corporations Act, set forth various rights and obligations that are unique to us as an Australian company. These requirements operate differently than from many U.S. companies and may limit or otherwise adversely affect our ability to take actions that could be beneficial to our shareholders. For more information, you should carefully review the summary of these matters set forth under the section entitled, "Item 10.B — Additional Information — Memorandum and Articles of Association" as well as our Constitution.

Item 4. Information on the Company

A. History and Development of the Company.

Our legal and commercial name is Mission NewEnergy Limited, which was incorporated in Western Australia under the laws of Australia (specifically, the Australian Corporations Act) in November 2005. We are an Australian public company, limited by shares.

In May 2006, we conducted an initial public offering in Australia, raising A\$27.0 million, and listed on the Australian Securities Exchange.

In August 2006, we commenced construction of our first biodiesel refinery with a 100,000 tonnes (30 million gallons) per year nameplate capacity at an industrial hub in Port Kuantan, Malaysia along the eastern coast of Malaysia.

In early calendar 2007, we commenced non-food biodiesel feedstock cultivation operations in India. We focused on the cultivation of *JatrophaCurcas*, or *Jatropha*, an inedible, low cost dedicated energy crop with the intention to become self-sufficient with respect to our feedstock supply and not in competition with the food supply.

In April 2007, recognizing the need to scale up both our feedstock cultivation and biodiesel production operations, we completed a convertible note offering and raised A\$65.0 million in new capital. These funds were raised to fund the expansion of our feedstock cultivation operations in India and the construction of a second larger biodiesel refinery in Port Kuantan with a 250,000 tonnes (75 million gallons) per year nameplate capacity.

In mid-2008, we commenced commercial operations of our first biodiesel refinery, using locally sourced palm oil as feedstock.

Since January 2009, we have raised approximately A\$35.1 million in equity capital from institutional investors in private placements to complete the funding requirement for our second biodiesel refinery and provide working capital.

In December 2009, we entered into a long term biodiesel offtake agreement with Valero.

In mid-2010, we received our first commercial quantities of *Jatropha* oil from our feedstock cultivation operations.

Also in mid-2010, we commissioned our second biodiesel trans-esterification refinery with a 250,000 tonnes (75 million gallons) per year nameplate capacity.

In April 2011, we conducted our initial public offering in the U.S., raising U.S. \$25.1 million, and listed on the NASDAQ Global Market.

On January 27, 2012, the Company launched a major re-structure including a reduction in operating expenditure on all fronts, divestment of non-core assets and efforts to raise additional capital. At the same time, the Company announced that it would cease planting further *Jatropha* acreage and dramatically downscale its field operations.

On February 20, 2012, the Company announced a major initiative with the acquisition of 85% of Oleovest, a special purpose company with a 70% interest in a Joint Venture with PTPN111 (a state owned major palm oil plantation company) to set up a downstream palm oil and oleo-chemical complex in Indonesia.

On May 4, 2012, the Company announced the final production runs in its Malaysian refining operation. The refining assets have been put in care and maintenance.

On July 4, 2012, the Company's ordinary shares were formally delisted from trading on the NASDAQ Global Market.

On July 11, 2012, the Company announced that due to failure of material obligations by PTPN111, it had terminated its Joint Venture in Indonesia.

On October 8, 2012, the Company announced that a placement of approximately 15% of its outstanding equity raising approximately US\$100,000 before placement costs.

On October 19, 2012, the Company announced that its Indian operations had been significantly downsized and that the Company was focused on divesting its remaining Indian assets.

On November 23, 2012, the Company announced that it had successfully completed a substantial restructuring of the convertible notes, with the key changes being the elimination of the 4% pa cash coupon and a change in the conversion ratio from 1:4 to 1:433 ordinary shares.

On February 25, 2013, the Company announced that it had secured a US\$5 million working capital facility, which is to be used to fund the business through the completion of the Company re-structure.

On 17 April 2013, the Company secured a short term financing facility to meet operating costs in India.

On October 11, 2013, the Company completed the sale of its 100,000 tpa refinery to Felda Global Group for US\$11.5 million.

As at the date of this report the India working capital loan is in default and we are working with the lender on a settlement arrangement. If we are unable to negotiate a settlement the lender has the right to enforce their collateral position being security held over all shares in the Indian subsidiary.

We have incurred the following capital expenditures over the last three fiscal years:

	2013 AS'000	2012 AS'000	2011 AS'000
Biodiesel refineries	45	765	2,981
Land & buildings	-	-	-
IT systems & office equipment	5	68	182
Vehicles & sundry equipment	-	-	-

During the 2013 financial year, Mission's principle capital expenditure primarily related to minor capital expenditures at Mission's refineries.

Our principal office is located at Unit B2, 431 Roberts Rd, Subiaco, Western Australia 6008 Australia. Our telephone number is +61-8-6313-3975. Our website address is www.missionnewenergy.com. Information on our website and websites linked to it do not constitute part of this annual report.

B. Business Overview.

Recent Developments

The Company is not operating its biodiesel refining segment. The 250,000 tpa refinery is being held in care and maintenance either awaiting a return to positive operating conditions or sale. As part of the ongoing overall Company restructure the Company has sold the 100,000 tpa refinery. As at the date of this report the company's Indian subsidiary working capital loan is in default and we are working with the lender on a settlement arrangement, if we are unable to negotiate a settlement the lender has the right to enforce their collateral position being security held over all shares in the Indian subsidiary resulting in us having no further business interests in India.

Settlement of the Company's terminated Indonesian Joint Venture project has been referred to arbitration in Indonesia following a dispute between the former Joint Venture partners over the settlement following the Joint Venture termination. Failing mediation as at the date of this report the arbitration proceedings have moved from mediation to formal hearing.

Overview

Mission NewEnergy is a producer of biodiesel and wholesale biodiesel distribution focused on the government mandated markets of the United States, Europe and Malaysia.

We own a transesterification refinery that converts feedstock oil to biodiesel located at Port Kuantan, Malaysia, which has a nameplate capacity of 75 million gallons-per-year. The transesterification process utilized at this facility incorporates leading proprietary technology that allows us to produce biodiesel simultaneously from multiple feedstocks, allowing us to shift in and out of different feedstocks based on feedstock supply, customer demand and market cost dynamics. The transesterification and pre-treatment unit is yet to be handed over to us by the EPCC contractor. As further discussed below, our refinery uses highly efficient second-generation transesterification technology. Our production facility in Kuantan is connected by two-way pipelines to a dedicated jetty 200 meters away at an all-weather, deep sea, international port. Our refinery is currently non-operational and being held in care and maintenance.

The Company also owns an 85% stake in Oleovest Pte Ltd, a company incorporated in Singapore. Oleovest is a special purpose company which has a 70% equity stake in PT Sinergi Oleo Nusantara ("PTSON"), a newly formed joint venture company in Indonesia which is 30% owned by PT Perkebunan Nusantara III ("PTPN III"). Under the Joint Venture Agreement, PTSON was to establish a new downstream palm oil and oleo-chemical complex at the PTPN III owned Sei Mangkei Industrial Zone in North Sumatra, which in the first stage was expected to consist of a 600,000 tpa edible oil refinery, a 250,000 tpa Methyl Ester ("biodiesel") plant and a 100,000 tpa Fatty Alcohol plant. The project had an estimated cost of US\$200 million cost of construction.

Due to failure of material obligations by PTPN III, the Joint Venture in Indonesia was terminated in July 2012. The Company has taken this matter to Arbitration in Indonesia and expects that this will result in the sale of its equity interests, which are valued at the greater of the invested value US\$2.8 million or the market value of the equity interest in the Joint Venture.

Our Competitive Strengths

We believe that the following strengths enable us to compete successfully in the biofuels industry:

Established Refining Operations

Should the market condition for biodiesel production become profitable, we believe our established operations will allow the Company to react faster than competitors that either need to build or acquire refining assets.

Second Generation Transesterification Technology

Our refinery based on Axen's technology makes it potentially an attractive technology for certain retrofit bolt on technology providers. Should such technology providers emerge the Company may be well positioned as partner thereby enabling it to operate its refining asset in a beneficial manor.

Our Strategies

The Company is focused on maximizing shareholder value through operation or divestment of assets.

Malaysian Asset

The Company intends to keep its Malaysian asset in care and maintenance while awaiting a favourable change in operating conditions or if deemed to be economically beneficial to shareholders may sell the asset for an equity position in a related company or for a cash value.

Indonesian Joint Venture

The Company has an 85% stake in a 70% joint venture that is in arbitration to determine the buyout value of the interest. The Company seeks the greater of its initial investment US\$2.8 million or the market value of the interest. The Company believes the marketvalue of its interest are substantially greater than US\$2.8 million. Depending on the final outcome of the arbitration and negotiations with the Company's lenders, the Company may be positioned to further invest its awarded sum into new business enterprise.

Corporate Opportunities

The Company will continue to look at other related opportunities and projects on a continued basis, which are expected to create synergies with existing projects to enhance shareholder value.

Biodiesel Production

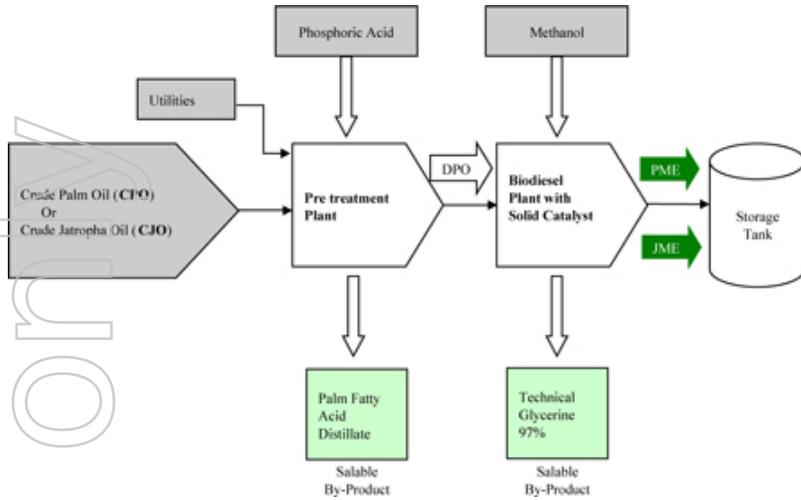
Refinery overview

Our refinery, Plant II, islocated at Port Kuantan, Malaysia. We constructed and in June 2010 commissioned the transesterification unit of Plant II at the Kuantan facility with a 75 million gallon (250,000 tonne) per year nameplate capacity, using second-generation biodiesel technology developed by Axens, a subsidiary of the French Institute of Petroleum. Plant II has the flexibility to convert a variety of feedstocks to biodiesel. TheAxens' technology does not require the use of sodium methoxide as catalyst. It employs a solid state, proprietary catalyst with an expected multi-year lifetime to trigger the required transesterification reaction central to the biodiesel production process.

For general market acceptance, biodiesel sold to customers in the United States must meet the technical standards of ASTM D6751-08, which specifies 18 required properties of pure biodiesel (sometimes referred to herein as B100) for use as a blend component with petroleum-based diesel fuel. This standard of ASTM International, an open forum for the development of high-quality, market-relevant international standards, specifies, among other parameters, the maximum amounts of certain residual by-products that can remain in the finished product after the conversion process, including acid, free glycerine, total glycerine, water and sediment content, sulphated ash, total sulphur, carbon residue and phosphorous. The standard also specifies minimum flash point, cetane numbers and copper corrosivity and ASTM has recently revised the standards to include specifications for a Cold Soak Filter Test. The test is intended to replicate performance of the biodiesel in cold climates. Compliance with this standard requires a process that provides for complete transesterification and efficient and thorough separation and purification processes. We are currently installing additional equipment that will enable both our conversion units to meet the U.S. standard ASTMD6751-08. We are contractually required under the offtake agreement with Valero to supply biodiesel that meets the ASTMD6751 standard.

Biodiesel Conversion Process

The biodiesel conversion process (transesterification) shown in the diagram below is based on the Axens technology utilized in Plant II.



Grey: Inputs

Light Green: Saleable by-products

Dark Green: Saleable primary products

Feedstock (typically palm oil) is pre-treated to remove high molecular-weight (long-chain) fatty acids and other impurities. The treated oil is then reacted with methanol in the presence of a liquid or solid catalyst, and this chemical reaction produces biodiesel (fatty-acid esters of varying molecular weights) and glycerine. The glycerine by-product from the Axens' production process in Plant II is technical grade glycerine with a purity of 97% and it can be sold at a higher price than crude glycerine without further processing. Plant II has the capacity to produce 25,000 tonnes (7.5 million gallons) per year of this technical grade glycerine and 10,000 tonnes (3 million gallons) per year of fatty acid distillate, another marketable by-product. Both forms of glycerine are marketable by-products for which there is a worldwide market and numerous commercial applications. However, a higher market value is assigned to the higher purity of glycerine. As Plant II has not yet run commercially we have not yet sold any technical grade glycerine.

Quality control

We employ strict quality control procedures at each stage of the manufacturing process.

We have established systematic inspections at various manufacturing stages, from raw material procurement to finished product testing. Raw materials that fail to pass our incoming inspection are returned to suppliers. We believe that we are able to maintain the quality and reliability of our products through close monitoring of our manufacturing processes by our quality control team and scheduled maintenance of our equipment.

To ensure the effectiveness of our quality control procedures, we also provide periodic training to our production line employees. Our quality control team also consists of experienced equipment maintenance technicians that oversee the operation of our production facilities to avoid unintended interruptions and minimize the amount of time required for scheduled equipment maintenance.

Our management team has implemented policies to proactively safeguard against accidents. In addition, we conduct regular inspections and maintenance of our facilities to help ensure product quality and safety.

Plant Utilization & Operating History

Historic Biofuel Sales

We sell our products via our own direct sale force in the wholesale market. We historically have only sold our biodiesel to oil trading companies. Generally, oil traders aggregate biodiesel, blend it with mineral diesel and sell the blended product to major oil companies who distribute the product via their distribution channel to the end market. Sales to oil trading companies are highly competitive and pricing fluctuates with market conditions. Because we have not historically had control of the costs of our feedstock, there have been few times when we could procure feedstock at a price which we could convert to biodiesel and sell profitably. Consequently, we have not fully utilized our biodiesel production capacity.

The following chart shows actual sales production and utilization of the refining complex.

	2011	2012	2013
Production (tons)	12,149	17,119	NIL
Capacity Utilization	3.5%	4.9%	NIL

Subsequent to its commissioning of the transesterification unit, we have not yet used Plant II to produce biodiesel for commercial sales because the full facility is yet to be commissioned.

In fiscal 2013, we did not produce any biodiesel. All previous contract with customers have expired.

Refining By-product Sales

We have historically sold our glycerin and fatty acid distillates ex works into the immediate cash payment and delivery market. However such sales have been negatively impacted by our restructuring.

Summary of Historic Sales

The tables below outlines Mission’s historic sales by country and by product:

Indian Operations:

Description	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended
	June 30, 2011	June 30, 2012	June 30, 2013
	Indian Rupees ‘000		
Agricultural Income	36,250	2,345	-
Wind Mill electricity generation	23,345	24,901	19,658
Crude Jatropha Oil	1,305	—	-
Others	3,801	2,787	1,219
Total	64,701	30,033	20,877

Malaysian Operations:

Description	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2013
		Malaysian Ringgit	
Biofuels	40,717,910	82,713,450	482,276
Pure Glycerin	-	114,625	-
Crude Glycerin	369,158	2,181,344	12,399
PFAD	693,904	2,932,160	15,800
Crude Jatropha Oil	146,082	-	-
Total	41,927,054	87,941,579	510,475

Intellectual Property

We have a perpetual license for the life of Plant II for all patents and intellectual property rights relating to Axens' process technology and engineering design used in construction and operation of that refinery. In connection with the distillation column that we are installing to retrofit our refineries, we will also have a perpetual license for the life of each refinery for the patents and intellectual property rights from the manufacturer.

Competition and Competitive Dynamics

Our primary product, biodiesel, sells in the liquid fuels market. The liquid fuels market is a highly competitive, large global market with many well established market participants.

Historically, there have been many entrants into the biodiesel market in the United States and elsewhere in the world as governments encourage the use of renewable energy and seek to reduce greenhouse gas emissions, thus inviting new entrants into the market. Despite the over capacity of biodiesel refining in much of the world, much of the built capacity is rendered either uneconomic or non-competitive by the limited number of long term offtake agreements, the limited access to necessary working capital and the limited access to sustainable feedstock.

Competitive Forces

We believe the principal competitive factors for biodiesel producers are as follows:

- *Scale.* Considerable refining capacity to attract long term significant offtake agreements.
- *Pricing.* A producer's ability to set pricing of products and the ability to use economies of scale to secure competitive cost advantages to be able to price biofuels below prevailing oil prices.
- *Technology.* A producer's ability to produce biodiesel and by-products efficiently and to utilize low cost raw materials.
- *Sustainability.* Bearing in mind social responsibility towards the environment, a producer's ability to produce biodiesel from sustainable feedstock.
- *Access to Working Capital & Commodities Risk Management.* A producer's ability to take advantage of positive spreads depends on having access to working capital.
- *Connectivity to Existing Infrastructure.* The distribution of product relies on the ability to fit within the existing infrastructure.

We have developed our long-term business strategy with the above-mentioned competitive forces in mind to meet technical requirements, reach scale, be integrated and have the lowest cost and sustainable product.

Production Safety and Environmental Matters

Safety

We have had no material safety issues since commencement of operations.

Environment

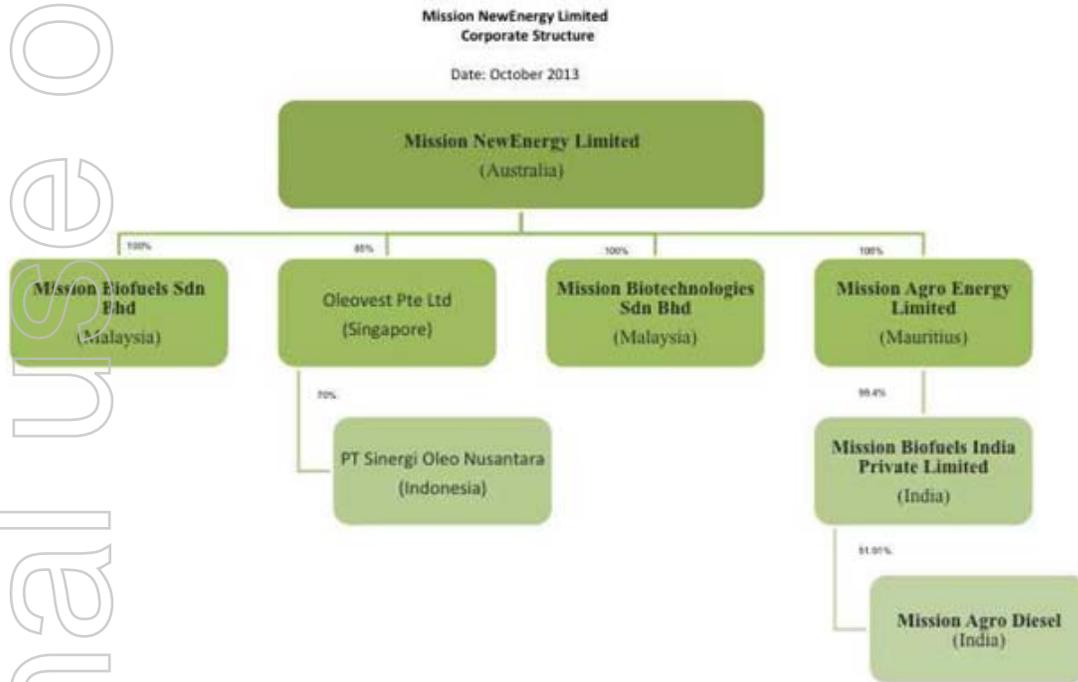
We are committed to environmental protection that complies with or exceeds local environmental standards. Our plant designs have incorporated world class engineering solutions to pollution as listed below:

- *Waste water.* In-house waste treatment plants within our facilities meet the Malaysian standard for discharge. To conserve water resources, we also recycle waste water generated during our production process, which decreases our consumption of water and reduces the discharge of waste water into the environment.
- *Exhaust fumes.* We generate exhaust fumes during our production process. Exhaust fumes are treated to comply with Malaysian air quality standards.
- *Noise.* We generate noise through the operation of our heating, ventilation and pumping systems. The equipment in the plant is ergonomically designed and sound proofed to operate well below the regulatory standards for noise of 80 decibels.

We have not been subject to any material fines or legal action involving non-compliance with any relevant environmental regulation, nor are we aware of any threatened or pending action, by any environmental regulatory authority.

C. Organizational Structure.

Set forth below is the organizational structure of Mission NewEnergy:



All subsidiaries are 100% owned at June 30, 2013, except Mission Agro Diesel (India) which is 51% owned by us and OleovestPte Ltd, which is 85% owned by us. PT Sinergi Oleo Nusantara is 70% owned by OleovestPte Ltd. Mission Biotechnologies Sdn Bhd and Mission Biofuels Sdn Bhd were incorporated in Malaysia. Mission Agro Energy Limited was incorporated in Mauritius and Mission Biofuels (India) Private Limited and Mission Agro Diesel (India) Private Limited were incorporated in India.

Our refining operations is held by Mission Biofuels Sdn Bhd, which owns the 250,000 tonnes (75 million gallons) per year nameplate capacity.

Mission Biotechnologies Sdn Bhd is the Malaysian administrative entity and Mission Agro Energy Limited is a dormant holding company with no operations).

For a list of our wholly-owned and indirectly owned subsidiaries, see Exhibit 8.1 filed hereto.

D. Property, Plant and Equipment.

We own a biodiesel production facility (with a lease for the underlying land) that is located at Port Kuantan, Malaysia.

The following is further information about each facility:

Biodiesel Facility	Site area (Acres)	Total Capacity ⁽¹⁾ (million gallons per year)	Capacity Utilization ⁽²⁾ (percentage)	Commissioning Date
Plant II	6.0	75	0%	Not yet commissioned

(1) Nominal operating capacity.

(2) The total tonnage produced during this period was NIL tonnes and the operating nameplate capacity is 75 million gallons for the entire period.

We are in formal arbitration with KNM over the final payment and commissioning for the Plant II refinery, however, we cannot be certain when the arbitration will be finalized.

Our principal executive and registered administrative offices are located on premises comprising approximately 60 square meters in an office building in Perth, Australia.

We also lease properties for purposes of production, research and development and employee living quarters in Malaysia. All 11.9 acres of the site area in Malaysia are on lease. We also lease an apartment in Kuala Lumpur, Malaysia for use by the operational staff.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

A. Operating Results.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with "Item 3.A — Selected Financial Data" and our consolidated financial statements and related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, those set forth under "Item 3.D — Risk Factors" and elsewhere in this annual report. Unless specifically noted, all figures in this section do not take into account and are exclusive of the 50-1 share consolidation that was effected on April 4, 2011.

Overview

Given our going concern opinion from our auditors, history of losses, excess of liabilities over assets and negative cash flows from operating activities as of June 30, 2013, we will need to raise further debt or equity, generate positive cash flows from operations, sell material assets, recover receivables and implement further cost control to meet the Group's commitments. As announced to the market on the February 25, 2013, a debt funding package has been obtained from SLW International, LLC (SLW), a substantial convertible note holder, to provide the Group with a US\$5 million line of credit facility, which we believe such funds will be more than adequate for 12 months of operating costs.

We historically have been a producer of biodiesel that integrates sustainable biodiesel feedstock cultivation, biodiesel production and wholesale biodiesel distribution, focused on the government mandated markets of the United States and Europe and Malaysia.

During fiscal 2013, we made a net profit of A\$10.1 million (2012: A\$6.2 million loss). We generated revenues of A\$8.4 million (A\$38.2 million) in fiscal 2013. If we are unable to achieve our business strategies and objectives and obtain sufficient financing on acceptable terms in order to meet our future operational needs, there is a significant doubt as to whether we will be able to continue as a going concern.

In fiscal 2013, biodiesel operation continues to be under care and maintenance. The remaining inventories in the plant were sold to generate revenue. Biodiesel refining products contributed 2% of our revenue. The unallocated segment (mostly corporate) contributed 98% from the gain of conversion of convertible notes from Series Two to Series Three.

Biodiesel refining

Our first biodiesel refinery plant began operations in fiscal 2008 under immediate cash payment and delivery market and term contracts. Due to unattractive refining margins, capacity utilization was low and the revenue generated from biodiesel sales has thus far been insufficient to cover costs.

Selling prices (and profit margin) for biodiesel are largely affected by the price of crude oil and the price of feedstock oil. During recent years, crude oil prices have fluctuated significantly as has the price of feedstock oils. We are positioned to operate with a positive contribution margin when the spread between our feedstock oil (primary input cost) and oil prices (primary output value) are greater than our other variable costs. Greater contribution margin per tonne or greater number of tonnes produced drives our profitability.

Our financial performance relies on successfully arranging positive-margin sales contracts for biodiesel. Prior to placing the refineries into care and maintenance, we have been successful in arranging positive-margin sales for immediate cash payment and delivery (i.e. on the spot market).

The production of biodiesel from vegetable oil feedstock (e.g. palm and Jatropha) results in the generation of glycerin and a limited quantity of fatty acids. We can sell these products into the immediate cash payment and delivery market without further processing, although the price varies unpredictably depending on market conditions at the time.

Our cost of goods sold is primarily affected by the cost of feedstock oil and other refining inputs such as light fuel oil and methanol. The principal feedstock for our refinery has historically been palm oil. The price of palm oil can vary as a result of a variety of factors, including weather, market demand and general economic conditions.

The refinery is currently in care and maintenance and therefore NIL revenue is expected in the foreseeable future.

Critical Accounting Policies

Our discussion and analysis of our operating and financial performance and prospects are based upon our consolidated financial statements. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of revenue, assets, liabilities and expenses. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are more fully described in Note 3 to our audited consolidated financial statements included elsewhere in this annual report. However, critical accounting policies that affect our more significant judgments and estimates used in the preparation of our financial statements are set forth below.

Sale of goods

We recognize revenue from the sale of goods when reasonable certainty exists that such revenues will be realized and the risks and rewards of ownership have been transferred. In the case of biodiesel sales the transfer of risks and rewards of ownership under Free on Board and Cost Insurance Freight sales contracts occurs when the biodiesel passes the ships flange, i.e. when it is pumped onto the ship directly from our refinery.

Impairment of assets

We assess impairment of assets by evaluating conditions that may lead to impairment of particular assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Property, Plant and Equipment

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

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

- forecast future production and sales levels;
- sales forecasts; and
- forecast future commodity prices.

Value in use is calculated based on the present value of cash flow projections over the anticipated lives of the assets, with the material portion of the assets having anticipated lives of 20 years, with a discount rate for each cash generating unit (e.g., refinery operations) was estimated based on our weighted average cost of capital, adapted for the regions in which the cash generating unit operates.

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

During fiscal 2010, we announced the completion of our new 250,000 tonnes per annum transesterification plant, in Kuantan Port, Malaysia. However, handover from the EPCC contractor is still pending. The construction of a distillation column within the plant property is materially complete, however pending visibility of sales that require such specifications, the commissioning has been put on hold.

As of December 31, 2009, the value of the refinery assets were carried at their depreciated cost (A\$66.9 million) because the forecast profits to be generated by the refineries exceeded their carrying value. This assessment was based on a number of assumptions including forecast oil yields, commodity prices, and volumes.

Palm oil is not presently, and in the future may not be, approved under RFS2. In addition, a key subsidy, called the Biodiesel Blending Tax Credit (being US\$1 per gallon), lapsed on December 31, 2009. In December 2010, the subsidy was retroactively reinstated and extended through 2013. This tax credit is due to expire in December 2013 and it is not known if it will be extended.

In addition, in July 2010 the European Union introduced, with effect from December 5, 2010, the Renewable Energy Directive, which requires palm-based biodiesel to be based on new sustainability criteria. This will require the use of certified palm oil. Our production facilities have been registered and are compliant with the Renewable Energy Directive, although the majority of our suppliers of the palm oil feedstock that is used in our production facilities have not yet been certified under the Renewable Energy Directive, which would affect our ability to sell palm-based biodiesel to the European Union.

Despite our efforts to address RFS2 compliance and the Renewable Energy Directive compliance and despite the reinstatement of the Biodiesel Blending Tax Credit, we are required, under International Financial Reporting Standards, to assess the refineries ability to generate revenue based on existing conditions. At the time of assessment, the recent legislative developments and our lack of other contracts or evidence that would indicate profitable sales, forced us to provide for an impairment of the refining assets in fiscal 2010 until the legislative hurdles are cleared or alternative sales contracts are secured. Additional impairment of assets was made in the 2011, 2012 and 2013 financial years relating to asset expenditure additions incurred in the year. This accounting write-off is not indicative that the refinery assets cannot produce biodiesel under the required specifications.

A reversal of the impairment value (up to depreciated cost) of our refinery assets would occur if and when the following occurred:

- palm oil is approved as a feedstock source for biodiesel to be produced for the United States;
- we are able to produce palm-based biodiesel complying with the Renewable Energy Directive at a price that would be profitable to us;
- the property plant and equipment is sold; or
- further sales contracts are secured in markets outside of the United States and Europe or Malaysia.

Comparison of Results of Operations

Fiscal 2013 compared with fiscal 2012

Revenue. Revenue decreased by A\$29.8 million (78% reduction) from A\$38.2 million in fiscal 2012 to A\$8.4 million in fiscal 2013 principally as a result of discontinued production in the Refining subsidiary and discontinued operations in the Feedstock subsidiary. Biofuel sales decreased by A\$27.1 million from A\$27.3 million in fiscal 2012 to A\$0.2 million in fiscal 2013 and other revenue decreased A\$ 2.5 million from A\$10.7 million in 2012 to A\$8.2 million in 2013. Our refinery operated for NIL months in fiscal 2013 and approximately six months in 2012. We operated at lower than full capacity (NIL% in 2013 and 17% in 2012). The reduction in capacity usage (i.e. volume of biodiesel sales) and revenue is primarily as a result of the closure of the refineries in late fiscal 2012. We do not foresee a change in the revenue position in the foreseeable futures

Of the revenue from external customers in fiscal 2013, the refinery business generated revenue of A\$0.2 million (30.6%), with other operations (including wind farm) generating A\$0.4 million (69.4%).

Of the other revenue in fiscal 2013, the fair value revenue from biological assets in the feedstock business generated revenue of A\$0 (0%), a gain on settlement of convertible note of A\$7.7 million (93.9%) was recorded, with sundry income (including interest) generating A\$0.5 million (6.1%).

	Fiscal 2012	Fiscal 2013
Plant I	<ul style="list-style-type: none">- Plant fully commissioned twelve months- Plant operated six months- Yearly capacity utilization of 14%	<ul style="list-style-type: none">- Sale agreement of plant signed in April 2013, with sale agreement concluded in October 2013- Plant operated NIL months
Plant II	<ul style="list-style-type: none">- In the process of being handed over- No capacity utilization	<ul style="list-style-type: none">- In the process of being handed over- No capacity utilization

Our operating margins are primarily dependent on the relationship between the price of crude palm oil as our feedstock for the month of production and the price of mineral diesel, or the end market price for our refined product. Both the feedstock and refined product are commodities with highly volatile prices.

Cost of sales. (being material feedstocks, inputs and raw materials). Cost of sales for biodiesel are primarily the fair value of the inventory expensed. The remaining inventories carried forward from 1 July 2012 were consistently revalued or devalued to reflect the fair market value at the point of time. Gross profit margin is therefore small as the inventory fair value is very close to the sale or market price.

Expenses. Total expenses decreased by A\$33.9 million (76% decrease) from A\$44.4 million in fiscal 2012 to A\$10.5 million in fiscal 2013 principally due non production of refining operation, reduced manpower and discontinued feedstock operations. Cost of sales decreased A\$25.8 million from A\$26.2 in fiscal 2012 to A\$0.4 million in fiscal 2013. Employee benefits expenses decreased A\$1.6million from A\$3.2million in fiscal 2012 to A\$1.6 million in fiscal 2013. All other expenditures registered a similar reduction trend. On the other hand, net foreign exchange gains/(losses) increased from a gain in fiscal 2012 of A\$0.4million to a loss in fiscal 2013 of A\$1.4 million.

Additional movements in expenses include:

- **Depreciation and amortization.** Depreciation and amortization decreased A\$0.3 million to A\$7 thousand in fiscal 2013 primarily as the majority of assets were impaired at June, 30 2012.
- **Finance costs.** Finance costs have increased by A\$0.8 million from A\$3.2 million in fiscal 2012 to A\$4.0 million for the 2013 fiscal year, primarily as a result of the settlement of the series Two convertible notes to series Three resulting in a higher amortization of equity component.

Impairment. Due to the sale of the 100,000 tpa, the Company has reflected a reversal of previous asset impairment to the value of the sale, being A\$12.2 million.

Income tax. Income tax expense decreased by A\$36 thousand from an expense of A\$16 thousand in fiscal 2012 to an income of A\$20 thousand in fiscal 2013.

Profit for the year. As a result of the foregoing, fiscal 2013 registered a profit before income tax A\$10.1 million, an increase of A\$16.3 million from A\$6.2 million loss in fiscal 2012.

Fiscal 2012 compared with fiscal 2011

Revenue. Revenue increased by A\$22.7 million (146%) from A\$15.5million in fiscal 2011 to A\$38.2 million in fiscal 2012 principally as a result of an increase in biofuel sales (increased A\$13.7 million from A\$13.6million in fiscal 2011 to A\$27.3 million in fiscal 2012) and other revenue (increased A\$ 8.8million from A\$ 1.9million in 2011to A\$10.7 million in 2012). Our refinery operated for approximately sixmonths in fiscal 2012 and approximately three months in 2011. We operated at lower than full capacity (17% in 2012 and 12% in 2011). The increase in capacity usage (i.e. volume of biodiesel sales) and revenue is primarily as a result of the implementation of a biodiesel mandate in Malaysia in fiscal year 2012. Sales of product for the Biodiesel mandate were made to two large petroleum companies operating in Malaysia. The continued low overall capacity under-utilization was due to low demand as a result of the negative margin spread which existed between the potential sales price of biodiesel and the input costs to produce the biodiesel or more simply, the cost of producing biodiesel was more expensive than the price the market (other than the mandated market in Malaysia) was prepared to pay for the biodiesel. The change in margin spread is as a direct comparison between the market price of crude palm oil as the key input for biodiesel and the price of ULSD and Gasoil which is closely linked to the price of crude oil. We expect that our revenue will increase from our refining operations if and when margins between the sales price and input costs are profitable, and other income in our feedstock operations if and when we sell more saplings and generate revenue from Jatropho crude oil sales.

Of the revenue from external customers in fiscal 2012, the refinery business generated revenue of A\$27.3 million (99.3%), with interest income generating A\$0.2 million (0.7%).

Of the other revenue in fiscal 2012, a gain on settlement of convertible note of A\$10.3 million (96.3%) was recorded, with sundry income generating A\$0.4 million (3.7%).

Our production capacity for Plant I is 8,333 tonnes per month or 274 tonnes per day. We run the plant to meet scheduled sales orders, which may result in a utilization rate of less than 100% for a given month.

	Fiscal 2011	Fiscal 2012
Plant I	<ul style="list-style-type: none">– Plant fully commissioned twelve months– Plant operated three months– Yearly capacity utilization of 12%	<ul style="list-style-type: none">– Plant fully commissioned twelve months– Plant operated six months– Yearly capacity utilization of 14%
Plant II	<ul style="list-style-type: none">– In the process of being handed over– No capacity utilization	<ul style="list-style-type: none">– In the process of being handed over– No capacity utilization

Our operating margins are primarily dependent on the relationship between the price of crude palm oil as our feedstock for the month of production and the price of mineral diesel, or the end market price for our refined product. Both the feedstock and refined product are commodities with highly volatile prices.

Cost of sales. (being material feedstocks, inputs and raw materials). Sales contracts for biodiesel sales are primarily “feedstock cost plus” sales contracts, i.e. the Company obtains gross profit above the cost of crude palm oil feedstock. Hence as our cost per ton of crude palm purchased moves (driven by market forces and the commodity price of crude palm oil), so does our revenue increase, and vice versa. This thus generates a feedstock plus margin for Mission, in effect given that feedstock is approximately 85% of the cost of sales, results in a relatively stable gross profit margin regardless of feedstock cost. This gross profit margin is affected by commodity price movements of the remaining commodities required to make biodiesel. Cost of biodiesel increased from A\$ 13.4million (includes change in inventory cost) in fiscal 2011 (99% of sales revenue) to A\$26.2 million (includes change in inventory cost) in fiscal 2012 (96% of sales revenue) which is primarily attributable to the increase in both volume of biodiesel sales and the underlying sales price driver, being the cost price of crude palm oil.

Expenses. Total expenses increased by A\$7.2 million (19%) from A\$37.2 million in fiscal 2011 to A\$44.4 million in fiscal 2012 principally due the increase in cost of sales from A\$13.4 million in fiscal 2011 to A\$26.2 million in fiscal 2012. The increase in cost of sales was offset by a reduction in employee benefits expense of A\$3.1 million from A\$6.3 million in fiscal 2011 to A\$3.2 million in fiscal 2012 and a reduction in net foreign exchange gains/(losses) from a loss in fiscal 2011 of A\$1.8 million to a gain in fiscal 2012 of A\$0.4 million.

Additional movements in expenses include:

- **Impairment of trade receivables.** Impairment of trade receivables increased A\$0.2million from A\$ NIL in fiscal 2011 to A\$0.2 million in fiscal 2012. The reduction reflects the zero value of sales of Jatropha saplings in fiscal 2012 financial year.
- **Depreciation and amortization.** Depreciation and amortization remained the same at A\$0.3 million in fiscal 2011 year and A\$0.3million in fiscal 2012.
- **Finance costs.** Finance costs have reduced by A\$1.7 million from A\$4.9 million in fiscal 2011 to A\$3.2 million for the 2012 fiscal year, primarily as a result of the settlement of the series one convertible notes in September 2011

Income tax. Income tax expense increased by A\$17,000 from an income of A\$1,000 in fiscal 2011 to an expense of A\$16,000 in fiscal 2012.

(Loss) for the year. As a result of the foregoing, our loss before income tax decreased from A\$21.7million in fiscal 2011 to A\$6.2 million in fiscal 2012.

Impact of Inflation

We do not believe that inflation has had a material effect on our business.

Effects of Currency Fluctuations

Our reporting currency is the Australian dollar. In accordance with IFRS, costs not denominated in Australian dollars are re-measured in Australian dollars, when recorded, at the prevailing exchange rates for the purposes of our financial statements. Consequently, fluctuations in the rates of exchange between the Australian dollar, Malaysian Ringgit, Indian Rupee and the U.S. dollar affect our results of operations. An increase in the value of a particular currency relative to the Australian dollar will reduce the Australian dollar reporting value for transactions in that particular currency, and a decrease in the value of that currency relative to the Australian dollar will increase the Australian dollar reporting value for those transactions.

The effect of foreign currency translation is reflected in our financial statements in the statements of changes in shareholders' equity and is reported as accumulated foreign currency translation reserve. We have not entered into any hedging arrangements to mitigate the effects of currency fluctuations.

B. Liquidity and Capital Resources.

Overview

Our operations have been financed primarily from the issuance of convertible notes and equity securities to investors.

The following table sets forth our consolidated cash flows since fiscal 2011.

	2013 A\$'000	2012 A\$'000	2011 A\$'000
Net cash provided by (used in) operating activities	(3,715)	(4,871)	(15,089)
Net cash provided by (used in) investing activities	2,348	(3,968)	(4,094)
Net cash provided by (used in) financing activities	1,350	(5,461)	19,640
Effect of exchange rate changes on cash held in foreign currency	(19)	(5)	(1,851)
Net movement in cash and cash equivalents	(36)	(14,305)	(1,394)
Cash and cash equivalents at the beginning of the year	1,456	15,761	17,155
Cash and cash equivalents at the end of the year	1,420	1,456	15,761

Fiscal 2013 compared with fiscal 2012

Net cash used in operating activities in fiscal 2013 and 2012 consisted of losses incurred in operations. The losses were incurred in all segments of the business. Due to NIL throughput volume our refining operations generated insufficient gross profit to cover overheads, resulting in a negative cashflow from refining operations. Our Jatrophaooperations, now a discontinued operation, is generating negligible revenue, resulting in negative operating cashflow from the Jatrophha segment. As a result of negative operating cashflows in all segments and group overheads, the group was cashflow negative for the years. However, cash used in 2013 was A\$3.7 million as opposed to cash used in fiscal year 2012 of A\$4.9 million. Lower operating cash outflow is principally a result of less operating activities in fiscal year 2103. Cash generated from sale of assets and borrowings were used to sustain the basic operating expenses including, employees remunerations, insurances and utilities.

Net cash inflow in investing activities related principally to the proceeds received for the sale of property and for our advance monies received relative to the sale of our one refinery.

Net cash inflow in financing activities was A\$1.4 million in fiscal 2013. The inflow was primarily from the loan drawdown from SLWI at the parent level and NCEIPL in India.

Fiscal 2012 compared with fiscal 2011

Net cash used in operating activities in fiscal 2012 and 2011 consisted of losses incurred in operations. The losses were incurred in all segments of the business. Due to low throughput volume our refining operations generated insufficient gross profit to cover overheads, resulting in a negative cashflow from refining operations. Our Jatorpha operations,while still in development is generating negligible revenue, resulting in negative operating cashflow from the Jatrophha segment. As a result of negative operating cashflow in all segments and group overheads, the group was cashflow negative for the years. However, cash used in operating activities in 2012 was A\$4.9million as opposed to cash used in fiscal year 2011 of A\$15.1 million. This improvement in cashflow is principally a result of miss match of revenue vs. cost recognition between the two financial years. In fiscal year 2011 the group purchased a material value of inventories for production of biodiesel which was sold in the fiscal year 2012. In addition, the group has significantly reduced the operating costs of the group in the fiscal year 2012 and the interest payment on the convertible notes reduced as a result of settlement of the series one convertible notes in September of 2011, thus no longer attracting interest, and the conversion of a portion of the series two convertible notes, also no longer attracting an interest charge.

Net cash used in investing activities related principally to an advance to a related entity and purchases of property, plant and equipment for our refineries.

Net cash used in financing activities was A\$5.5 million in fiscal 2012. The outflow was primarily for the settlement of the series one convertible note.

Credit terms for receivables

Historically, the receipt of payment for sales to biodiesel customers was required on the date the ship was loaded with biodiesel. Credit risk was managed through the use of letters of credit. However market conditions dictate that future sales to customers may be made on credit terms of up to 60 days, depending on our assessment of customers' creditworthiness, and we may have to maintain ownership of products during transit to customers which could extend our cash collection cycle well beyond our historical experience and increase our need for working capital.

For sales of Jatropha saplings to contract farmers, the receivable arose and was recorded as of the date of delivery of the saplings, with credit risk mitigated by our right to offset the receivable for each farmer against amounts we may owe that farmer for future purchases of seeds. Due to the scale back of operations we have made written off all Jatropha segment receivables.

Convertible Notes

We issued 50,000,000 convertible notes at a price of A\$1.30 per note in May 2007 (Series 1 convertible notes). During the 2011 fiscal year, the majority of these notes (75.33%) were restructured into Series 2 Convertible Notes with an extension of the maturity date from May 2012 to May 2014. Holders could convert all or part of the notes at any time until maturity (May 16, 2014) at a conversion price of A\$65.00 per note. The series one convertible note, with a nominal value of A\$15 million, was due in May 2012. We settled the liability relating to the remaining Series 1 Convertible Note holder in September 2011 for A\$5 million after mutual agreement with the note-holder. Each remaining Series 2 note was convertible into four ordinary shares (subject to adjustment for customary events, such as share consolidation). The Series 2 notes carried interest at a rate of 4.0% per annum and interest was payable semi-annually. Mission NewEnergy could convert some or all of the notes at any time if the daily volume weighted average price of Mission NewEnergy's ordinary shares on the Australian Securities Exchange, or ASX, for a period of 90 consecutive days is 1.5 times the face value of the notes. At no stage during the period have any covenants on these convertible notes been breached.

During 2012, 198,885 convertible notes were converted into ordinary shares.

The remaining Series 2 notes totaling 505,904 convertible notes were convertible into an aggregate of 2,023,616 ordinary shares at a conversion price of A\$16.25 per share.

In November 2012 we successfully converted the Series 2 notes into Series 3 notes, bearing NIL interest, and a revised conversion ratio of 1:433 ordinary shares. The Series 3 notes totaling 505,904 convertible notes are convertible into an aggregate of 219,056,432 ordinary shares.

In October 2013 we settled A\$7,500,000 of the convertible note debt from proceeds of the sale of our 100,000 tpa refinery, leaving 390,520 notes with a nominal debt value of A\$25,383,800 owing.

We are subject to negative covenants under the convertible note deed poll that may impact our ability to undertake additional debt or equity financing. Without noteholders' consent in each instance, we cannot incur total indebtedness in excess of 2.5 times our net worth nor can we issue more than 25% of our share capital in options or convertible notes. In addition, any sale of material assets requires note holders consent. We believe that these are the only material covenants reasonably likely to impact our ability to undertake additional financing. We confirm that we are in compliance with these covenants.

Bank facility

We do not currently have any bank credit facilities.

Secured loans

As of June 30, 2013, we had secured loans of A\$ 1.8 million that relate to our windmill in India and a working capital facility from SLW International and Non Conventional Energy Projects India Pvt. Ltd. The loan for the windmill is secured over an office in Mumbai, India. The loan from SLWI is secured over the refineries, Indonesian Joint venture and shares in Mission Agro Energy Ltd. The Loan from non-conventional Energy Projects is secured over the shares in Mission Biofuels India PL.

As of June 30, 2012, we had secured loans of A\$ 1.8million that relate to our windmill in India and our office in Kuala Lumpur, Malaysia. The loan for the windmill is secured over an office in Mumbai, India. These loans are recourse only to the assets securing the loans.

Other material commitments

Our only material contingent capital expenditure commitment relates to our second biodiesel refinery. In 2007, we entered into an engineering, procurement, construction and commissioning contract, or the EPCC Contract, with KNM Process Systems Sdn Bhd, or KNM.

In March 2012 Mission decided that due to being unable to reach a settlement with KNM Process Systems SDN BHD (“KNM”) as it relates to the handover and final acceptance for Mission’s 250,000 tpa biodiesel plant, the matter has been referred to arbitration.

We cannot be certain when the arbitration process will be finalized. We have secured all approvals and licenses required to operate the second biodiesel refinery. When the transfer of the second biodiesel refinery to us has been properly completed, we would owe KNM approximately 30.5 million Ringgit (A\$9.5 million), before any late delivery fees and other costs incurred by us on behalf of KNM and counter claims that may be offset against the outstanding payments. It is also likely that our counter claims may exceed 30.5 million Ringgit.

Warrants

Over the past three fiscal years, we issued a total of 150 million units (prior to the share consolidation of 50:1) (each comprising one ordinary share and one warrant to purchase one ordinary share at an exercise price of A\$15.00 per share). The expiration date is five years from the date of issuance. If at any time on or after April 15, 2012 the preceding 20-trading day volume weighted average price of our ordinary shares on the ASX is at least A\$50.00, then Mission NewEnergy may give written notice to each warrant holder that if such holder does not exercise its warrants within 15 days from the date of such notice, then the warrants would expire on the 15th day.

In addition, we have issued 731,492 warrants to placement advisers with a strike price of A\$50.00 and A\$60.00. At the date of this annual report, all these warrants have lapsed. We have also issued 70,000 warrants in accordance with the shareholder approved employee option plan to senior executives which lapsed on June 30, 2011.

C. Research and Development, Patents and Licenses, etc.

Our expenditure on research and development was Nil, A\$11,000, and A\$168,000 in fiscal years 2013, 2012 and 2011, respectively.

All research and development expenditures have been expensed through the Profit and Loss.

We have currently suspended all research and development projects.

D. Trend Information.

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our revenue, income, profitability, liquidity or capital resources or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

E. Off-Balance Sheet Arrangements.

Except for amounts potentially due under the EPCC Contract (discussed above) and operating lease commitments disclosed in “Item 5.F — Operating and Financial Review and Prospects — Tabular Disclosure of Contractual Obligations,” we do not have any material off-balance sheet commitments or arrangements.

F. Tabular Disclosure of Contractual Obligations.

The following table summarizes our contractual obligations and commitments as of June 30, 2013:

	Payments due by period				
	Total AS'000	less than 1 year AS'000	1 – 3 years AS'000	3 – 5 years AS'000	more than 5 years AS'000
Operating lease obligations	3,238	181	572	410	2,075
Secured loans	3,234	562	2,672	-	-
Convertible notes	27,404	27,404	—	—	—
Capital commitments	2,614	2,614	—	—	—
Total	36,490	30,761	3,244	410	2,075

Depending on specific market prices for Jatropha relative to our contracted price, Mission Biofuels India has a contractual obligation to buy back all seeds from its contract farmers delivered to its warehouse if those warehouses exist at all. At this point in time it is not possible to reasonably estimate what this value could be or if any liability would ever materialize. There is no obligation at the group level.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management.

The following table sets forth information of our directors and executive officers as of the date of this annual report. The directors have served in their respective capacities since their election or appointment and will serve until the next annual general shareholders meeting or until a successor is duly elected.

Name	Age	Position
Dario Amara	58	Chairman
Nathan Mahalingam	56	Chief Executive Officer and Director
Guy Burnett	45	Chief Financial Officer, Director and Company Secretary
DatukZain Yusuf	74	Director
Admiral (Ret) Tan Sri Dato' Seri Mohd Anwar bin Haji Mohd Nor	63	Director
ArunBhatnagar	69	Director
Peter Torre	41	Director
James Garton	37	Head of Corporate Finance/Mergers and Acquisitions
Samsudeen Ganny	54	Vice President of Refining (joined on July 1, 2011)

Dario Amara. Mr. Amara has been Chairman and a Director of Mission NewEnergy since 2006. Mr. Amara is an engineer with extensive business experience gained over 30 years in the Australian and international markets and across the resources and infrastructure sectors. Mr. Amara is an civil engineer and experienced Chief Executive with extensive business experience gained over 30 plus years in the Australian and international markets; spanning the infrastructure, industrial and property sectors. For the past 17 years he has held CEO, executive leadership and Board positions with major construction and engineering groups. Mr Amara has a record of achievement in establishing, growing and rejuvenating businesses and strategic leadership. He has served as chairman of the Art Gallery of Western Australia, the West Australian Opera Company and Heritage Perth and as a board member of the Perth International Arts Festival. Appointed Chairman March 31, 2006. Board member since March 31, 2006. He is currently a non-executive director of Austal and non-executive chairman of Mission New Energy (ASX listed). Mr. Amara has also served as chairman of the West Australian Opera Company and the Art Gallery of Western Australia, and as a board member of the Perth International Arts Festival. He is a Fellow of the Institution of Engineers Australia.

Nathan Mahalingam. Mr. Mahalingam has been Chief Executive Officer (formerly having the title of Managing Director) and a Director of Mission NewEnergy since 2005. He has over 25 years of management experience in banking and finance, heavy industries and infrastructure development. He has successfully implemented numerous startup manufacturing operations in Malaysia during his tenure of service with a large Malaysian conglomerate. Between 1995 and 2000, he served as project director in the Westport Group, developers of one of Malaysia's largest privatised port and transshipment facility. Mr. Mahalingam has gained extensive project advisory, corporate finance, mergers and acquisition experience while running his own boutique corporate advisory practice between 2000 and 2004.

Guy Burnett. Mr. Burnett has been Chief Financial Officer (formerly having the title of Finance Director) since 2008, a Director since 2009 and Company Secretary of Mission NewEnergy since September 2010. He is a Chartered Accountant and has worked as a financial professional in several large corporations. Prior to joining Mission NewEnergy, Mr. Burnett was Manager, Corporate Accounting & Tax with Western Power (an electricity networks corporation owned by the Western Australian government) from 2006 to 2008 and, before that, worked as a financial accountant for Water Corporation from 2004 to 2005 and served as a Manager with KPMG from 2005 to 2006 where he assisted clients with implementing International Financial Reporting Standards.

DatukZain Yusuf. DatukZain has been a non-executive Director of Mission NewEnergy since 2006. DatukZain 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. DatukZain is a Director of Faber Group and Malacca Securities Sdn Bhd, immediate past chairman of the Malaysian Australia Business Council and served as a Director of Airod Sdn Bhd, NADI Bhd, PJ Bumi Bhd and as chairman of Confoil (Malaysia) Bhd, a Malaysian - Australian joint venture company in Malaysia.

Admiral (Ret) Tan Sri Dato' Seri Mohd Anwar bin Haji Mohd Nor (Tan Sri Anwar). Tan Sri Anwar has been a non-executive Director of Mission NewEnergy since 2009. Tan Sri Anwar made history in April 2005 when he became the first naval chief in the Malaysian Armed Forces (MAF) to ascend to its highest military office, the Chief of Defence Force, commanding a strength of nearly 100,000. With nearly 40 years of military experience with the Royal Malaysian Navy (RMN) and MAF, he has acquired a massive portfolio of achievements.

His outstanding performance extends to the academic arena as well inclusive of stints at the Naval Staff College (Rhode Island, USA), Navigation and Direction Course and Principal Warfare Officers, Course (HMS DRYAD, United Kingdom). He also holds a Master of Science in Engineering Business Management from the University of Warwick, United Kingdom. Tan Sri Anwar has received numerous commendations, awards and accolades in recognition of his talents, and was bestowed the Panglima Mangku Negara (PMN), which carries the title of 'Tan Sri', by His Majesty the Yang Di-Pertuan Agong (the King of Malaysia). He has also received distinguished medals from foreign governments such as the Ordre National De La Legion D'Honneur from France and the Command of the Legion of Merit from the U.S. Amongst the varied positions he holds in the corporate sector, Tan Sri Anwar also chairs the board of the Armed Forces Fund Board (LTAT), a multi-billion dollar fund with investments in banking, plantations, petrol retail and hotels.

Arun Bhatnagar. Mr. Bhatnagar, who has been a non-executive Director of Mission NewEnergy since 2009. Mr. Bhatnagar first joined the Company as Chairman of our Indian subsidiary, Mission Biofuels India Pvt Ltd in June 2008. He was the Secretary of the National Advisory Council, a body tasked with the implementation of the National Common Minimum Program and to provide inputs in the formation of policy and support to the government in its legislative business. During his long tenure with the government since 1966, Mr. Bhatnagar has served as head or in senior positions in various ministries, amongst others the Ministries of Rural Development, Energy, Food and Personnel. He also served as Minister (Economics) in the Indian High Commission in UK.

Peter Torre. Mr. Torre has been a non-executive Director of Mission NewEnergy since September 2010. He was previously joint company secretary of Mission NewEnergy from May 2008 to September 2010. Mr. Torre is the principal of the corporate advisory firm Torre Corporate which provides corporate secretarial services to a range of listed companies. Prior to establishing Torre Corporate, Mr Torre was a partner and Chairman of the National Corporate Services Committee of an internationally affiliated firm of Chartered Accountants working within its corporate services division for over nine years. Mr. Torre is the company secretary of several ASX-listed companies, a director of Neo Resources Limited and Mineral Commodities Limited and is one of the founding Directors of the charity organisation, "A Better Life Foundation WA". Mr Torre was also formerly a Director of Carbine Resources Limited and CI Resources Limited. Mr Torre holds a Bachelor of Business, is a Chartered Accountant, a Chartered Secretary and is a member of the Institute of Company Directors.

James Garton. Mr. Garton has been Head of Corporate Finance and Mergers and Acquisitions since 2008. He has over 10 years experience in corporate finance, working in investment banking. Mr. Garton joined Mission NewEnergy from the U.S. investment bank, FBR Capital Markets, where he was Vice President, Investment Banking. Prior to joining FBR Capital Markets, he worked in corporate finance and equity capital markets with the Australian firm BBY Limited. Before BBY, Mr. Garton worked in private equity with the Australian advisory firm Investment Capital Limited. Mr. Garton has a Masters of Applied Finance from Macquarie University, Sydney, and a Bachelor of Science in Economics and a Bachelor of Business Administration in Finance from Texas A&M University.

Samsudeen Ganny. Mr Ganny joined as Mission as Vice President of Refining in July 2011. His working career spans over a period of 27 years involving engineering, project and business in the palm oil industry. He started as an engineer in the oil mill before moving to an oleochemical sector as a Senior engineer with a Japanese multinational corporation manufacturing fatty alcohols, methylester & glycerine responsible for the construction, commissioning and operations. He then joined Golden Hope Plantations Berhad (now Sime Darby Berhad) a conglomerate in the palm oil industry as a manager in its Engineering Division before rising to the position of chief engineer for its downstream businesses responsible for both the business and technical aspect of refining operations (Malaysia, Vietnam & Holland), wood/furniture manufacturing, fruit juice processing, rubber/pvc boots manufacturing (United Kingdom), vitamin E extraction and Methylester Sulphonates (MES, China) both locally and overseas. He was heading the technical and business due diligence team working with international consultants in the acquisition of a carve-out business of an oleochemical giant Cognis, Germany. Prior to joining Mission, he was the general manager for an oleochemical plant manufacturing biodiesel & glycerine responsible for establishing the business and managing the operations. He designed the first the integrated plant first in the country comprising of biodiesel plant, oil mill and biogas plant. He holds a Bachelor of Engineering, Hons (Agricultural) from University of Agriculture, Malaysia (UPM), and is a Professional Engineer registered member of Institute of Engineers, Malaysia (IEM) and Board of Engineers, Malaysia (BEM).

Family Relationships

There are no family relationships between any directors or executive officers of Mission NewEnergy.

Arrangements

There are no known arrangements or understandings with any major shareholders, customers, suppliers or others pursuant to which any of our officers or directors was selected as an officer or director of Mission NewEnergy.

B. Compensation.

In fiscal year 2013, the aggregate remuneration we paid and that accrued to our directors and senior management was A\$1.115 million.

2013	Salary AS'000	Short term Non-cash Benefits AS'000	Share based payments AS'000	Post employment Super Contribution AS'000	Total AS'000	Proportion of remuneration performance related %	Value of options and performance shares as a proportion of remuneration %
Non-Executive Directors							
Mr Dario Amata	75	-	-	7	82	-	-
Datuk Zain Yusuf	57	-	-	1	58	-	-
Mr. Peter Torre	38	-	-	3	41	-	-
Admiral (Ret) Tan Sri Dato' Sri Mohd Anwar bin Haji Mohd Nor	38	-	-	1	39	-	-
Mr Arun Bhatnagar	38	10	-	-	48	-	-
Total Non-executive Directors	246	10	-	12	268	-	-
Mr Nathan Mahalingam	288	-	-	-	288	-	-
Mr Guy Burnett	218	2	-	20	240	-	-
Total Executive Directors	506	2	-	20	528	-	-
Key management personnel							
Mr Samsudeen Ganny ¹	113	-	-	12	125	-	-
Datuk Azizan Bin Abd Rahman (non-executive Director of Mission Biofuels and Biotechnologies Sdn Bhd) ²	9	-	-	-	9	-	-
Mr James Garton (Group Head of Corporate Finance)	221	-	-	15	236	-	-
Mr Sinnasami Nadason (Group Plantation Advisor) ³	20	-	-	-	20	-	-
TOTAL KEY MANAGEMENT PERSONNEL	1,115	12	-	59	1,186	-	-

¹ Mr Ganny joined the group on 1 July 2011 as COO of the Refining operations.

² Datuk Azizan Bin Abd Rahman resigned on 21 December 2012.

³ Mr Nadason resigned when his contract expired on 31 September 2012.

In fiscal year 2012, the aggregate remuneration we paid and that accrued to our directors and senior management was A\$1.5 million.

2012	Salary A\$'000	Short term Non-cash Benefits A\$'000	Share based payments A\$'000	Post employment Super Contribution A\$'000	Total A\$'000	Proportion of remuneration performance related %	Value of options and performance shares as a proportion of remuneration %
Directors							
Mr Dario Amara	100	-	-	9	109	-	-
Datuk Zain Yusuf	75	-	-	1	76	-	-
Mr Nathan Mahalingam	288	-	-	-	288	-	-
Admiral (Ret) Tan Sri Dato' Sri Mohd Anwar bin Haji Mohd Nor	50	-	-	1	51	-	-
Mr Arun Bhatnagar	50	18	-	-	68	-	-
Mr Guy Burnett	218	-	-	20	238	-	-
Mr. Peter Torre	50	-	-	4	54	-	-
Key management personnel							
Mr Samsudeen Ganny ⁴	113	-	49	14	176	28%	28%
Mr Abu Bakar Bin Jani (non-executive Director of Mission Biofuels and Biotechnologies Sdn Bhd) ⁵	13	-	-	-	13	-	-
Datuk Azizan Bin Abd Rahman (non-executive Director of Mission Biofuels and Biotechnologies Sdn Bhd)	19	-	-	-	19	-	-
Datuk Jaafar Abu Bakar (non-executive Director of Mission Biofuels and Biotechnologies Sdn Bhd) ⁶	3	-	-	-	3	-	-
Mr James Garton (Group Head of Corporate Finance)	272	-	-	17	289	-	-
Mr Sinnasami Nadason (Group Plantation Advisor)	78	-	-	-	78	-	-
TOTAL	1,329	18	49	66	1,462	-	-

⁴ Mr Ganny joined the group on 1 July 2011

⁵ Datuk Abu Bakar resigned on the 29 February 2012

⁶ Datuk Jaafar resigned on 31 August 2011

For personal use

(1) Superannuation is a mandatory retirement plan for employees in Australia.

Share Based Compensation Plans

We have two employee performance and recognition plans pursuant to which our senior executives are granted rights and options to receive our ordinary shares. These two plans are a share option scheme and a performance rights scheme. Our Employee Option Plan allows us to grant options to purchase our ordinary shares to our executive directors and employees. At our annual general meeting in November 2008, our shareholders approved the establishment of a new performance rights scheme, the Executive Performance Rights Plan. A performance right is the right to receive an ordinary share for no issue price, provided certain performance and vesting conditions are satisfied.

In November 2008, shareholders approved the Executive Performance Rights Plan. Subsequently the Board approved the allotment and issuance of a total of 20.75million (pre 50:1 consolidation)performance rights and 3.5 million (pre 50:1 consolidation) options to our senior executives. The performance rights were issued in three tranches with the details of the performance criteria discussed below.

In addition to the formal share based compensation plans for employees, Mission also from time to time engages external parties as consultants or to provide other services, Advisory board members or others and may use share based awards as a component of the compensation for work provided.

Performance Rights

Each performance right gives the holder the right to subscribe for a free ordinary share. To obtain the ordinary share attached to each performance right, the holder must convert the performance right. The amount payable upon conversion is nil. A holder may convert some or all of the performance rights held following satisfaction of the relevant vesting conditions. The ordinary shares allotted to a holder upon conversion will rank paripassu in all respects with other ordinary shares. The performance rights are non-transferable (except in limited circumstances).

The conversion of performance rights into ordinary shares is conditional upon the satisfaction of certain time based and performance hurdles.

The time based rights are granted as set out below:

Tranche Number	Date of Issue	Number of Performance Rights ⁽¹⁾	Vesting Date
1	June 2009	559,999	December 31, 2009
1	June 2009	559,999	June 30, 2010
1	June 2009	560,002	December 31, 2010
2	March 2010	5,000,00	July 1, 2010
2	March 2010	5,000,00	January 1, 2011
2	March 2010	5,000,00	July 1, 2011
3	October 2010	206,668	December 31, 2010
3	October 2010	206,668	June 30, 2011
3	October 2010	206,668	December 31, 2011
Total		17,300,004	

(1) Prior to giving effect to the 50-1 share consolidation that was effected on April 4, 2011.

The time based rights will vest only if the executive is still employed as an executive on the applicable vesting date, unless there are special reasons for him ceasing to be employed such as illness, injury, disability, redundancy, retirement and other circumstances that may be approved by our Board. The time based rights do not expire.

The performance based rights are dependent on group performance and are granted as set out below:

Tranche Number	Number of Performance Rights ⁽¹⁾	Vesting Date	Group Performance Criteria
1	840,000	June 30, 2010	Positive group operating cash flow
1	840,000	June 30, 2011	Earnings per share of A\$0.06
1	840,000	June 30, 2012	Earnings per share of A\$0.15
3	310,000	June 30, 2011	Earnings per share of A\$0.06
3	310,000	June 30, 2012	Earnings per share of A\$0.15
3	310,000	June 30, 2013	Earnings per share of A\$0.15
Total	3,450,000		

(1) Prior to giving effect to the 50-1 share consolidation that was effected on April 4, 2011.

Performance based rights will vest only upon achievement of the performance targets set by our Board. The June 30, 2010 Tranche 1 performance rights, did not vest because we did not have positive operating cash flow for fiscal 2010 and accordingly these performance rights have lapsed. The June 30, Tranche 2 performance based rights did not vest because our consolidated earnings per share for fiscal 2011 was not at least A\$0.06 (prior to giving effect to the 50-1 share consolidation that was effected on April 4, 2011) and Tranche 3 will vest on June 30, 2013 if our consolidated earnings per share for fiscal 2013 is at least A\$0.15 (prior to giving effect to the 50-1 share consolidation that was effected on April 4, 2011). Once vested, performance based rights do not expire.

Options

Each option gave the holder the right to subscribe for one ordinary share. The holder may exercise the option prior to its expiration on the second anniversary of the date on which it was issued. The exercise price for each option was A\$0.17 (prior to giving effect to the 50-1 share consolidation that was effected on April 4, 2011) and the options held by each holder may be exercised in whole or in part. The ordinary shares allotted to a holder upon exercise of the options will rank paripassu in all respects with other ordinary shares. The options were transferable at the option of the holder and are not subject to any vesting conditions. At June 30, 2012, all options had expired.

Retirement Benefits

All employees employed by Mission NewEnergy and its subsidiaries belong to appropriate retirement schemes for each jurisdiction in which it operates. All such employee retirement schemes are defined contribution schemes and thus no amounts are required to be set aside by us to meet any future retirement benefit obligations.

C. Board Practices.

Role of the Board of Directors

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

- chart the direction, strategies and financial objectives for Mission and monitor the implementation of those policies, strategies and financial objectives;
- keep updated about the Group's business and financial status;
- provide oversight and monitor compliance with regulatory requirements, ethical standards, risk management, internal compliance and control, code of conduct, legal compliance and external commitments;
- appoint, evaluate the performance of, determine the remuneration of, plan for the succession of and, where appropriate, remove the Managing Director/Group Chief Executive Officer, the Company Secretary and the Finance Director/Chief Financial Officer;
- exercise due care and diligence and sound business judgment in the performance of those functions and responsibilities; and
- ensure that the Board continues to have the mix of skills and experience necessary to conduct Mission's activities, and that appropriate directors are selected and appointed as required.

The Group has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy, the culture and values of the Group, and the expectations of the Group concerning performance of the directors. In addition directors are also educated regarding meeting arrangements and director interaction with each other, senior executives and other stakeholders. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skill and knowledge.

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

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

Board structure and composition

The Board currently is comprised of seven directors, of which five are independent non-executive directors. Details of each director's skills, expertise and background are contained within the directors' report included with the company's annual financial statements. The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and the potential director's skill to ensure they have appropriate industry expertise in the Group's operating segments.

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

A director cannot hold the position of both Chairman and Managing Director/Group Chief Executive Officer.

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

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

Board Diversity

The Board has a formal diversity policy which states that Mission NewEnergy Limited is committed to embedding a corporate culture that embraces diversity through:

- Recruitment on the basis of competence and performance and selection of candidates from a diverse pool of qualified candidates,
- Maintaining selection criteria that does not indirectly disadvantage people from certain groups,
- Provide equal employment opportunities through performance and flexible working practices,
- Maintain a safe working environment and supportive culture by taking action against inappropriate workplace and business behavior that is deemed as unlawful (discrimination, harassment, bullying, vilification and victimization),
- Promote diversity across all levels of the business,
- Undertake diversity initiatives and measuring their success,
- Regularly surveying our work climate, and
- The Board of Directors establishing measurable objectives in achieving gender diversity.

Since the Company's incorporation, given its cross-jurisdictional operations in Australia, Malaysia and India, a diversity practice is naturally in place.

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Board and management effectiveness

Responsibility for the overall direction and management of Mission, its corporate governance and the internal workings of Mission rests with the Board, notwithstanding the delegation of certain functions to the Managing Director/Group Chief Executive Officer and management generally (such delegation effected at all times in accordance with Mission's Constitution and its corporate governance policies). The Board has access, at the company's expense, to take independent professional advice after consultation with the Chairman.

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

A similar process for review of committees was undertaken during the 2011 and 2012 financial year.

To ensure management, as well as Board effectiveness, the Remuneration and Nomination Committee has direct responsibility for evaluating the performance of the Managing Director/Group Chief Executive Officer and other executives.

Internal control, risk management and financial reporting

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

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

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

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

Internal audit

The Board has employed a permanent internal auditor, who reports directly to the Audit and Risk Committee. The Audit and Risk Committee reviews all material internal audit items and provides guidance where appropriate or required.

Our risk management policy is included in the Corporate Governance section of the Company's website.

Committees of the Board of Directors

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

- the Audit and Risk Management Committee; and
- the Remuneration and Nomination Committee.

Each committee has a charter that sets out its purpose and responsibilities. The committees are described further below.

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

Audit and Risk Management Committee

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

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

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

The Audit and Risk Management Committee comprises five independent non-executive directors that have diverse and complementary backgrounds. The Chairman of the Audit and Risk Management Committee must be an independent non-executive director.

Messrs. DatukZain Yusuf (Chairman), Amara, Bhatnagar, Torre and Tan Sri Anwar are members of the Audit and Risk Management Committee. All five members of the Audit and Risk Management Committee satisfy the "independence" requirements of Rule 5605 of the NASDAQ Stock Market Marketplace Rules and Rule 10A-3 under the Exchange Act.

Remuneration and Nomination Committee

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

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

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

The Remuneration and Nomination Committee comprises five independent non-executive directors. The Chairman of the Remuneration and Nomination Committee must be an independent non-executive director.

Messrs. Amara (Chairman), DatukZain Yusuf, Torre, Bhatnagar and Tan Sri Anwar are members of the Remuneration and Nomination Committee.

We have a remuneration policy that sets out the terms and conditions for the Managing Director and other senior executives.

Mission Advisory Board

Mission has dissolved its Advisory Board.

Disclosure policy

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

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

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

Code of Conduct

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

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

Securities Trading Policy

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

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

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Ownership of Equity settled Options and Performance rights

The following table sets forth certain information regarding ownership of the Company's options and performance rights by the officers and directors as of June 30, 2013.

Equity settled Options

	Balance July 1, 2011	Balance June 30, 2012	New issue	Balance June 30, 2013
Directors				
Guy Burnett ⁷	-	-	-	-
Executive				
James Garton ⁸	-	-	-	-
TOTAL	-	-	-	-

⁷ Grant date was October 19, 2009, share price on grant date was \$14.25, exercise price is \$8.50, fair value at grant date was \$7.97, volatility used was 125.35%, risk free rate used was 4.83%, the options expire on June 30, 2011. Prices adjusted to reflect the impact of the share consolidation.

⁸ Grant date was June 25, 2009, share price on grant date was \$9.25, exercise price is \$8.5, fair value at grant date was \$4.84, volatility used was 138.77%, risk free rate used was 4.16%, the options expire on June 30, 2011. Prices adjusted to reflect the impact of the share consolidation.

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Equity settled Performance Rights

	<u>Balance</u> <u>30/6/2011</u> <u>No.</u>	<u>New Issue</u> <u>No.</u>	<u>Exercised</u> <u>No.</u>	<u>Lapsed</u> <u>No.</u>	<u>Balance</u> <u>30/06/2012</u> <u>No.</u>	<u>New Issue</u> <u>No.</u>	<u>Exercised</u> <u>No.</u>	<u>Lapsed</u> <u>No.</u>	<u>Balance</u> <u>30/06/2013</u> <u>No.</u>	<u>Vested and</u> <u>unexercised at</u> <u>30/06/2013</u> <u>No.</u>
Director										
Nathan Mahalingam	33,334	-	(33,334)	-	-	-	-	-	-	-
Guy Burnett	39,334	-	(33,334)	(6,000)	-	-	-	-	-	-
Executives										
James Garton	39,334	-	(33,334)	(6,000)	-	-	-	-	-	-
Samsudeen Ganny	-	20,000 ⁹	(10,000)	(10,000)	-	-	-	-	-	-
Total	112,002	20,000	(110,002)¹⁰	(22,000)	-	-	-	-	-	-

Performance Rights

The performance conditions of the performance rights were chosen to encourage staff retention and to drive company performance. The achievement of the performance condition is deemed achieved if:

- (a) the employee is still in employment within the Group on the vesting date where the performance criteria is for service, and
- (b) measured against audited financial results where company performance is the vesting condition.

⁹ Grant date was 1 July 2011, share price and fair value on grant date was \$4.90. 10,000 of the performance rights vest on 31 December 2011 for service and 10,000 vest on 30 June 2011 if the refining operations are cash flow positive for the 2011 financial year.

¹⁰ The weighted average exercise price was \$5.47 for performance rights exercised in 2011.

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D. Employees.

As of June 30, 2013, we had approximately 10 employees. The following table provides a breakdown of our employees by main category of activity and geographic location:

	USA	Australia	Malaysia	India
Finance, legal and other administrative functions	0	2	6	2
Engineering, operations, R&D and information systems	0	0	0	0

Historic Employees

For the fiscal year ended June 30,	USA	Australia	Malaysia	India
2010	-	3	57	367
2011	1	2	65	398
2012	1	1	7	36
2013	-	2	6	2

We believe that our relations with employees are good and we have not experienced any significant labor stoppages or disputes. Our employees are not represented by labor unions or covered by a collective bargaining agreement.

Due to the change in the scope of the Company's operations, the Company decided to significantly reduce the amount of employees during the fiscal year ended June 30, 2013.

We typically enter into a standard confidentiality and non-competition agreement with our management and research and development personnel. Each of these contracts includes a covenant that prohibits the relevant personnel from engaging in any activities that compete with our business during his or her employment with us and for two years after their employment with us.

Insurance

We have insurance policies covering all normal aspects of our business inline with industry practices.

We believe that our overall insurance coverage is consistent with the market practice or the jurisdiction of operation. However, significant damage to any of our manufacturing facilities and buildings, whether as a result of fire or other causes, could have a material adverse effect on our results of operations. See "Risk Factors — Risks Related to Our Business and Our Industry — We have limited insurance coverage and may incur losses resulting from product liability claims, business interruption or natural disasters." We also maintain appropriate Directors and Officers Liability Insurance.

E. Share Ownership.

The following table presents certain information regarding the beneficial ownership of our ordinary shares based on total issued ordinary shares of 10,870,275 as of October 7, 2013 by:

- each person known by us through substantial shareholder notices filed with the Australian Securities Exchange and SEC to be the beneficial owner of more than 5% of our ordinary shares;
- each of our directors;
- each of our named executive officers; and
- all of our current directors and executive officers as a group.

Principle Shareholders ⁽¹⁾	Number of Shares	Percentage
Noble Haus Asia Limited ⁽⁹⁾	84,547,147	88.61%
SLW International LLC ⁽⁵⁾	42,636,763	80.06%
Eastwood Trust ⁽⁷⁾	21,136,895	66.04%
Westcliffe Trust ⁽⁸⁾	21,136,895	66.04%
McDermott Industries Ltd ⁽²⁾	2,000,000	16.85%
NadarajaMuthu ⁽³⁾	1,417,860	13.04%
Houston International Insurance Group ⁽⁶⁾	850,411	7.82%
Directors and Executive Officers:		
Nathan Mahalingam ⁽⁴⁾	612,956	5.64%
James Garton	112,051	1.03%
Guy Burnett	112,001	1.03%
Dario Amara	2,000	0.02%
DatukZain Yusuf	—	—
ArunBhatnagar	—	—
Admiral (Ret) Tan Sri Dato' Sri Mohd Anwar bin Haji Mohd Nor	—	—
Peter Torre	—	—
Samsudeen Ganny	10,000	0.09%
All directors and executive officers as a group (10 persons)		

* Represents beneficial ownership of less than 1% of the outstanding ordinary shares of Mission NewEnergy.

- (1) Unless otherwise indicated in the footnotes to the table below, the address for each of the persons listed in the table below is Mission NewEnergy Limited, Unit B2, 431 Roberts Rd, Subiaco, Western Australia 6008, Australia.
- (2) McDermott Industries Ltd holds all of their shares as trustee for Lee Swee Eng. Address is Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands. Includes 1,000,000 warrants exercisable within the next 60 days.
- (3) Address of 27 Jalan SS7/4, Petaling Jaya, Selangor, Malaysia, 47301.
- (4) Address of Unit 725, 7th Floor Block A, Kelana Centre Point No 3, Jalan Ss 7/19 47301, Pataling Jaya Selangor, Singapore. Includes 492,957 shares held by Mission Equities Sdn Bhd., a company in which Nathan Mahalingam, Mission NewEnergy's Chief Executive Officer, has a 34% pecuniary interest in and is considered a beneficial owner of the shares held by Mission Equities Sdn Bhd.
- (5) Address of 7941 Katy Freeway, #529, Houston, Texas, 77024. Includes (i) 152,195 ordinary shares owned directly by SLW International, LLC ("SLW"), (ii) 100,000 ordinary shares owned by the principal of SLW, Stephen L. Way, in his IRA account with sole power to vote, and (iii) 42,636,763 ordinary shares that would be issuable to SLW upon conversion of the Company's series 3 notes due May 2014, and (iv) 110,345 ordinary shares that would be issuable to the principal of SLW upon exercise of the Warrants. Information is based on a Schedule 13G filed with the SEC on May 10, 2013 and amended for convertible note redemption as announced by the company on October 23, 2013.
- (6) Address of 800 Gessner, Suite 600, Houston, Texas, 77024. Includes 850,411 shares of common stock. Information is based on a Schedule 13G filed with the SEC on February 14, 2013.
- (7) Address of 7941 Katy Freeway, #529, Houston, Texas, 77024. Includes (i) 21,136,895 ordinary shares that would be issuable to Eastwood Trust upon conversion of the Company's series 3 notes. The notes are due and payable in May 2014. Information is based on a Schedule 13G filed with the SEC on May 15, 2013 and amended for convertible note redemption as announced by the company on October 23, 2013.
- (8) Address of 7941 Katy Freeway, #529, Houston, Texas, 77024. Includes (i) 21,136,895 ordinary shares that would be issuable to Westcliffe Trust upon conversion of the Company's series 3 notes. The notes are due and payable in May 2014. Information is based on a Schedule 13G filed with the SEC on May 15, 2013 and amended for convertible note redemption as announced by the company on October 23, 2013.
- (9) Noble Haus Asia Ltd, a British Virgin Islands business company residing at OMC Chambers, Wickhams Cay, 1 Road Town, Tortola, British Virgin Islands (i) 84,547,147 ordinary shares that would be issuable upon conversion of the Company's series 3 notes. The notes are due and payable in May 2014

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he or she possesses sole or shared voting or investment power of that security, and includes options that are exercisable within 60 days. Information with respect to beneficial ownership has been furnished to us by each director, executive officer or 5% or more shareholder, as the case may be.

Unless otherwise indicated, to our knowledge, each shareholder possesses sole voting and investment power over the ordinary shares listed, subject to community property laws where applicable. None of our shareholders has different voting rights from other shareholders after the closing of this offer.

The numbers of ordinary shares and options shown in the above table and discussed below give effect to the 50-1 share consolidation that was effected on April 4, 2011.

To the best of our knowledge, there have not been any significant changes in the ownership of our ordinary shares by major shareholders over the past three years, except the beneficial ownership of:

- McDermott Industries Ltd became a substantial shareholder in fiscal 2010 and as at November 28, 2011 has a shareholding of 16.85% (excluding dilutive effect of warrants);
- Mission Equities Sdn Bhd decreased from 27.08% at June 30, 2007 to 5.64% as at October 22, 2012; and
- N Muthu increased from 0% to 13.04% on 19 October 2012.

As of October 18, 2013, we had fifty-eight holders of record in the United States with a combined holding of 4,918,257 shares, representing 45.2% of our total outstanding shares as of that date.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders and Related Party Transactions.

See “Item 6.E—Directors, Senior Management and Employees—Share Ownership.”

B. Related Party Transactions.

Other than as disclosed below, from July 1, 2012 through to June 30, 2013, we did not enter into any transactions or loans between us and any (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with us; (b) associates; (c) individuals owning, directly or indirectly, an interest in our voting power that gives them significant influence over us, and close members of any such individual’s family; (d) key management personnel and close members of such individuals’ families; or (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly by any person described in (c) or (d) or over which such person is able to exercise significant influence. Refer to note 31 of the financial statements included at the end of this report for details of any related party transactions.

Loans

From time to time, we have made loans to or received loans from our wholly owned subsidiaries, including Mission Biotechnologies Sdn Bhd, Mission Biofuels Sdn Bhd and Mission Agro Energy Limited. Loans are repaid regularly and are given on interest free terms.

Refer to note 31 of the financial statements included at the end of this report for details of intercompany loans at June 30, 2013 and June 30, 2012 respectively.

Management rights with subsidiaries

During fiscal 2012, Mission NewEnergy received management fees from both Mission Biotechnologies Sdn Bhd, a 100% owned subsidiary company, in the amount of A\$627,000, and Mission Biofuels Sdn Bhd, a 100% owned subsidiary company, in the amount of A\$940,000. These transactions were on commercial terms and conditions no more favorable than those available to other parties. There were no management fees charged in fiscal year 2013.

From time to time, we have been involved in transactions with wholly owned and controlled subsidiaries. Such transactions between related parties are on commercial terms and conditions no more favorable than those available to other parties.

Ir Lee Swee Eng

Ir Lee Swee Eng, a Malaysian citizen, is the founding member and the Group Managing Director of KNM, a public company listed on the Main Board of the Bursa Securities Malaysia Berhad. KNM is Mission's equipment, procurement, construction and commissioning contractor in respect of the Company's second biodiesel refinery in Malaysia.

On November 17, 2009, Mission issued 1,000,000 units comprising ordinary shares and warrants to Ir Lee Swee Eng. Consideration per share was US\$7.25 and the warrants have an exercise price of A\$15.00 per share. As part of the placement of units, Ir Lee Swee Eng was able to appoint one executive director to the Board as well as an alternate director. Mission and KNM Group have agreed that Ir Lee Swee Eng is a related party and as such Ir Lee Swee Eng has a conflict of interest, which until such time as the arbitration between KNM and Mission is resolved. Mission is not supportive of the appointment of Ir Lee Swee Eng's nominated director.

The expiration date for the warrants is April 28, 2014. If all warrants are exercised, an additional A\$15 million will be raised. If at any time on or after April 15, 2012 the immediately preceding 20 trading day volume weighted average price of Mission's shares is at least A\$1.00 (prior to giving effect to the 50-1 share consolidation that was effected on April 4, 2011), Mission may give written notice to Ir Lee Swee Eng that if he does not exercise his warrants within 15 days from the date of such notice, then the warrants would expire on that 15th day.

The rights attaching to the shares issued to Ir Lee Swee Eng are the same as those attaching to the Company's currently issued shares.

McDermott Industries Ltd, which holds all of their shares as trustee for Ir Lee Swee Eng, could hold up to 16.85% of Mission if all of Ir Lee Swee Eng's warrants were exercised.

Ir Lee Swee Eng was not paid any compensation or granted any benefits in kind (including contingent or deferred compensation accrued for the year) by Mission for the fiscal year ended June 30, 2013.

During the last 3 years from the date of this annual report, KNM has been paid a total of 91.5 million Malaysian Ringgit (US\$28.2 million) pursuant to its equipment, procurement, construction and commissioning contractor with Mission in respect of the Company's second biodiesel refinery in Malaysia.

C. Interests of Experts and Counsel.

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information.

Our consolidated financial statements are set out in Item 18 of this annual report.

Legal Proceedings

Other than disclosed below, we are not involved in any significant legal proceedings.

A subsidiary within the group has terminated a JV agreement in Indonesia and is in discussion with the JV party to determine an appropriate way forward. This may result in an inflow greater than the value invested, however at this stage it is not possible to quantify this value.

A subsidiary of the company has received various claims for payments from the contractor liable to complete the construction of Missions 250,000 tpa refinery. The subsidiary company disputes these claims and has counter claimed on various matters. In addition the subsidiary company has submitted that all these matters should be heard as part of the arbitration proceedings. These may result in an outflow or inflow of cash resources to the company however it is not possible to quantify this value.

Dividend Distributions

We have never declared or paid any cash dividends on our ordinary shares and we do not anticipate paying any cash dividends in the foreseeable future. Our Board's current intention is to reinvest any income in the continued development and operation of our business.

Except as permitted by the Corporations Act, under our Constitution dividends may only be paid out of our profits.

Payment of cash dividends, if any, in the future will be at the discretion of our Board or, if our directors do not exercise their power to issue dividends, our shareholders in a general meeting may exercise the powers.

Even if our Board decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that the Board may deem relevant.

B. Significant Changes.

Except as disclosed elsewhere and below in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. The Offer and Listing

A. Offer and Listing Details.

The following tables present, for the periods indicated, the high and low market prices for our ordinary shares reported on the ASX (symbol: "MBT") and the NASDAQ (symbol: MNEL) and the OTC Bulletin Board (symbol: MNELF) for the periods indicated. Our ordinary shares were delisted from trading on the Nasdaq on July 9, 2012. All prices for the ASX values are in Australian dollars and do not give effect to the 50-1 share consolidation that became effective on April 4, 2011. All prices for the NASDAQ and OTC are in US Dollars.

Fiscal year ended	OTC Bulletin Board		NASDAQ		ASX	
	High	Low	High	Low	High	Low
	US\$	US\$	US\$	US\$	A\$	A\$
June 30, 2013						
First Quarter	0.12	0.02	-	-	0.09	0.07
Second Quarter	0.03	0.03	-	-	0.05	0.05
Third Quarter	0.01	0.01	-	-	0.02	0.02
Fourth quarter (through October 18, 2012)	0.06	0.05	-	-	0.05	0.05
June 30, 2012						
First Quarter	-	-	2.54	0.48	4.03	0.50
Second Quarter	-	-	0.49	0.11	0.60	0.11
Third Quarter	0.14	0.06	-	-	0.11	0.06
Fourth quarter (through October 24, 2012)	0.07	0.06	-	-	0.08	0.07
June 30, 2011						
First Quarter	-	-	-	-	0.29	0.19
Second Quarter	-	-	-	-	0.20	0.17
Third Quarter	-	-	-	-	0.24	0.17
Fourth Quarter	-	-	8.15	5.46	8.50	4.90
Month ended						
April 2013	0.03	0.03	-	-	0.03	0.03
May 2013	0.04	0.04	-	-	0.02	0.02
June 2013	0.02	0.02	-	-	0.02	0.02
July 2013	0.01	0.01	-	-	0.02	0.02
August 2013	0.02	0.02	-	-	0.02	0.02
September 2013	0.02	0.02	-	-	0.01	0.01
October 2013 (through October 18 2013)	0.06	0.05	-	-	0.05	0.05
Fiscal year ended June 30,						
2013 (through October 4, 2013)	0.02	0.02	-	-	0.05	0.05
2012	0.07	0.06	-	-	0.08	0.07
2011	-	-	8.15	5.46	8.50	0.17
2010	-	-	-	-	0.51	0.16
2009	-	-	-	-	0.81	0.16
2008	-	-	-	-	1.58	0.57

B. Plan of Distribution.

Not applicable.

C. Markets.

See "Item 9.A—The Offer and Listing—Offer and Listing Details."

D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

Our Constitution

We are a public company limited by shares registered under the Corporations Act by the Australian Securities and Investments Commission, or ASIC. Our constituent document is a Constitution, which is similar in nature to the by-laws of a company incorporated under the laws of a U.S. state. Our Constitution does not provide for or prescribe any specific objectives or purposes of Mission NewEnergy. Our Constitution is subject to the terms of the ASX Listing Rules and the Corporations Act. Our Constitution may be amended or repealed and replaced by special resolution of shareholders, which is a resolution passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

Under Australian law, a company has the legal capacity and powers of an individual both inside and outside Australia. The material provisions of our Constitution are summarized below. This summary is not intended to be complete, nor to constitute a definitive statement of the rights and liabilities of our shareholders and is qualified in its entirety by reference to the Constitution, which is available on request.

Directors

Interested Directors

Except where permitted by the Corporations Act, a director may not vote in respect of any contract or arrangement in which the director has, directly or indirectly, any material interest according to our Constitution. Such director must not be counted in a quorum, must not vote on the matter and must not be present at the meeting while the matter is being considered.

Unless a relevant exception applies, the Corporations Act requires directors of Mission NewEnergy to provide disclosure of certain interests and prohibits directors of companies listed on the ASX from voting on matters in which they have a material personal interest and from being present at the meeting while the matter is being considered. In addition, the Corporations Act and the ASX Listing Rules require shareholder approval of any provision of related party benefits to our directors.

Directors' Compensation

Our directors are paid remuneration for their services as directors, which is determined in a general meeting of shareholders. The aggregate, fixed sum for directors' remuneration is to be divided among the directors in such proportion as the directors themselves agree, and in accordance with our Constitution. The fixed sum remuneration for directors may not be increased except at a general meeting of shareholders and the particulars of the proposed increase are required to have been provided to shareholders in the notice convening the meeting. In addition, executive directors may be paid remuneration as employees of Mission NewEnergy.

Pursuant to our Constitution any director who devotes special attention to our business or who otherwise performs services which in the opinion of our Board are outside the scope of the ordinary duties of a director may be paid extra remuneration which is determined by the Board.

In addition to other remuneration provided in our Constitution, all directors are entitled to be paid by us for reasonable travel accommodation and other expenses incurred by the directors in attending company meetings, board meetings, committee meetings or while engaged on our business.

Additionally in accordance with our Constitution, a director may be paid a retirement benefit as determined by the Board subject to the limits set out in the Corporations Act and the ASX Listing Rules.

Borrowing Powers Exercisable by Directors

Pursuant to our Constitution, the management and control of our business affairs are vested in our Board. The Board has the power to raise or borrow money. The Board may also charge any of our property or business or any uncalled capital and may issue debentures or give any other security for any of our debts, liabilities or obligations or of any other person, in each case, in the manner and on terms it deems fit.

Retirement of directors

Pursuant to our Constitution, one third of directors other than the director who is the Chief Executive Officer, must retire from office at every annual general meeting. If the number of directors is not a multiple of three then the number nearest to but not less than one third must retire from office. The directors who retire in this manner are required to be the directors or director longest in office since last being elected. A director, other than the director who is the Chief Executive Officer, must retire from office at the conclusion of the third annual general meeting after which the director was elected.

Share Qualifications

Our Constitution provides that we may fix a share qualification for our directors in general meeting. However, there are currently no requirements for directors to own our shares in order to qualify as directors.

Rights and Restrictions on Classes of Shares

Subject to the Corporations Act and the ASX Listing Rules, rights attaching to our shares are detailed in our Constitution. Our Constitution provides that any of our shares may be issued with preferred, deferred or other special rights, whether in relation to dividends, voting, return of share capital, payment of calls or otherwise as the Board may determine from time to time. Except as provided by contract or by our Constitution to the contrary, all unissued shares are under the control of the Board which may grant options on the shares, allot or otherwise dispose of the shares on the terms and conditions and for the consideration it deems fit. Currently our outstanding share capital consists of only one class of ordinary shares.

Dividend Rights

The Board may from time to time determine to pay dividends to shareholders. All unclaimed dividends may be invested or otherwise made use of by the Board for our benefit until claimed or otherwise disposed of in accordance with our Constitution.

Voting Rights

Under our Constitution, each shareholder has one vote determined by a show of hands at a meeting of the shareholders. On a poll vote each shareholder shall have one vote for each fully paid share and a fractional vote for each share which is not fully paid, such fraction being equivalent to the proportion of the amount which has been paid to such date on that share. Under Australian law, shareholders of a public company are not permitted to approve corporate matters by written consent. Our Constitution does not provide for cumulative voting.

Right to Share in our Profits

Subject to the Corporations Act and pursuant to our Constitution, our shareholders are entitled to participate in our profits only by payment of dividends. The Board may from time to time determine to pay dividends to the shareholders, however no dividend is payable except out of our profits. A declaration by the Board as to the amount of our profits is conclusive.

Rights to Share in the Surplus in the Event of Liquidation

Our Constitution provides for the right of shareholders to participate in a surplus in the event of our liquidation. In certain circumstances, any division may be otherwise than in accordance with the legal rights of the contributories, and in particular, any class may be given preferential or special rights or may be excluded altogether or in part from participation in a surplus in the event of liquidation.

Redemption Provisions

There are no redemption provisions in our Constitution in relation to ordinary shares. Under our Constitution and subject to the Corporations Act, any preference shares may be issued on the terms that they are, or may at our option be, liable to be redeemed.

Sinking Fund Provisions

There are no sinking fund provisions in our Constitution in relation to ordinary shares.

Liability for Further Capital Calls

According to our Constitution, the Board may make any calls from time to time upon shareholders in respect of all monies unpaid on partly-paid shares, subject to the terms upon which any of the partly-paid shares have been issued. Each shareholder is liable to pay the amount of each call in the manner, at the time, and at the place specified by the Board. Calls may be made payable by installment.

Provisions Discriminating Against Holders of a Substantial Number of Shares

There are no provisions under our Constitution discriminating against any existing or prospective holders of a substantial number of our shares.

Variation of Share Rights

Our Constitution provides that, unless otherwise provided by the terms of issue of the shares of such class, the rights attaching to any class of shares may, subject to the ASX Listing Rules, be varied with the consent in writing of members with at least 75% of the votes in the class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of such class. These conditions are not more significant than that required by the Corporations Act.

General Meetings of Shareholders

General meetings of shareholders may be called by the Board. Except as permitted under the Corporations Act, shareholders may not convene a meeting. Under the Corporations Act, shareholders with at least 5% of the votes which may be cast at a general meeting may call and arrange to hold a general meeting. The Corporations Act requires the directors to call and arrange to hold a general meeting on the request of shareholders with at least 5% of the votes that may be cast at a general meeting or at least 100 shareholders who are entitled to vote at the general meeting. Twenty-eight days notice of the proposed meeting of our shareholders is required under the Corporations Act.

According to our Constitution, the chairman of the general meeting may refuse admission to or exclude from the meeting, any person who is in possession of a picture recording or sound recording device, in possession of a placard or banner, in possession of an object considered by the chairman to be dangerous, offensive or liable to cause disruption, any person who refuses to produce or permit examination of any object, any person who behaves or threatens to behave in a dangerous, offensive or destructive manner, or any person who is not a director or one of our auditors, one of our shareholders or a proxy, attorney or representative of one of our shareholders.

Foreign Ownership Regulation

There are no limitations on the rights to own securities imposed by our Constitution. However, acquisitions and proposed acquisitions of shares in Australian companies may be subject to review and approval by the Australian Federal Treasurer under the Foreign Acquisitions and Takeovers Act 1975 (Commonwealth of Australia). Generally this Act applies to acquisitions or proposed acquisitions:

- by a foreign person, as defined in the Foreign Acquisitions and Takeovers Act, or associated foreign persons which would result in such persons having an interest in 15% or more of the issued shares of, or control of 15% or more of the voting power in, an Australian company; and
- by non-associated foreign persons which would result in such foreign person having an interest in 40% or more of the issued shares of, or control of 40% or more of the voting power in, an Australian company.

The Australian Federal Treasurer may prevent a proposed acquisition in the above categories or impose conditions on such acquisition if the Treasurer is satisfied that the acquisition would be contrary to the national interest. If a foreign person acquires shares or an interest in shares in an Australian company in contravention of the Act, the Australian Federal Treasurer may order the divestiture of such person's shares or interest in shares in the company. The Australian Federal Treasurer may order divestiture pursuant to the Act if he determines that the acquisition has resulted in that foreign person, either alone or together with other non-associated or associated foreign persons, controlling the company and that such control is contrary to the national interest.

Ownership Threshold

There are no provisions in our Constitution that require a shareholder to disclose ownership above a certain threshold. The Corporations Act, however, requires a substantial shareholder to notify us and the Australian Securities Exchange once a 5% interest in our shares is obtained. Further, once a shareholder owns a 5% interest in us, such shareholder must notify us and the Australian Securities Exchange of any increase or decrease of 1% or more in its holding of our shares. Such major shareholders are also required to file a notice with the SEC on Schedule 13D or Schedule 13G.

Issues of shares and Change in Capital

Subject to our Constitution, the Corporations Act, the ASX Listing Rules and any other applicable law, we may at any time issue shares and grant options or warrants on any terms, with preferred, deferred or other special rights and restrictions and for the consideration and other terms that the directors determine. Our power to issue shares includes the power to issue bonus shares (for which no consideration is payable to Mission NewEnergy), preference shares and partly paid shares.

Subject to the requirements of our Constitution, the Corporations Act, the ASX Listing Rules and any other applicable law, including relevant shareholder approvals, we may consolidate or divide our share capital into a larger or smaller number by resolution, reduce our share capital (provided that the reduction is fair and reasonable to our shareholders as a whole, and does not materially prejudice our ability to pay creditors) or buy-back our shares whether under an equal access buy-back or on a selective basis.

Change of Control

Takeovers of listed Australian public companies, such as Mission NewEnergy, are regulated by, amongst other things, the Corporations Act which prohibits the acquisition of a relevant interest in issued voting shares in a listed company if the acquisition will lead to that person's or someone else's voting power in the company increasing from 20% or below to more than 20% or increasing from a starting point that is above 20% and below 90%, subject to a range of exceptions.

Generally, and without limitation, a person will have a relevant interest in securities if they:

- are the holder of the securities;
- have power to exercise, or control the exercise of, a right to vote attached to the securities; or
- have the power to dispose of, or control the exercise of a power to dispose of, the securities (including any indirect or direct power or control).

If at a particular time a person has a relevant interest in issued securities and the person:

- has entered or enters into an agreement with another person with respect to the securities;
- has given or gives another person an enforceable right, or has been or is given an enforceable right by another person, in relation to the securities; or
- has granted or grants an option to, or has been or is granted an option by, another person with respect to the securities, and the other person would have a relevant interest in the securities if the agreement were performed, the right enforced or the option exercised, the other person is taken to already have a relevant interest in the securities.

There are a number of exceptions to the above prohibition on acquiring a relevant interest in issued voting shares above 20%. In general terms, some of the more significant exceptions include:

- when the acquisition results from the acceptance of an offer under a formal takeover bid;
- when the acquisition is conducted on market by or on behalf of the bidder under a takeover bid and the acquisition occurs during the bid period;
- when shareholders of the company approve the takeover by resolution passed at general meeting;
- an acquisition by a person if, throughout the 6 months before the acquisition, that person, or any other person, has had voting power in the company of at least 19% and as a result of the acquisition, none of the relevant persons would have voting power in the company more than 3 percentage points higher than they had 6 months before the acquisition;
- as a result of a rights issue;
- as a result of dividend reinvestment schemes;
- as a result of underwriting arrangements;
- through operation of law;
- an acquisition which arises through the acquisition of a relevant interest in another listed company;
- arising from an auction of forfeited shares; or
- arising through a compromise, arrangement, liquidation or buy-back.

Breaches of the takeovers provisions of the Corporations Act are criminal offences. ASIC and the Australian Takeover Panel have a wide range of powers relating to breaches of takeover provisions including the ability to make orders canceling contracts, freezing transfers of, and rights attached to, securities, and forcing a party to dispose of securities. There are certain defenses to breaches of the takeovers provisions provided in the Corporations Act.

Proportional Takeovers

Our Constitution indicates that where offers to purchase our shares have been made under a proportional takeover scheme, we are prohibited from registering, other than where a transfer is effected in accordance with the takeover provisions (if any) under the ASTC Settlement Rules, a transfer which would give effect to the contract resulting from the acceptance of such an offer unless and until a resolution to approve the proportional takeover scheme is approved at a meeting by the persons entitled to vote on such resolution. The offeror or an associate of the offeror is not entitled to vote on such resolution. A person, other than an offeror or associate of the offeror, who, as at the end of the day in which the first offer under the proportional takeover scheme was made, held shares in that class of shares, is entitled to one vote for each of the shares held in that class.

Access to and Inspection of Documents

Inspection of our records is governed by the Corporations Act. Any member of the public has the right to inspect or obtain copies of our registers on the payment of a prescribed fee. Shareholders are not required to pay a fee for inspection of our registers or minute books of the meetings of shareholders. Other corporate records including minutes of directors meetings, financial records and other documents are not open for inspection by shareholders. Where a shareholder is acting in good faith and an inspection is deemed to be made for a proper purpose, a shareholder may apply to the court to make an order for inspection of our books.

C. Material Contracts.

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4—Information on the Company” or elsewhere in this annual report on Form 20-F.

D. Exchange Controls.

Under existing Australian legislation, the Reserve Bank of Australia does not prohibit the import and export of funds, and generally no governmental permission is required for us to move funds in and out of Australia. However, for the movement of funds to and from “tax havens,” as specified by current regulations, a tax clearance certificate must be obtained. The United States is not a declared tax haven. Accordingly, at the present time, remittances of any dividends, interest or other payments by us to non-resident holders of our securities in the United States are not restricted by exchange controls.

E. Taxation.

The following is a summary of material U.S. federal and Australian income tax considerations to U.S. holders, as defined below, of the acquisition, ownership and disposition of ordinary shares. This discussion is based on the laws in force as at the date of this annual report, and is subject to changes in the relevant income tax law, including changes that could have retroactive effect. The following summary does not take into account or discuss the tax laws of any country or other taxing jurisdiction other than the United States and Australia. Holders are advised to consult their tax advisors concerning the overall tax consequences of the acquisition, ownership and disposition of ordinary shares in their particular circumstances. This discussion is not intended, and should not be construed, as legal or professional tax advice.

This summary does not describe U.S. federal estate and gift tax considerations, or any state and local tax considerations within the United States, and is not a comprehensive description of all U.S. federal or Australian income tax considerations that may be relevant to a decision to acquire or dispose of ordinary shares. Furthermore, this summary does not address U.S. federal or Australian income tax considerations relevant to holders subject to taxing jurisdictions other than or in addition to the United States and Australia, and does not address all possible categories of holders, some of which may be subject to special tax rules.

U.S. Federal Income Tax Considerations

In this section, we discuss material U.S. federal income tax considerations applicable to an investment in ordinary shares by a U.S. holder, as defined below, that will hold the ordinary shares as capital assets within the meaning of Section 1221 of the Code. We do not discuss the tax consequences to any particular holder nor any tax considerations that may apply to holders subject to special tax rules, such as banks, insurance companies, individual retirement and other tax-deferred accounts, regulated investment companies, individuals who are former U.S. citizens or former long-term U.S. residents, dealers in securities or currencies, tax-exempt entities, persons subject to the alternative minimum tax, persons that hold ordinary shares as a position in a straddle or as part of a hedging, constructive sale or conversion transaction for U.S. federal income tax purposes, persons that have a functional currency other than the U.S. dollar, persons that own (directly, indirectly or constructively) 10% or more of our equity or persons that are not U.S. holders.

In this section, a “U.S. holder” means a beneficial owner of ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust (i) the administration of which is subject to the primary supervision of a court in the United States and for which one or more U.S. persons have the authority to control all substantial decisions or (ii) that has an election in effect under applicable income tax regulations to be treated as a U.S. person.

As used in this section, a “non-U.S. holder” is a beneficial owner of ordinary shares that is not a U.S. holder or an entity or arrangement treated as a partnership for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds ordinary shares, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. Partners of partnerships that will hold ordinary shares should consult their tax advisors.

You are urged to consult your own tax advisor with respect to the U.S. federal, as well as state, local and non-U.S., tax consequences to you of acquiring, owning and disposing of ordinary shares in light of your particular circumstances, including the possible effects of changes in U.S. federal and other tax laws.

Dividends

Subject to the passive foreign investment company rules, discussed below, U.S. holders will include as dividend income the U.S. dollar value of the gross amount of any distributions of cash or property (without deduction for any withholding tax), other than certain pro rata distributions of ordinary shares, with respect to ordinary shares to the extent the distributions are made from our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A U.S. holder will include the dividend income at the time of receipt. To the extent, if any, that the amount of any distribution by us exceeds our current and accumulated earnings and profits, as so determined, the excess will be treated first as a tax-free return of the U.S. holder’s tax basis in the ordinary shares and thereafter as capital gain. Notwithstanding the foregoing, we do not intend to maintain calculations of earnings and profits, as determined for U.S. federal income tax purposes. Consequently, any distributions generally will be reported as dividend income for U.S. information reporting purposes. See “Backup Withholding Tax and Information Reporting” below. Dividends paid by us will not be eligible for the dividends-received deduction generally allowed to U.S. corporate shareholders.

For taxable years beginning before January 2013, subject to the passive foreign investment company rules, certain dividends received by an individual U.S. holder (as well as certain trusts and estates) from a “qualified foreign corporation” are eligible for a preferential U.S. federal income tax rate (15%), subject to certain minimum holding period requirements and other limitations. A foreign corporation may be a “qualified foreign corporation” if (it is eligible for the benefits of a comprehensive income tax treaty with the United States which the U.S. Secretary of Treasury determines is satisfactory for this purpose and which includes an exchange of information program. We expect to be considered a qualified foreign corporation with respect to our ordinary shares because we believe we are eligible for the benefits under the Double Taxation Convention between Australia and the United States. Accordingly, dividends we pay generally should be eligible for the reduced income tax rate. However, the determination of whether a dividend qualifies for the preferential tax rates must be made at the time the dividend is paid. U.S. holders should consult their own tax advisers.

Includible distributions paid in Australian dollars, including any Australian withholding taxes, will be included in the gross income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of actual or constructive receipt, regardless of whether the Australian dollars are converted into U.S. dollars at that time. If Australian dollars are converted into U.S. dollars on the date of actual or constructive receipt, the tax basis of the U.S. holder in those Australian dollars will be equal to their U.S. dollar value on that date and, as a result, a U.S. holder generally should not be required to recognize any foreign exchange gain or loss.

If Australian dollars so received are not converted into U.S. dollars on the date of receipt, the U.S. holder will have a basis in the Australian dollars equal to their U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the Australian dollars generally will be treated as ordinary income or loss to such U.S. holder and generally such gain or loss will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Dividends received by a U.S. holder with respect to ordinary shares will be treated as foreign source income, which may be relevant in calculating the holder's foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For these purposes, dividends will be categorized as "passive" or "general" income depending on a U.S. holder's circumstance.

Subject to certain complex limitations, a U.S. holder generally will be entitled, at its option, to claim either a credit against its U.S. federal income tax liability or a deduction in computing its U.S. federal taxable income in respect of any Australian taxes withheld by us. If a U.S. holder elects to claim a deduction, rather than a foreign tax credit, for Australian taxes withheld by us for a particular taxable year, the election will apply to all foreign taxes paid or accrued by or on behalf of the U.S. holder in the particular taxable year.

The availability of the foreign tax credit and the application of the limitations on its availability are fact specific. You are urged to consult your own tax advisor as to the consequences of Australian withholding taxes and the availability of a foreign tax credit or deduction. See "Australian Tax Considerations — Taxation of Dividends."

Sale or Exchange of Ordinary Shares

Subject to the passive foreign investment company rules, discussed below, a U.S. holder generally will, for U.S. federal income tax purposes, recognize capital gain or loss on a sale, exchange or other disposition of ordinary shares equal to the difference between the amount realized on the disposition and the U.S. holder's tax basis in the ordinary shares. This gain or loss recognized on a sale, exchange or other disposition of ordinary shares will generally be long-term capital gain or loss if the U.S. holder has held the ordinary shares for more than one year. Generally, for U.S. holders who are individuals (as well as certain trusts and estates), long-term capital gains are subject to U.S. federal income tax at preferential rates. For foreign tax credit limitation purposes, gain or loss recognized upon a disposition generally will be treated as from sources within the United States. The deductibility of capital losses is subject to limitations for U.S. federal income tax purposes.

You should consult your own tax advisor regarding the availability of a foreign tax credit or deduction in respect of any Australian tax imposed on a sale or other disposition of ordinary shares. See "Australian Tax Considerations — Tax on Sales or other Dispositions of Shares."

Passive Foreign Investment Company Considerations

The Code provides special, generally adverse, rules regarding certain distributions received by U.S. holders with respect to, and sales, exchanges and other dispositions, including pledges, of shares of stock of, a passive foreign investment company, or PFIC. A foreign corporation will be treated as a PFIC for any taxable year if at least 75% of its gross income for the taxable year is passive income or at least 50% of its gross assets during the taxable year, based on a quarterly average and generally by value, produce or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions and gains from assets that produce passive income. In determining whether a foreign corporation is a PFIC, a pro-rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

The determination of whether or not we are a PFIC is a factual determination that must be determined annually at the close of each taxable year. Based on our business results for the last fiscal year and composition of our assets, we do not believe that we were a PFIC for U.S. federal income tax purposes for the taxable year ended June 30, 2012. Similarly, based on our business projections and the anticipated composition of our assets for the current and future years, we do not expect that we will be a PFIC for the taxable year ended June 30, 2013. If our actual business results do not match our projections, it is possible that we may become a PFIC in the current or any future taxable year.

If we are a PFIC for any taxable year during which a U.S. holder holds ordinary shares, any "excess distribution" that the holder receives and any gain realized from a sale or other disposition (including a pledge) of such ordinary shares will be subject to special tax rules, unless the holder makes a mark-to-market election or qualified electing fund election as discussed below. Any distribution in a taxable year that is greater than 125% of the average annual distribution received by a U.S. holder during the shorter of the three preceding taxable years or such holder's holding period for the ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. holder's holding period for the ordinary shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to income tax at the highest rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating loss, and gains (but not losses) realized on the transfer of the ordinary shares cannot be treated as capital gains, even if the ordinary shares are held as capital assets. In addition, non-corporate U.S. holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

If we are a PFIC for any taxable year during which any of our non-United States subsidiaries is also a PFIC, a U.S. holder of ordinary shares during such year would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules to such subsidiary. You should consult your tax advisors regarding the tax consequences if the PFIC rules apply to any of our subsidiaries.

Under recently enacted legislation, unless otherwise provided by the U.S. Treasury, each U.S. shareholder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. Prior to such legislation, a U.S. shareholder of a PFIC was required to file U.S. Internal Revenue Service Form 8621 only for each taxable year in which such shareholder received distributions from the PFIC, recognized gain on a disposition of the PFIC stock, or made a "reportable election." If we are or become a PFIC, you should consult your tax advisors regarding any reporting requirements that may apply to you as a result of our status as a PFIC.

A U.S. holder may avoid some of the adverse tax consequences of owning shares in a PFIC by making a "qualified electing fund" election. The availability of this election with respect to our ordinary shares requires that we provide information to shareholders making the election. We do not intend to provide you with the information you would need to make or maintain a qualified electing fund election and you will, therefore, not be able to make such an election with respect to your ordinary shares.

Alternatively, a U.S. holder owning marketable stock in a PFIC may make a mark-to-market election to elect out of the tax treatment discussed above. If a valid mark-to-market election for the ordinary shares is made, the electing U.S. holder will include in income each year an amount equal to the excess, if any, of the fair market value of the ordinary shares as of the close of the holder's taxable year over the adjusted basis in such ordinary shares. The U.S. holder is allowed a deduction for the excess, if any, of the adjusted basis of the ordinary shares over their fair market value as of the close of the holder's taxable year. Deductions are allowable, however, only to the extent of any net mark-to-market gains on the ordinary shares included in the U.S. holder's income for prior taxable years. Amounts included in the U.S. holder's income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ordinary shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ordinary shares, as well as to any loss realized on the actual sale or disposition of the ordinary shares, to the extent the amount of such loss does not exceed the net mark-to-market gains previously included for such ordinary shares. The tax basis in the ordinary shares will be adjusted to reflect any such income or loss amounts. A mark-to-market election will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ordinary shares are no longer regularly traded on an applicable exchange or the Internal Revenue Service ("IRS") consents to the revocation of the election.

The mark-to-market election is available only for stock which is regularly traded on (i) a national securities exchange that is registered with the U.S. Securities and Exchange Commission, (ii) NASDAQ, or (iii) an exchange or market that the U.S. Secretary of the Treasury determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. Our ordinary shares are listed on the ASX and, consequently, we expect that, assuming the ordinary shares are so listed and are regularly traded, the mark-to-market election would be available to you were we to be or become a PFIC.

U.S. holders are urged to contact their own tax advisors regarding the determination of whether we are a PFIC and the tax consequences of such status.

Recent Legislation

Recently enacted legislation requires certain U.S. Holders who are individuals, estates, or trusts to pay a 3.8% tax on, among other things, dividends and capital gains from the sale or other disposition of shares of common stock for taxable years beginning after December 31, 2012. In addition, for taxable years beginning after March 18, 2010, recent legislation requires certain U.S. Holders who are individuals to report information relating to an interest in our ordinary shares, subject to certain exceptions. U.S. Holders are urged to consult their tax advisors regarding the effect, if any, of this tax legislation on their ownership and disposition of our ordinary shares.

Backup Withholding Tax and Information Reporting Requirements

U.S. holders that are "exempt recipients" (such as corporations) generally will not be subject to U.S. backup withholding tax and related information reporting requirements on payments of dividends on, and the proceeds from the disposition of, ordinary shares unless, when required, they fail to demonstrate their exempt status. Other U.S. holders (including individuals) generally will be subject to U.S. backup withholding tax at the applicable statutory rate, currently 28%, in respect of any payments of dividends on, and the proceeds from the disposition of, ordinary shares if they fail to furnish their correct taxpayer identification number or otherwise fail to comply with applicable backup withholding requirements. Information reporting requirements generally will apply to payments of dividends on, and the proceeds from the disposition of, ordinary shares to a U.S. holder that is not an exempt recipient. U.S. holders who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability. A U.S. holder may obtain a refund of any amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service in a timely manner and furnishing any required information.

U.S. holders are urged to contact their own tax advisors as to their qualification for an exemption from backup withholding tax and the procedure for obtaining this exemption.

The discussion above is not intended to constitute a complete analysis of all tax considerations applicable to an investment in ordinary shares. You should consult with your own tax advisor concerning the tax consequences to you in your particular situation.

Australian Tax Considerations

In this section, we discuss the material Australian income tax considerations related to the acquisition, ownership and disposal by the absolute beneficial owners of the ordinary shares. This discussion does not address all aspects of Australian income tax law which may be important to particular investors in light of their individual investment circumstances, such as shares held by investors subject to special tax rules (for example, financial institutions, insurance companies or tax exempt organizations). In addition, this summary does not discuss any foreign or state tax considerations, other than transfer duty. Prospective investors are urged to consult their tax advisors regarding the Australian and foreign income and other tax considerations of the purchase, ownership and disposition of the shares. This summary is based upon the premise that the holder is not an Australian tax resident.

Taxation of Dividends

Australia operates a dividend imputation system under which dividends may be declared to be 'franked' to the extent of tax paid on company profits. Fully franked dividends are not subject to dividend withholding tax. Dividends payable to non-Australian resident shareholders that are not operating from an Australian permanent establishment (Foreign Shareholders) will be subject to dividend withholding tax, to the extent the dividends are not foreign sourced and declared to be conduit foreign income (CFI) and are unfranked. Dividend withholding tax will be imposed at 30%, unless a shareholder is a resident of a country with which Australia has a double taxation agreement and qualifies for the benefits of the treaty. Under the provisions of the current Double Taxation Convention between Australia and the United States, the Australian tax withheld on unfranked dividends that are not CFI paid by us to which a resident of the United States is beneficially entitled is limited to 15%.

If a company that is a non-Australian resident shareholder owns a 10% or more interest, the Australian tax withheld on dividends paid by us to which a resident of the United States is beneficially entitled is limited to 5%. In limited circumstances the rate of withholding can be reduced to nil.

Tax on Sales or other Dispositions of Shares — Capital gains tax

Foreign Shareholders will not be subject to Australian capital gains tax on the gain made on a sale or other disposal of our shares, unless they, together with associates, hold 10% or more of our issued capital, at the time of disposal or for 12 months of the last 2 years.

Foreign Shareholder who, together with associates, owns a 10% or more interest would be subject to Australian capital gains tax if more than 50% of our direct or indirect assets determined by reference to market value, consists of Australian land, leasehold interests or Australian mining, quarrying or prospecting rights. Double Taxation Convention between the United States and Australia is unlikely to limit the amount of this taxable gain. Australian capital gains tax applies to net capital gains at a taxpayer's marginal tax rate but for certain shareholders a discount of the capital gain may apply if the shares have been held for 12 months or more. For individuals, this discount is 50%¹¹. Net capital gains are calculated after reduction for capital losses, which may only be offset against capital gains.

Tax on Sales or other Dispositions of Shares — Shareholders Holding Shares on Revenue Account

Some Foreign shareholders may hold shares on revenue rather than on capital account, for example, share traders. These shareholders may have the gains made on the sale or other disposal of the shares included in their assessable income under the ordinary income provisions of the income tax law, if the gains are sourced in Australia.

Non-Australian resident shareholders assessable under these ordinary income provisions in respect of gains made on shares held on revenue account would be assessed for such gains at the Australian tax rates for non-Australian residents, which start at a marginal rate of 32.5%. Some relief from Australian income tax may be available to such non-Australian resident shareholders under the Double Taxation Convention between the United States and Australia.

To the extent an amount would be included in a non-Australian resident shareholder's assessable income under both the capital gains tax provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the shareholder would not be subject to double tax on any part of the income gain or capital gain.

Dual Residency

If a shareholder were a resident of both Australia and the United States under those countries' domestic taxation laws, that shareholder may be subject to tax as an Australian resident. If, however, the shareholder is determined to be a U.S. resident for the purposes of the Double Taxation Convention between the United States and Australia, the Australian tax would be subject to limitation by the Double Taxation Convention. Shareholders should obtain specialist taxation advice in these circumstances.

¹¹ Note that this is subject to proposed legislation to remove the discount for non-resident shareholders with effect from May 8, 2012.

Transfer Duty

No transfer duty is payable by Australian residents or foreign residents on the trading of shares that are quoted on the ASX or NASDAQ/OTC.

Australian Death Duty

Australia does not have estate or death duties. As a general rule, no capital gains tax liability is realized upon the inheritance of a deceased person's shares. The disposal of inherited shares by beneficiaries, may, however, give rise to a capital gains tax liability if the gain falls within the scope of Australia's jurisdiction to tax (as discussed above).

Goods and Services Tax

The issue or transfer of shares will not incur Australian goods and services tax.

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display.

We are subject to the periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Under the Exchange Act, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. All information filed with the SEC is available through the SEC's Electronic Data Gathering, Analysis and Retrieval system, which may be accessed through the SEC's website at www.sec.gov. Information filed with the SEC may also be inspected and copied at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents upon payment of a duplicating fee, by writing to the SEC. Please visit the SEC's website at www.sec.gov for further information on the SEC's public reference room.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Our business activities are exposed to a variety of market risks, including credit risk, foreign currency risk, interest rate risk and commodity risk.

Credit Risk

Malaysian operations

Credit risk for receivables at June 30, 2012 in the refining operations stemmed from sales to large Malaysian oil companies with an inherent low risk of credit default. At the date of this report, all material biodiesel sale receivables had been recovered.

Indian Operations

With the downsizing of the feedstock operations, all receivables from sale of saplings have been impaired. Sales of electricity, which is under a power purchase agreement, and the resultant receivable are to a large Indian State Owned enterprise and hence credit risk is deemed low.

Foreign Exchange Risk

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

Foreign exchange risks arising from the sale of products are hedged using forward exchange contracts.

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

Group sensitivity

At 30 June 2013, if foreign currencies had changed by +/- 10%, with all other variables held constant, the following financial impacts would have been recorded by the Group;

Effect on cash and cash equivalent – A\$ 0.1 million lower/ A\$0.2 million higher (2012:A\$ 0.1 million lower/ A\$0.1 million higher)

Profit and Loss would have been – A\$ 0.1 million lower/ A\$0.2 million higher (2012:A\$ 0.1 million lower/ A\$0.1 million higher)

Hedging of Foreign Currency Risk

At financial report date the Group had no forward exchange contracts in place.

Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate deposits, fixed rate convertible note debt and floating rate debt. For further details on interest rate risk refer to the table below under liquidity risk. The Group's main interest rate risk, being cash flow interest rate risk, arises from the windmill loan.

Group sensitivity

At 30 June 2013, if interest rates had changed by +/- 25 basis points, with all other variables held constant, the following financial impacts would have been recorded by the Group;

Effect on post tax profit – A\$ Nil million lower/higher (2012: A\$ Nil million lower/higher)

Equity would have been – A\$ Nil million lower/higher (2012: A\$ Nil million lower/higher)

Commodity Risk

As there was no inventory held as at 30 Jun 2013, the Group has no exposure to market prices of input costs into the production of biodiesel.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities.

Not applicable.

B. Warrants and Rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares.

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

A.-D. Material Modifications to the Rights of Security Holders.

None.

E. Use of Proceeds.

The following "Use of Proceeds" information relates to our initial U.S. public offering of 2,785,000 ordinary shares at a public offering price of US\$9.00 per share, thereby raising gross proceeds of approximately US\$25.1 million. The registration statement on Form F-1 (File No. 333-170471) for our initial public offering was declared effective by the SEC on April 19, 2011. On April 26, 2011, we completed our public offering after 2,785,000 ordinary shares were sold. Chardan Capital Markets, LLC, Rodman & Renshaw, LLC, Maxim Group LLC and Northland Capital Markets were the underwriters for our initial public offering. We received net proceeds (after deducting underwriting discounts and commissions and other expenses related to the offering) of approximately US\$22,228,504. None of the above expenses included direct or indirect payments to directors or officers of our company or their associates, persons owning 10% or more of our equity securities or our affiliates. The underwriters did not exercise their overallotment option.

From April 19, 2011, effective date of our registration statement on Form F-1 for the offering, to June 30, 2011, we used approximately US\$0.8 million proceeds for the expansion of our feedstock operations, including but not limited to Jatropha acreage expansion, approximately US\$2.1 million for general corporate and convertible note coupon purposes, and as of June 30, 2011, we had approximately \$16.7 million left from the net proceeds of the offering. Approximately US\$8.8 million of the cash at June 30, 2011 was held in the refining segment to meet working capital needs. In 2012 the Group used A\$4.9m for operations, A\$4.0 million for capital expenditure and advances to related entities and A\$5.5 million for debt redemption. We had A\$1.5 million in cash on hand at June 30, 2012. In 2013 the Group used A\$3.7m for operations, released A\$2.3 million from sale of capital items and raised a net A\$1.4 million from debt facilities. We had A\$1.4 million in cash on hand at June 30, 2013.

None of the net proceeds from our initial public offering were paid directly or indirectly to directors or officers of our company or their associates, persons owning 10% or more of our equity securities or our affiliates.

Item 15. Controls and Procedures

A. Disclosure Controls and Procedures.

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) under the Exchange Act), as of June 30, 2013. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely discussions regarding required disclosure.

B. Management's Annual Report on Internal Control over Financial Reporting and Attestation Report of the Registered Public Accounting Firm.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management has evaluated the effectiveness of the Company's internal control over financial reporting as of June 30, 2013 based upon criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, the Company's management, including its Chief Executive Officer and Chief Financial Officer, concluded that, as of June 30, 2013, the Company's internal control over financial reporting was effective based on these criteria.

C. Changes in Internal Control over Financial Reporting.

There was no change in internal control over financial reporting during the year ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

The Board determined that Mr. Peter Torre is qualified as an Audit Committee Financial Expert and all members are independent as determined by the NASDAQ listing rules.

Item 16B. Code of Ethics

Our board of directors adopted a Code of Conduct for Directors and Key Officers that applies to our directors, officers and employees. We have posted a copy of our code of business conduct and ethics on our investor relations website at <http://missionnewenergy.com>.

Item 16C. Principal Accountant Fees and Services

Audit Fees. The aggregate fees billed for professional services rendered by the Company's principal accountant for the audit of the Company's annual financial statements for the fiscal years ended June 30, 2013 and 2012 were A\$71,000 and A\$123,000, respectively.

All other Fees. A\$0 and for the fiscal year ending 2013 and A\$0 in fiscal year 2012.

Tax Fees. The Company incurred fees totaling A\$0 during the fiscal year ended June 30, 2013. The Company incurred fees totaling A\$0 during the fiscal year ended June 30, 2012.

Audit-Related Fees. A\$0 and for the fiscal years ending 2013 and 2012.

All fees incurred by the Company in relation to audit and permissible non-audit services are approved by the Audit and Risk Management Committee prior to the expenditure being incurred.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Effective 23 November 2012, Grant Thornton (Audit) Pty Ltd (GT Australia) resigned as the Company's independent registered public accounting firm. The resignation was approved by the Company's Audit and Risk Committee. On the same date the Company appointed BDO Audit (WA) Pty Ltd (BDO) as its new independent registered public accounting firm. GT Australia's reports on the Company's financial statements for the years ended June 30, 2012 and 2011 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles except to contain a modification in regard to a material uncertainty regarding continuation as a going concern.

During the Company's fiscal years ended June 30, 2012 and 2011, and through 23 November 2012, there were no disagreements with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which if not resolved to the satisfaction of GT Australia, would have caused GT Australia to make reference to the subject matter of such disagreement in connection with their report. During the same period, there were no "reportable events" as that term is defined in Item 16F(a)(1)(v) of Form 20-F.

We have provided GT Australia with a copy of this Item 16F and have requested and received from GT Australia a letter addressed to the Securities and Exchange Commission stating whether or not GT Australia agrees with the above statements. A copy of the letter from GT Australia is attached as Exhibit 14.4.

Prior to the engagement of BDO as our independent registered public accounting firm, we had not previously consulted with BDO regarding (1) the application of accounting principles to a specific completed or contemplated transaction, (2) the type of audit opinion that might be rendered on our financial statements, or (3) a reportable event (as provided in Item 16F(a)(1)(v) of Form 20-F) during our two most recent fiscal years and the interim period up to and including the date that BDO was engaged.

Item 16G. Corporate Governance

Not applicable.

Item 16H. Mine Safety Disclosures

Not applicable.

PART III

Item 17. Financial Statements

See Item 18.

Item 18. Financial Statements

The consolidated financial statements for Mission NewEnergy Limited and its subsidiaries are included at the end of this annual report.

Item 19. Exhibits

EXHIBIT NUMBER	Description of Exhibit
1.1	Constitution of Mission NewEnergy (incorporated by reference to Exhibit 3.1 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
4.1	Convertible Note Deed Poll (incorporated by reference to Exhibit 10.1 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
4.2	Employee Option Plan Rules (incorporated by reference to Exhibit 10.2 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
4.3	Executive Performance Rights Plan (incorporated by reference to Exhibit 10.3 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
4.4	EPCC contract with KNM Process Systems Sdn Bhd (incorporated by reference to Exhibit 10.4 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
4.5#	Product Supply Agreement with Valero Marketing and Supply Company (incorporated by reference to Exhibit 10.5 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).

- 4.6 Form of Access, Indemnity and Insurance Deed for Directors and Ex-Directors (incorporated by reference to Exhibit 10.6 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
- 4.7 Employment agreement (as renewed) with Nathan Mahalingam (incorporated by reference to Exhibit 10.7 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
- 4.8 Employment agreement with Guy Burnett (incorporated by reference to Exhibit 10.8 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
- 4.9 Employment agreement with James Garton (incorporated by reference to Exhibit 10.9 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
- 4.10 Employment agreement of Kalaiselvan Somasundaram (incorporated by reference to Exhibit 10.10 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
- 4.11 Employment agreement of Nadason Sinnasami (incorporated by reference to Exhibit 10.11 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
- 4.12 Technology License Agreement with Crown Iron Works Company (incorporated by reference to Exhibit 10.12 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
- 4.13 Technology Transfer Agreement with Axens (incorporated by reference to Exhibit 10.13 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
- 4.14 Long Term Supply Contract with Cargill Palm Products Sdn Bhd (incorporated by reference to Exhibit 10.14 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
- 4.15 Agreement (as amended) with Trafigura Beheer B.V. Amsterdam (incorporated by reference to Exhibit 10.15 of our registration statement on Form F-1 (File No. 333-170471), as amended, initially filed with the SEC on November 8, 2010).
- 4.16 Long Term Supply contract, dated as of April 1, 2011, by and between Felda Marketing Services Sdn. Bhd. And Mission Biotechnologies Sdn. Bhd(incorporated by reference to Exhibit 4.16 of our annual report on Form F-20 (File No. 001-35022) filed with the SEC on December 28, 2011).
- 4.17 Employment Agreement of Samsudeen Ganny, dated as of June 21, 2011(incorporated by reference to Exhibit 4.17 of our annual report on Form F-20 (File No. 001-35022) filed with the SEC on December 28, 2011).
- 4.18 Series 2 Convertible Note Deed Poll.
- 4.19 Form of Warrant
- 8.1 * List of Subsidiaries.
- 12.1 * Certification of Chief Executive Officer pursuant to Rule 13(a)-14(a) of the Securities Exchange Act of 1934, as amended.

- 12.2 * Certification of Chief Financial Officer pursuant to Rule 13(a)-14(a) of the Securities Exchange Act of 1934, as amended.
- 13.1 * Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13(a)-14 (b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended.
- 14.1 * Series 3 Convertible note deed poll
- 14.2 * Loan agreement with SLW International
- 14.3 * Sale of 100,000 tpa refinery agreement.
- 14.4 * Letter from outgoing Independent registered public accountant

* Filed herewith.

Order for confidential treatment of portions of this document has been granted by the SEC pursuant to Rule 406 of the Securities Act.

For personal use only

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Mission NewEnergy Limited

Date: October 31, 2012

By: /s/ Guy Burnett

Name: Guy Burnett

Title: Chief Financial Officer and Company Secretary

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AUDIT REPORT



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Australia

**INDEPENDENT AUDITORS' REPORT
BOARD OF DIRECTORS
MISSION NEWENERGY LIMITED**

We have audited the accompanying consolidated balance sheets of Mission NewEnergy Limited as of June 30, 2013 and the related consolidated statements of income, stockholders' equity, and cash flows for the year ended June 30, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mission NewEnergy Limited at June 30, 2013 and the results of its operations and its cash flows for the year ended June 30, 2013 in conformity with international Financial Reporting Standards as issued by the International Accounting Standards Board.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company incurred operating cash outflows of \$3.7 million during the year ended 30 June 2013 and, as of that date the consolidated entity's total liability exceeded its total assets by \$12.5 million. These conditions, along with other matters as set forth in Note 2 raise substantial doubt the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

BDO Audit (WA) Pty Ltd

BDO
Brad McVeigh

Brad McVeigh
Director

Perth, Western Australia
Dated 31st day of October 2013

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 AS'000	2012 AS'000	2011 AS'000
Sales revenue	7	169	27,543	13,629
Other income	7	8,244	10,659	1,890
Total revenue		8,413	38,202	15,519
Changes in Inventory		(357)	(4,786)	5,101
Cost of materials	8a	(11)	(21,367)	(18,453)
Employee benefits expense	8b	(1,618)	(3,221)	(6,349)
Net foreign exchange gains/(losses)		(1,418)	355	(1,769)
Consultants' expenses		(115)	(692)	(328)
Impairment	5a	11,494	(4,759)	(3,203)
Shareholder expenses		(109)	(249)	(125)
Travel expenses	8e	(93)	(407)	(273)
Rental expenses		(81)	(137)	(116)
Other expenses	8c	(1,296)	(2,865)	(1,888)
Depreciation and amortisation expenses		(7)	(258)	(263)
Finance Cost – amortisation	8d	(3,394)	(1,084)	(2,382)
Finance Costs		(654)	(2,159)	(2,483)
Profit/(loss) before income tax		10,754	(3,427)	(17,012)
Income tax (expense)/benefit	9	20	(16)	1
Net profit/(loss) before non-controlling interest		10,774	(3,443)	(17,011)
Loss for the year from discontinued operations	36	(717)	(2,755)	(4,659)
Profit/(Loss) for the year		10,057	(6,198)	(21,670)
Profit/(Loss) is attributable to:				
Owners of Mission NewEnergy Ltd		10,043	(6,130)	(21,670)
Non-controlling interests		14	(68)	-
		10,057	(6,198)	(21,670)
Earnings/(loss) per share for the year attributable to Members of Mission NewEnergy Ltd (A\$)	11	0.96	(0.69)	(3.50)
Diluted earnings/(loss) per share attributable to Members of Mission NewEnergy Ltd (A\$)	11	0.96	(0.69)	(3.50)

The above Consolidated Statement of Profit And Loss should be read in conjunction with the accompanying notes.

For persons

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012	2011
	AS'000	AS'000	AS'000
Profit/(Loss) for the period	10,043	(6,130)	(21,670)
Other comprehensive income			
Items that may be reclassified through profit and loss			
Exchange differences on translating foreign operations	1,803	(195)	(1,917)
Items that will not be reclassified through profit and loss			
Gain on settlement of Series 1 convertible note	-	1,473	3,207
Loss on settlement of Series 2 convertible note	(5,854)	-	-
Effective portion of change in fair value of cash flow hedge	-	(39)	39
Other comprehensive (loss)/income for the period net of tax	(4,051)	1,239	1,329
Total comprehensive profit/(loss) for the period attributable to the parent	5,992	(4,891)	(20,341)
Attributable to non-controlling equity interests	14	(68)	-
Total comprehensive (loss) for the period	6,006	(4,959)	(20,341)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	2013 AS'000	2012 AS'000
CURRENT ASSETS			
Cash and cash equivalents	12	1,420	1,456
Trade and other receivables	13	3,833	4,225
Biological assets	14	-	-
Inventories	15	-	1,192
Other financial assets	16	12	581
Other assets	20	221	204
Current tax assets	23	-	24
Total current assets		5,486	7,682
Non-current assets held for sale	36	14,573	2,286
Total current assets		20,059	9,968
NON-CURRENT ASSETS			
Property, plant and equipment	18	6	681
Intangible assets	19	-	-
Deferred tax assets	23	-	-
Other Assets	20	40	54
Total non-current assets		46	735
TOTAL ASSETS		20,105	10,703
CURRENT LIABILITIES			
Trade and other payables	21	1,679	1,930
Financial Liabilities	22	27,404	83
Short-term provisions		136	104
		29,219	2,117
Liabilities included in disposal group held for sale	22/36	1,832	1,812
Total current liabilities		31,051	3,929
NON-CURRENT LIABILITIES			
Financial liabilities	22	1,558	31,215
Deferred tax liabilities	23	-	-
Total non-current liabilities		1,558	31,215
TOTAL LIABILITIES		32,609	35,144
NET ASSETS (DEFICIT)		(12,504)	(24,441)
EQUITY			
Issued capital	24	110,415	110,320
Reserves	25	13,323	5,684
(Accumulated losses)		(136,188)	(140,377)
Non-controlling Interests	35	(54)	(68)
Total Equity/(Deficiency)		(12,504)	(24,441)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Ordinary Share Capital AS'000	Retained Earnings (Accumulated Losses) AS'000	Share Based Payments Reserve AS'000	Foreign Currency Translation Reserve AS'000	Convertible Notes Reserve AS'000	Cash flow hedge reserve AS'000	Non- controlling Interests AS'000	Total AS'000
Balance as at 30 June 2011	96,801	(135,720)	4,868	(1,673)	5,937	39	-	(29,748)
(Loss) attributable to members of parent entity	-	(6,130)	-	-	-	-	-	(6,130)
Other Comprehensive income	-	1,473	-	(195)	(3,292)	(39)	-	(234)
Total comprehensive income	96,801	(140,377)	4,868	(1,868)	2,645	-	-	(37,931)
Conversion of convertible notes to equity	13,239	-	-	-	-	-	-	13,239
Expenses for options and performance rights	-	-	39	-	-	-	-	39
Issue of Shares to Advisory Board	280	-	-	-	-	-	-	280
Non-controlling interest	-	-	-	-	-	-	(68)	(68)
Balance as at 30 June 2012	110,320	(140,377)	4,907	(1,868)	2,645	-	(68)	(24,441)
Profit attributable to members of parent entity	-	10,043	-	-	-	-	-	10,043
Other Comprehensive income	-	(5,854)	-	1,803	5,836	-	-	1,785
Total comprehensive income	110,320	(136,188)	4,907	(65)	8,481	-	(68)	(12,613)
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-
Issue of Shares	95	-	-	-	-	-	-	95
Non-controlling interest	-	-	-	-	-	-	14	14
Balance as at 30 June 2013	110,415	(136,188)	4,907	(65)	8,481	-	(54)	(12,504)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 AS'000	2012 AS'000	2011 AS'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		891	32,232	10,128
Payments to suppliers and employees		(3,861)	(35,374)	(22,494)
Interest received		3	289	161
Finance costs		(746)	(2,023)	(2,909)
Income tax paid		(2)	5	25
Net cash (used in) operating activities	29	(3,715)	(4,871)	(15,089)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(22)	(615)	(3,957)
Proceeds and deposit from sale of assets		1,860	170	-
Release of performance bond, maturity investment and deposits		510	103	(137)
Acquisition of subsidiary		-	(950)	-
Advance to related entity		-	(2,676)	-
Net cash provided / (used in) investing activities		2,348	(3,968)	(4,094)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from share issue (net of costs)		95	-	20,167
Proceeds from borrowings		1,613	-	-
Repayments of borrowings		(358)	(5,461)	(527)
Net cash provided / (used by) by financing activities		1,350	(5,461)	19,640
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(17)	(14,300)	457
Cash and cash equivalents at beginning of the financial year		1,456	15,761	17,155
Effects of exchange rate fluctuations of cash held in foreign currencies		(19)	(5)	(1,851)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	12	1,420	1,456	15,761

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations and general information

Mission NewEnergy Limited is a company domiciled in Australia (ACN: 117 065 719) and:

- listed on the ASX (MBT) with its operations in Malaysia, Indonesia and India;
- that owns and operated a 100,000 tpa (approx. 30 million gallons p.a.) biodiesel plant at Kuantan in Malaysia producing biodiesel which is in the process of being sold;
- that owns a 250,000 tpa (approx. 75 million gallons p.a.) trans-esterification plant constructed by KNM Process Systems Sdn Bhd. In March 2012 Mission decided that due to being unable to reach a settlement with KNM Process Systems SDN BHD ("KNM") as it relates to the handover and final acceptance for Mission's 250,000 tpa biodiesel plant, the matter has been referred to arbitration;
- that has significantly downsized its upstream feedstock business in India and is now focused on divesting the remaining Indian assets and accordingly this segment is classified as a discontinued operation;
- that owns two wind energy turbines of 1.65 MW each in India which sell electricity to a Western Indian utility under a 13 year power purchase agreement. The Board has resolved to sell these windmills and accordingly they are classified as non-current assets held for sale.

2. Basis of preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian interpretations) issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and Interpretations issued by the International Accounting Standards Board (IASB). Mission NewEnergy Limited is a for-profit entity for the purpose of preparing the financial statements.

Basis of measurement

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. All amounts shown are in Australian dollars (\$) unless otherwise stated.

The financial statements have been prepared on a going concern basis. The ability of the Group to continue as a going concern and pay its debts as and when they fall due is dependent on the continued support of its investors, bankers and suppliers.

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

The Group has applied amendments to the Corporation Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 33.

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Going Concern

The Group realised an operating profit for the year ended 30 June 2013 of \$10.0 million (2012: \$6.1 million), with net cash used in operating activities of \$3.7 million (2012: \$4.9 million). At reporting date, the current assets less current liability deficit was \$11.0 million (2012: \$6.0 million surplus) and a net asset deficiency of \$12.5 million (2012: \$24.4 million). The current asset deficiency is primarily as a result of the convertible note now being shown as a current liability as it is payable within one year. The net asset deficiency is primarily as a result of the impairment of the majority of the refinery assets during the current and previous financial years (refer to note 5a).

During the financial year, the Company has successfully renegotiated the conversion of the series two convertible notes into series three convertible notes. The key changes being a new conversion ratio of 1 note for 433 ordinary shares should the note holders convert, and the elimination of the 4% coupon previously payable. At 30 June 2013, the Company has a non-current liability for the series two convertible notes of A\$32.9 million (nominal value).

The Group has access to the working capital facility of US\$5 million from SLW International for ongoing operating cash requirements, of which US\$1.3 million has been drawn down at 30 June 2013. In addition the Group is in discussion with the note holders in respect to the possible amendment of the terms of the Convertible Notes including, but not limited to the possible extension of the Maturity Date which is currently May 2014.

The Directors believe that at the date of this report the Group has sufficient financial resources at 30 June 2013 to meet its committed financial liabilities.

The Financial Statements have been prepared on a going concern basis which has been assessed based on detailed cash flow forecasts extending out twelve months from the date of this financial report. The cash flow forecasts from operations are based on the forecast cash flows required to sustain the business and cash on hand at 30 June. The cash flow forecasts do not take into account any capital commitments as these are not foreseen to be payable within the forthcoming twelve months.

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The ability of the Group to continue as a going concern in the ordinary course of business and to achieve the business growth strategies and objectives is dependent upon the ability of the Group to do a sufficient combination of the following things to enable its commitments to be met:

- Generate positive cash flows from operations.
- Raise cash through sale of assets and recovery of receivables.
- Renegotiate the maturity date of the convertible notes.
- Raise cash through the issue of further equity.

The Directors consider that there are reasonable grounds to expect that the Group will be able to meet its commitments and liabilities through the measures listed above, and accordingly have prepared the financial report on a going concern basis in the belief that the Group will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial report. However, should the Group not be successful in the matters discussed above, there is material uncertainty whether the Group will be able to continue as a going concern.

Functional and Presentation currency

The consolidated financial statements are presented in Australian Dollars. The functional currencies of the operating units are as follows:

- Refining operations - Malaysian Ringgit
- Feedstock operations – Indian Rupee
- Downstream Palm Oil Joint Venture Project – Indonesian Rupiah
- USA operations - United States Dollar
- Other – Australian Dollar.

The Board of Directors approved this financial report on 27 September 2013.

3. Statement of Significant Accounting Policies

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

a. Principles of Consolidation

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

A list of controlled and jointly controlled entities with details of acquisitions and disposals is contained in Note 17 to the financial statements. All controlled entities have a 30 June financial year-end.

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

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

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

b. Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

c. Income Tax

The charge for current income tax expense is based on the profit/(loss) 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 reporting 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 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.

d. Inventories

Inventories are measured at the lower of cost and net realisable value.

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e. Property, Plant and Equipment

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

The cost of fixed assets constructed within the 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.

f. Depreciation

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

Class of Fixed Asset	Depreciation Rate
Buildings	5%
Leasehold improvements	10%
Machinery and equipment	10%
Biodiesel Plant	5%
Computer equipment	20% - 33%
Motor Vehicles	20%
Office equipment	10%
Leased plant and equipment	10%
Windmills	4.75%

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

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g. 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 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.

h. Financial Instruments

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs (except where the instrument is classified as 'fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately), when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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.

Compound financial instruments (Convertible Notes)

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

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Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost.

Fair value

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

Hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency exposures. On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 - 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. When the hedged item is a non-financial asset, the amount recognised in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

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Impairment of financial assets

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

i. Impairment of non-financial Tangible and Intangible Assets

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

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

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

j. Intangibles

Goodwill

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

k. Research and development

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

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

l. 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.

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

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

Group companies

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

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

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

m. Employee Benefits

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

Equity-settled compensation

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

n. Trade and Other Payables

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

o. 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.

p. Cash and Cash Equivalents

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

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q. Revenue Recognition

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

The change in the fair value of biological assets (refer accounting policy 3v) is recognised in revenue in the period in which the change in fair value occurs.

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

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

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

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

r. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred.

s. 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 statement of financial position are shown inclusive of GST

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

t. 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.

u. Rounding of Amounts

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

v. Non-current assets held for sale

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

Liabilities are classified as 'held for sale' and presented as such in the statement of financial position if they are directly associated with a disposal group.

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w. *Biological assets*

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

x. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the company, excluding costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with the dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

y. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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4. New standards and interpretations not yet adopted

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2013. They have not been adopted in preparing the financial statements for the year ended 30 June 2013 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table below.

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Standards Likely to Have a Financial Impact

<u>AASB reference</u>	<u>Title and Affected Standard(s):</u>	<u>Nature of Change</u>	<u>Application date:</u>	<u>Impact on Initial Application</u>
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	<p>The following requirements have generally been carried forward unchanged from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> into AASB 9:</p> <ul style="list-style-type: none">• Classification and measurement of financial liabilities; and• Derecognition requirements for financial assets and liabilities. <p>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p>		<p>The amendments require that any changes in fair value attributable to the liability's credit risk be recognised in other comprehensive income instead of profit or loss. There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively from 1 January 2015.</p>
AASB 10 (issued August 2011)	Consolidated Financial Statements	<p>Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:</p> <ul style="list-style-type: none">• Power over investee (whether or not power used in practice)• Exposure, or rights, to variable returns from investee• Ability to use power over investee to affect the entity's returns from investee. <p>Potential voting rights are only considered when determining if there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable. This may result in possibly fewer instances of control.</p>	Annual reporting periods beginning on or after 1 January 2013	<p>When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities or because the new definition of control does not change the classification of any of the entities investments in subsidiaries, joint arrangements or associates.</p>

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<u>AASB reference</u>	<u>Title and Affected Standard(s):</u>	<u>Nature of Change</u>	<u>Application date:</u>	<u>Impact on Initial Application</u>
AASB 10 (issued August 2011) – contd.	Consolidated Financial Statements	<p>Additional guidance included to determine when decision making authority over an entity has been delegated by a principal to an agent. Factors to consider include:</p> <ul style="list-style-type: none">• Scope of decision making authority• Rights held by other parties, e.g. kick-out rights• Remuneration and whether commensurate with services provided• Decision maker’s exposure to variability of returns from other interests held in the investee.		
AASB 11 (issued August 2011)	Joint Arrangements	<p>Joint arrangements will be classified as either ‘joint operations’ (where parties with joint control have rights to assets and obligations for liabilities) or ‘joint ventures’ (where parties with joint control have rights to the net assets of the arrangement).</p> <p>Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed).</p>	Annual reporting periods beginning on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity has not entered into any joint arrangements.

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<u>AASB reference</u>	<u>Title and Affected Standard(s):</u>	<u>Nature of Change</u>	<u>Application date:</u>	<u>Impact on Initial Application</u>
AASB 13 (issued September 2011)	Fair Measurement	Value Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.	Annual reporting periods beginning on or after 1 January 2013	The entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013.
AASB 13 (issued September 2011) - cont	Fair Measurement	Value Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	Annual reporting periods beginning on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.
AASB 2012-9 (issued December 2012)	Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	Deletes Australian Interpretation 1039 <i>Substantive Enactment of Major Tax Bills In Australia</i> from the list of mandatory Australian Interpretations to be applied by entities preparing financial statements under the <i>Corporations Act 2001</i> or other general purpose financial statements.	Annual reporting periods beginning on or after 1 January 2013	There will be no impact on first-time adoption of this amendment as the group does not account for proposed changes in taxation legislation until the relevant Bill has passed through both Houses of Parliament, which is consistent with the views expressed by the Australian Accounting Standards Board in their agenda decision of December 2012.

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Standards Likely To Have A Disclosure Impact Only

<u>AASB reference</u>	<u>Title and Affected Standard(s):</u>	<u>Nature of Change</u>	<u>Application date:</u>	<u>Impact on Initial Application</u>
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods beginning on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities
AASB 2012-6 (issued September 2012)	Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods beginning on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.

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AASB 2013-3 (issued June 2013)	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	Clarifies the disclosure requirements for cash- generating units (CGUs) with significant amounts of goodwill and intangibles with indefinite useful lives and also adds additional disclosures when recoverable amount is determined based on fair value less costs to sell.	1 January 2014	As this standard amends disclosure requirements only, there will be no impact on amounts recognised in the financial statements. The recoverable amount for CGUs with significant amounts of goodwill and intangibles with indefinite lives will only be required to be disclosed where an impairment loss has been recognised. However, there will be additional disclosures about the level of the fair value hierarchy where recoverable amount for a CGU is determined based on fair value less costs to sell.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (Contd.)

5. Critical Accounting Estimates and Judgments

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

Except as described below, in preparing this consolidated financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial report as at end for the year ended 30 June 2013. During the twelve months ended 30 June 2013 management reassessed its estimates in respect of:

a. Impairment of assets

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

Goodwill

All goodwill was fully impaired at June 2012.

Credit risk of receivables

Malaysian operations

Credit risk for receivables at 30 June 2013 in the refining operations result from amounts recoverable from an EPCC contractor whereby the Group incurred costs during commissioning testing which the EPCC contractor was obliged to pay. This receivable is now part of arbitration and trial proceedings with the EPCC contractor and have not been impaired.

Indian Operations

Sales of electricity, which is under a power purchase agreement, and the resultant receivable are to a large Indian State Owned enterprise and hence credit risk is deemed low and hence no impairment has been made.

Property, Plant and Equipment

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

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Impairment of refineries

Due to uneconomic conditions and lack of visibility into further profitable sales contracts the 100,000 tpa refinery was put into care and maintenance in June 2012. The 250,000tpa is under care and maintenance and yet to be handed over to Mission.

The Board reviews the carrying value of its refinery assets at each reporting date.

Due to the majority of the conditions precedent to complete the sale of the 100,000 tpa refinery were completed at the date of this report and hence the Company has reflected a reversal of previous asset impairment to the value of the sale, being A\$12.2 million.

Further impairment for the 250,000 tpa refinery has been provided during the year ended 30 June 2013 for capital additions to a value of \$45 thousand.

Windmill impairment

At 30 June 2013, the Board re-assessed the carrying value of the windmills. In determining value in use of the windmills, future cash flows are based on forecast future revenue levels which are based on forecast electricity generation and contracted rates per Kwh, and forecast future maintenance expenses. Value in use was calculated based on the present value of cash flow projections over the anticipated lives of the assets, with the assets having an anticipated life of 20 years, with a discount rate based on a rate of funding available, being 14%, from the region in which the windmills operate. No further impairment was provided for in the 2013 financial year.

Goodwill has arisen as a result of the purchase of equity in Oleovest PL. The Board has reviewed the carrying value of goodwill in this segment and has determined that due to the termination of the joint venture agreement with PTPN 111, the goodwill value of \$0.95 million has been impaired.

	June 2013 A\$000	June 2012 A\$000	June 2011 A\$000
Impairment of refineries	45	2,210	2,046
Impairment reversal of refineries	(12,219)	-	-
Impairment of other assets	-	1,108	36
Impairment of Goodwill	-	950	1,157
Impairment of trade receivables	-	189	-
Impairment of inventories and biological assets	680	302	-
Total	(11,494)	4,759	3,239

Investments in subsidiaries

Investments held by the parent entity, Mission NewEnergy Limited, are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. The recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

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In line with the impairment of the carrying value of assets in the subsidiaries, the parent entity has impaired the value of all subsidiaries to zero, except for the receivable from PT Sinergi Oleo Nusantara, which is carried at cost. This accounting adjustment has no impact on the cash flows or the Consolidated Financial Statements of the Group. Refer to note 33: Parent Information for further details.

6. Determination of fair value

A number of the Groups accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Share based payment transactions

The fair value of the employee share options is measured using the Black-Scholes option pricing model, with the fair value of performance rights being based on the share price of Mission NewEnergy Limited on the date of approval. Measurement inputs include the share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instrument, expected dividends and the risk free interest rate. Service and non-market performance conditions are not taken into account in determining the fair value.

7. Sales revenue

	2013 A\$'000	2012 A\$'000	2011 A\$'000
Sales Revenue			
- Sales of goods	159	27,265	13,514
- Interest received	10	278	115
Total revenue	169	27,543	13,629
Other Income			
Gain on sale of assets	146	-	
Gain on settlement of convertible notes	7,748	10,300	1,735
Sundry income	350	359	155
Total Other income	8,244	10,659	1,890

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During the year the company converted the outstanding Series Two convertible notes to Series Three convertible notes. The Series Two convertible notes represented a \$32.9 million liability that were due in May 2014 along with a half yearly coupon at 4% per annum. The Series three convertible notes have the same nominal value and maturity date; however do not attract a coupon charge. The conversion resulted in a reporting gain of \$7.7 million

8. Expenses

	2013 AS'000	2012 AS'000	2011 AS'000
8a) Cost of materials	11	21,367	18,453
Total	11	21,367	18,453
8b) Employee costs			
Wages and Salaries	1,576	2,740	2,857
Contribution to defined contribution plans	42	182	168
Equity settled share based payments expense	-	299	3,324
Total	1,618	3,221	6,349
8c) Other expenses:			
Audit fees	64	138	148
Advertising	-	2	46
Business acquisition costs	-	501	
Computer maintenance & consumables	5	58	38
Communication expenses	47	211	315
Insurance costs	247	218	98
Legal fees	532	195	231
Plant operating costs	229	1,007	508
Asset maintenance	9	137	157
Other administrative costs	163	398	347
Total	1,296	2,865	1,888
8d) Finance Costs			
Amortisation of liability portion of convertible notes	3,394	1,067	2,003
Amortisation of convertible note issue costs	-	17	379
Total	3,394	1,084	2,382
8e) Travel expenses			
Corporate travel	65	274	142
Operations	28	133	131
Total	93	407	273

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9. Income tax

	2013 A\$'000	2012 A\$'000	2011 A\$'000
a. The components of tax expense comprise			
Current tax	20	(16)	1
Deferred tax	23	-	-
	<u>20</u>	<u>(16)</u>	<u>1</u>
b. The prima facie tax on the profit (loss) from ordinary activities before income tax is reconciled to the income tax as follows:			
Accounting profit/(loss) before tax	10,774	(3,427)	(17,011)
Loss for the year from discontinued operations	(717)	(2,755)	(4,659)
Total loss for the year	<u>10,057</u>	<u>(6,182)</u>	<u>(21,670)</u>
Prima facie tax (benefit)/expense on profit/ (loss) from ordinary activities before income tax at 30%	3,013	(1,855)	(6,501)
Adjusted for:			
Tax effect of:			
- overseas tax rate differential	(496)	267	140
- Impairment of non-assessable item	(4,390)	995	960
- other non-assessable items	1,853	609	5,400
	<u>(20)</u>	<u>16</u>	<u>(1)</u>
Add:			
Over provision for income tax in prior year	-	-	-
Income tax attributable to entity	<u>(20)</u>	<u>16</u>	<u>(1)</u>
The applicable weighted average effective current tax rate is as follows:	25%	¹² -	-

¹² No effective tax rate calculated due to the loss position.

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Deferred tax assets on temporary differences and losses are not recognised because it is not probable that future taxable profit will be available against which the unused tax losses can be used. Refer to note 23 for further disclosures on deferred tax assets and liabilities.

No effective tax rate in 2011 due to the loss position.

10. Auditors' Remuneration

	2013 AS'000	2012 AS'000	2011 AS'000
Audit services			
Remuneration of the auditor of the parent entity for:			
- auditing or reviewing the financial reports – previous auditor	-	123	90
- auditing or reviewing the financial reports – current auditor	71	-	-

11. Earnings per share

a. Reconciliation of earnings to profit or loss			
Earnings used in calculation of both ordinary and dilutive EPS	10,043	(6,130)	(21,670)
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	10,481,820	8,919,299	6,199,265
Effect of:			
- Performance Rights and options	-	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>10,481,820</u>	<u>8,919,299</u>	<u>6,199,265</u>

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Diluted earnings per share exclude convertible notes, performance rights and options that had an exercise price above the average market price during the period they existed. All the potential ordinary shares were anti-dilutive as they were all below the conversion price. Where a loss is made, all convertible notes, performance rights and options are excluded as the impact of including them would be to reduce the loss per share. The table below reflects the entire number of equity instruments in issue at each period end, which could potentially dilute basic earnings per share (i.e. numbers above are included in the table below):

	2013	2012	2011
Issued ordinary shares	10,870,275	9,452,415	8,512,259
Convertible notes	505,904	505,904	935,579
Employee and third party share options	-	-	7,315
Employee performance rights	1,600	1,600	133,077
Share issue options (warrants)	2,995,009	2,995,009	2,995,009
TOTAL	14,372,788	12,954,928	12,583,239

12. Cash and cash equivalents

	2013 A\$'000	2012 A\$'000
Cash at bank and in hand	1,419	1,420
Short-term bank deposits	1	36
	<u>1,420</u>	<u>1,456</u>
Reconciliation of cash		
Cash and cash equivalents	1,420	1,456
	<u>1,420</u>	<u>1,456</u>

See note 32, Financial Instruments, for information on risk exposures for cash and cash equivalents.

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13. Trade and Other Receivables

	2013 A\$'000	2012 A\$'000
CURRENT		
Trade receivables	-	1,089
Other receivables ¹³	3,833	3,136
Less: Impairment provision	-	-
TOTAL	<u>3,833</u>	<u>4,225</u>
NON – CURRENT		
Trade receivables	-	18,772
Less: Impairment provision	-	(16,589)
Less: Discount charge	-	(2,183)
TOTAL	<u>-</u>	<u>-</u>

At each reporting date, the Board assesses the likely timing of recoverability of receivables and bases this assessment on a number of significant assumptions and estimates. Please refer to note 5, critical accounting estimates and judgements, and note 32 for a detailed discussion around credit risk, provisioning and age analysis of trade and other receivables. With the downsizing of operations in India all receivables were fully written off. The timing and recoverability of the current other receivables is dependant on the timing of arbitration proceedings.

14. Biological Assets

Mission Biofuels India Pvt Limited grew Jatropha Curcas saplings from seeds, which met the definition of a biological asset and were carried on the statement of financial position at fair value. With the decision to substantially downsize the operations in India, Mission Biofuels India Pvt Limited has NIL (2012: NIL) saplings on hand in its controlled nurseries.

¹³ Included in Current: Other Receivables is an amount of A\$2.7m relating to the investment into the palm oil project in Indonesia which the Board deems to be recoverable within the forthcoming twelve months.

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	2013 AS'000	2012 AS'000
Opening Balance	-	88
Add: Increase in fair value due to new plantations	-	-
Less: Sale of saplings transferred to trade receivables	-	-
Less: Impairment of biological asset	-	(99)
FX adjustments	-	11
Closing Balance	-	-

Regulatory and environmental risks, supply and demand risk and Climate and other risks

With the decision to discontinue operations in this region, the material risks relating to this operation have been eliminated or minimised.

15. Inventories

	2013 AS'000	2012 AS'000
CURRENT		
Raw Material and stores - cost	-	577
Work in Progress - cost	-	-
Finished goods – cost	-	615
	-	1,192

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

16. Other Financial Assets

Current

Sundry financial assets	12	581
	12	581

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17. Investments in subsidiaries and Jointly controlled entities

A Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)	
		2013	2012
Parent Entity:			
Mission NewEnergy Limited	Australia		
Subsidiaries of Mission NewEnergy Limited:			
Mission Biotechnologies Sdn Bhd	Malaysia	100	100
Mission Biofuels Sdn Bhd	Malaysia	100	100
Enviro Mission Sdn Bhd ¹⁴	Malaysia	-	100
Mission Agro Energy Limited	Mauritius	100	100
Mission NewEnergy USA LLC, ¹⁵	USA	-	100
PJ Trading Pennsylvania, LLC ¹⁶	USA	-	100
PJ Trading, LLC ¹⁷	USA	-	100
Oleovest PL	Singapore	85	85
Subsidiaries of Mission Agro Energy Limited			
Mission Biofuels India Private Limited	India	100	100
b. Jointly controlled entities			
Subsidiaries of Mission Biofuels India Private Limited			
Mission Agro Diesel (India) Private Limited	India	51	51

¹⁴Enviro Mission Sdn Bhd, a dormant entity was disposed during the financial year.

¹⁵Mission NewEnergy USA LLC (formerly Scarborough Beach Holdings, LLC), being a dormant entity, was deregistered on 10 September 2012

¹⁶PJ Trading Pennsylvania, LLC, being a dormant entity, was deregistered on 23 July 2012

¹⁷PJ Trading, LLC, being a dormant entity, was deregistered on 9 August 2012

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MBIPL had acquired 51.01% of the issued capital of Mission Agro Diesel (India) Private Limited on 8 March 2007 with the corporate decision making process resulting in joint control. On 2 May 2008 the Board resolved to sell or deregister Mission Agro Diesel (India) Pvt Limited. The full value of the investment in Mission Agro Diesel (India) Private Limited has been provided for. As at reporting date this company had not been sold or deregistered.

In February 2012 Mission acquired 85% of Oleovest PL, a Singapore registered company, which in turn owns 70% of PT Sinergi Oleo Nusantara, an Indonesian registered company. Oleovest PL has terminated the joint venture agreement in PT Sinergi Oleo Nusantara.

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18. Property Plant and Equipment
 18a. Property plant and equipment

	Land and Building AS'000	Office Equipment AS'000	Computer Equipment and software AS'000	Motor Vehicle AS'000	Plant and Equipment AS'000	Asset Under Construction AS'000	Biodiesel Plant AS'000	Total AS'000
Cost at 30 June 2011	1,391	403	776	187	4,776	40,492	25,599	73,624
Additions	-	25	43	-	-	673	92	833
Foreign Currency Translation	(104)	(46)	286	(2)	(760)	(653)	3,425	2,146
Held for Sale (Current Asset)	(515)	-	-	-	(3,998)	-	-	(4,513)
Disposal	(189)	(3)	(150)	(53)	-	-	(48)	(443)
Cost at 30 June 2012	583	379	955	132	18	40,512	29,068	71,647
Additions	-	-	5	-	-	45	-	50
Foreign Currency Translation	(1)	11	48	12	-	5,016	-	5,086
Transferred to Non-current Assets Held for Sale (Current Asset)	(24)	(242)	(138)	(8)	(18)	-	(29,068)	(29,498)
Disposal	(558)	-	-	(21)	-	(8)	-	(587)
Cost at 30 June 2013	-	148	870	115	-	45,565	-	46,698

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Accumulated Depreciation and Impairment

Accumulated Depreciation and Impairment at 30 June 2011	120	193	584	126	2,411	39,537	23,993	66,964
Depreciation for the year (continuing operation)	8	11	121	31	-	-	87	258
Depreciation for the year (discontinued operation)	28	62	33	3	131	-	-	257
Impairment	-	63	359	-	-	1,300	1,596	3,318
Foreign Currency Translation	(17)	(27)	(22)	(2)	(395)	(325)	3,401	2,613
Held for Sale (Current Asset)	(98)	-	-	-	(2,129)	-	-	(2,227)
Disposal	-	(2)	(168)	(38)	-	-	(9)	(217)
Accumulated Depreciation and Impairment at 30 June 2012	41	300	907	120	18	40,512	29,068	70,966
Depreciation for the year (continuing operation)	3	-	4	-	-	-	-	7
Impairment – Refer to note 5a	-	-	-	-	-	45	-	45
Foreign Currency Translation	(8)	11	49	13	-	5,008	-	5,073
Transferred to Non-current Assets Held for Sale (Current Asset)	-	(163)	(96)	(6)	(18)	-	(29,068)	(29,351)
Disposal	(36)	-	-	(12)	-	-	-	(48)
Accumulated Depreciation and Impairment at 30 June 2013	-	148	864	115	-	45,565	-	46,692
Carrying Amounts								
At 30 June 2012	515	-	5	9	-	-	-	681
At 30 June 2013	-	-	6	-	-	-	-	6

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18b. Non-current assets held for sale

	Land and Building AS'000	Office Equipment AS'000	Computer Equipment and software AS'000	Motor Vehicle AS'000	Plant and Equipment AS'000	Asset Under Construction AS'000	Biodiesel Plant AS'000	Total AS'000
Cost at 30 June 2011	-	-	-	-	-	-	-	-
Foreign Currency Translation	-	-	-	-	-	-	-	-
Transfer from Property Plant and Equipment	515	-	-	-	3,998	-	-	4,513
Cost at 30 June 2012	515	-	-	-	3,998	-	-	4,513
Foreign Currency Translation	25	1	10	-	169	-	-	205
Transfer from Property Plant and Equipment	24	242	138	8	18	-	29,068	29,498
Asset Disposal	-	(160)	(41)	(8)	-	-	-	(209)
Cost at 30 June 2013	564	83	107	-	4,185	-	29,068	34,007
Accumulated Depreciation and Impairment								
Accumulated Depreciation and Impairment at 30 June 2011	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Transfer from Property Plant and Equipment	98	-	-	-	2,129	-	-	2,227
Foreign Currency Translation	-	-	-	-	-	-	-	-
Accumulated Depreciation and Impairment at 30 June 2012	98	-	-	-	2,129	-	-	2,227
Depreciation for the year (discontinued operations) – Refer note 36	26	24	34	2	58	-	-	144
Impairment – Refer to note 36	27	1	4	-	318	-	-	350
Reversal of Impairment – Refer to note 5a	-	-	-	-	-	-	(12,219)	(12,219)
Foreign Currency Translation	(21)	1	-	-	97	-	(354)	(277)
Transfer from Property Plant and Equipment	-	163	96	6	18	-	29,068	29,351
Disposal	-	(106)	(27)	(8)	-	-	-	(141)
Accumulated Depreciation and Impairment at 30 June 2013	130	83	107	-	2,619	-	16,495	19,434
Carrying Amounts								
At 30 June 2012	417	-	-	-	1,869	-	-	2,286
At 30 June 2013	434	-	-	-	1,566	-	12,573	14,573

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Impairment loss

Refer to note 5, Critical Accounting estimates for a detailed discussion on the impairment of assets.

Assets under construction

These relate to the second biodiesel plant (being the 250,000 tpa plant) under construction in Malaysia. At 30 June 2013 the transfer of this plant to Mission and final payment is under arbitration. See note 26 on capital commitments relating to this plant.

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19. Intangible Assets

	2013 AS'000	2012 AS'000
Goodwill		
Carrying amount at beginning of year	-	-
Additions	-	950
Impairment of Goodwill	-	(950)
FX Adjustments	-	-
Carrying amount at end of year	-	-

Additions to goodwill for the previous year relate to the acquisition of 85% of shares in Oleovest PL. Refer to note 5a for a discussion on impairment testing of goodwill and note 17 for details of ownership of subsidiaries.

20. Other Assets

	2013 AS'000	2012 AS'000
CURRENT		
Prepayments	129	204
Security Deposits	92	-
	221	204
Prepayments are primarily insurance premiums.		
NON-CURRENT		
Security Deposits	40	54
	40	54

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21. Trade and Other Payables

CURRENT		
Unsecured liabilities:		
Trade payables	176	1,314
Interest accrued	-	646
Sundry payables and accrued expenses	247	-
Deposit received on sale of 100,000 tpa refinery ¹⁸	1,257	-
	<u>1,679</u>	<u>1,930</u>

22. Financial Liabilities

	2013 AS'000	2012 AS'000
CURRENT		
Secured loans	-	83
Convertible Notes		
- Nominal value (unsecured)	32,884	-
- Equity portion of convertible note	(8,481)	-
- Unamortisation costs of issues	-	-
- Amortisation of equity portion	3,001	-
	<u>27,404</u>	<u>83</u>
Current-liabilities included in disposal group held for sale	<u>1,832</u>	<u>1,812</u>
NON-CURRENT		
Secured loans	1,558	114
Convertible Notes (unsecured)		
- Nominal value (unsecured)	-	32,884
- Equity portion of convertible note	-	(2,644)
- Amortisation of equity portion	-	861
	<u>1,558</u>	<u>31,215</u>

The secured loans and liabilities in the disposal group held for sale above relate to financing of the windmills and a working capital facility in India. The wind and property assets are held as security against the loan funding the windmills, and the working capital facility is secured over the shares of Mission Biofuels India PL. The non-current secured loans are secured over all refining assets and the Indonesian investment.

¹⁸ This initial deposit was received pursuant to the sale of the 100,000 tpa biodiesel plant in Malaysia.

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Convertible notes - **Series 3 notes**

At 30 June 2013 the following convertible notes were in existence:

Units	505,904
Maturity date	22 May 2014
Interest rate per annum	0%
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.	1 note for 433 ordinary shares
Conversion price	\$ 65.00

23. Tax

	2013 AS'000	2012 AS'000
Liabilities		
CURRENT		
Current Tax liability / (asset)	-	(24)
NON-CURRENT		
Deferred tax liability comprises:		
Unrealised FX gains	-	-
Accruals	-	-
Other	-	-
Total	<u>-</u>	<u>(24)</u>
Assets		
Deferred tax assets comprise:		
Provisions	-	-
Transaction costs included in equity	-	-
Other	-	-

Reconciliations

i. Gross Movements

The overall movement in the deferred tax account is as follows:		
Opening balance	-	-
(Charge)/credit to income statement	-	-
Foreign currency translation difference	-	-
Closing balance	-	-

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	-	-
Charged to the income statement	-	-
Closing balance	-	-
Tax allowances relating to accruals:		
Opening balance	-	-
Charged to the income statement	-	-
Closing balance	-	-
Other		
Opening balance	-	-
Charge to the income statement	-	-
Foreign currency translation difference	-	-
Closing Balance	-	-

iii. Deferred tax assets

The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions:		
Opening balance	-	-
Charged to the income statement	-	-
Closing balance	-	-
Transactions costs on equity issue:		
Opening balance	-	-
(Charged)/Credited directly to equity	-	-
Closing balance	-	-
Other		
Opening balance	-	-
Charged/(Credited) to the income statement	-	-
Closing balance	-	-

Deferred tax assets on losses to a value of \$6.1 million to date are not brought to account due to not being probable of being recovered. In addition, deferred tax assets for deductible temporary differences of A\$2.5 million and deferred tax liabilities for temporary differences of \$0.5 million have not been brought to account.

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24. Issued Capital

Fully paid ordinary shares (Issued and authorised)	2013 Number	2013 AS'000	2012 Number	2012 AS'000
At the beginning of reporting period	9,452,415	110,320	8,512,259	96,801
Ordinary shares issued				
- July 2011	-	-	18,444	113
- January 2012	-	-	10,168	167
- October 2012	1,417,860	95	-	-
Shares issued on performance right conversion during the year	-	-	116,004	-
Subtotal	10,870,275	110,415	8,656,875	97,801
Shares issued from conversion of convertible notes	-	-	795,540	13,239
At reporting date	10,870,275	110,415	9,452,415	110,320

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.

The ordinary shares issued in April, June and November 2009 includes a warrant (option). Each warrant entitles the holder to acquire one ordinary share of Mission NewEnergy at an exercise price of A\$15.00. The Warrants may not be exercised on a "cashless" or "net exercise" basis. In addition, a Warrant will not entitle the holder to participate in a new issue of ordinary shares or other securities of Mission NewEnergy unless the Warrant has been exercised. The expiration date for exercise of the Warrants will be 30 April 2014. However, if at any time on or after April 15, 2012 the immediately preceding 20-trading day volume weighted average price (as published by or derived from the Australian Securities Exchange) is at least A\$50.00, the Company may give written notice to each warrant holder that if such holder does not exercise its Warrants within 15 days from the date of such notice, then the Warrants would expire on that 15th day. The Warrants will not be listed on any stock exchange.

Shares issued in February 2010 and April 2011 did not include a warrant.

The following warrants and options were in existence at reporting date:

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	2013	2012
Warrants – from share issues	2,995,009	2,995,009
Employee performance rights	1,600	1,600
Total	2,996,609	2,996,609

a. Options and Performance Shares

For information relating to the Mission NewEnergy Limited option and performance right plans, including details of options and performance shares issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 30.

b. Capital Management

Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. Due to the stage that the business is in, managements preferred approach is to fund the business with equity, however where equity funding is not available debt funding is considered. Management reviews historic and forecast cash flows on a regular basis in order to determine funding needs.

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

The convertible notes include the following key covenants:

- (i) comply with the Conditions of the convertible notes;
- (ii) maintain its corporate existence;
- (iii) not amend its Constitution or alter the voting or other rights attached to Shares in a manner that is prejudicial to the interests of Noteholders;
- (iv) not do or omit to do anything that would preclude the issue of a valid Cleansing Notice on the date such notice is required to be issued under the Conditions;
- (v) make disclosure of material information to the public as required by the Listing Rules, or the rules of any other stock exchange on which it is listed and the Corporations Act or any other applicable law;
- (vi) not incur a total debt obligation (including any unconverted Convertible Notes outstanding at any given time) of higher than 2.5x Group's net worth (being paid up equity plus any retained earnings) without the prior consent of at least 75% of Noteholders (on the basis of one vote for every Convertible Note held unconverted).
- (vii) not issue more than 25% of the Company's share capital in options or convertible notes, without the prior consent of at least 75% of Noteholders (on the basis of one vote for every Convertible Note held at such time unconverted).

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- (viii) maintain the capacity to issue sufficient Shares to enable the conversion of all of the outstanding Convertible Notes into Shares in accordance with the Conditions.
- (ix) ensure that in the event of either material asset sales or consolidation or merger or other business combination transactions, that the Noteholders be given at least 5 Business Days notice prior to the event and that the obligation on the notes are assumed by the surviving entity or acquiring entity such that the value of the Notes are not diminished by the event. In any case given such an event the Noteholders can require the surviving or acquiring company to redeem the Outstanding Notes for their Face Value plus any accrued but unpaid interest.

The Company has complied with these provisions during the reporting period.

There are no other externally imposed capital requirements.

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

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

25. Reserves

1. Share based payments reserve

The share based payments reserve arose on the cumulative issue of 70,000 options and 415,000 performance shares to various officers of the Company. Refer to note 30 for details of the share based payments.

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

2. Foreign currency translation reserve

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

3. Convertible Notes Reserve

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

26. Capital and Leasing Commitments

	2013	2012
	AS'000	AS'000
a. Operating Lease Commitments		
- not later than 12 months	182	154
- between 12 months and 5 years	982	849
- greater than 5 years	2,074	2,032
	<u>3,238</u>	<u>3,035</u>

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Mission Biotechnologies Sdn Bhd has entered into a lease of 2 lots totalling 24,000 sq metres of land at Kuantan Port, Malaysia. The term of the sub-lease is from 1st March 2006 to 30th December 2027. The rental value increases by 10%, commencing 1 January 2007, and subsequently every three years, starting 1 January 2011. Every 3 years, commencing 1st January 2007, the annual rental will be increased by 10%. At the date of this report this lease has been novated to Felda as part of the sale of the 100,000 tpa refinery.

Mission Biofuels Sdn Bhd has entered into a lease of 2 lots totalling 24,000 sq metres of land at Kuantan Port, Malaysia for the 250,000 TPA plant. The term of the sub-lease is from 1st June 2007 to 31st December 2027. The rental value increases by 10%, commencing 1 January 2010, and subsequently every three years, starting 1 January 2010. Every 3 years, commencing 1st January 2013, the annual rental will be increased by 10%.

Capital Expenditure Commitments

	2013 A\$'000	2012 A\$'000
Capital expenditure commitments contracted for: -		
Acquisition and installation biodiesel plants ¹⁹	2,614	3,483
Other	-	-
	2,614	3,483

27. Contingent Liabilities and Contingent Assets

A subsidiary within the group has terminated a JV agreement in Indonesia and is in discussion with the JV party to determine an appropriate way forward. This may result in an inflow greater than the value invested, however at this stage it is not possible to quantify this value.

A subsidiary of the company has received various claims for payments from the contractor liable to complete the construction of Missions 250,000 tpa refinery. The subsidiary company disputes these claims and has counter claimed on various matters. In addition the subsidiary company has submitted that all these matters should be heard as part of the arbitration proceedings. These may result in an outflow or inflow of cash resources to the company however it is not possible to quantify this value.

The Group is not aware of any other contingent liabilities or contingent assets as at 30 June 2013.

¹⁹ This value is net of late delivery charges and other costs and counter claims the Group believes are eligible to offset against the completion payments of the second biodiesel plant.

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28. Segment Reporting

	Biodiesel Refining (Malaysia) 2013 AS\$'000	Corporate (Continuing Operations) 2013 AS\$'000	Consolidated (Continuing Operations) 2013 AS\$'000	Jatropha and Power Generation (India) (Discontinued Operations) 2013 AS\$'000	Consolidated (Continuing and Discontinued Operations) 2013 AS\$'000
Revenue					
Revenue from external customers	159	-	159	361	520
Interest received	8	2	10	-	10
Other revenue	495	7,749	8,244	8	8,252
Total segment revenue	662	7,751	8,413	369	8,782
Changes in Inventory	(357)	-	(357)	-	(357)
Costs of materials	(11)	-	(11)	(87)	(98)
Employee benefits expense	(445)	(1,173)	(1,618)	(128)	(1,746)
Impairment	11,494	-	11,494	(403)	11,091
Depreciation and amortisation	(3)	(4)	(7)	(144)	(151)
Interest expense	(3)	(4,046)	(4,049)	(232)	(4,281)
Other expenses	(1,967)	(1,144)	(3,111)	(92)	(3,203)
Segment result before tax	9,370	1,384	10,754	(717)	10,037
Profit/loss from ordinary activities before income tax			10,754	(717)	10,037
Income tax expense			20	-	20
Net profit			10,774	(717)	10,057
Non-current Segment assets	40	6	46	-	46
Non-current Segment assets – Assets held for sale	12,573	-	12,573	2,000	14,573
Total Segment assets	13,741	4,272	18,013	2,092	20,105
Segment liabilities	1,591	29,186	30,777	1,832	32,609
Acquisitions of property, plant and equipment	17	5	22	-	22

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	Biodiesel Refining (Malaysia) 2012 AS'000	Corporate 2012 AS'000	Consolidated (Continuing Operations) 2012 AS'000	Jatropha and Power Generation (India) (Discontinued Operations) 2012 AS'000	Consolidated (Continuing and Discontinued Operations) 2012 AS'000
Primary Reporting — Business Segments					
Revenue					
Revenue from external customers	27,265	-	27,265	513	27,778
Interest received	60	218	278	11	289
Other revenue	360	10,299	10,659	67	10,726
Total segment revenue	27,685²⁰	10,517	38,202	591	38,793
Changes in Inventory	(4,786)	-	(4,786)	27	(4,759)
Costs of materials	(21,367)	-	(21,367)	(458)	(21,825)
Employee benefit expense	(1,190)	(2,031)	(3,221)	(817)	(4,038)
Impairment – Note 5a	(2,699)	(2,058)	(4,757)	(919)	(5,676)
Depreciation and amortisation	(179)	(80)	(259)	(256)	(515)
Interest expense	(598)	(1,561)	(2,159)	(360)	(2,519)
Other expenses	(1,734)	(3,346)	(5,080)	(563)	(5,643)
Segment result before tax	(4,868)	1,441	(3,427)	(2,755)	(6,182)
Profit/loss from ordinary activities before income tax			(3,427)	(2,755)	(6,182)
Income tax expense			(16)	-	(16)
Net profit/(loss)			(3,443)	(2,755)	(6,198)

²⁰ Sales from the refining business unit are primarily to two customers in 2012 and two customer in 2011.

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	BIODIESEL REFINING (MALAYSIA) 2012 AS'000	CORPORATE 2012 AS'000	Consolidated (CONTINUING OPERATIONS) 2012 AS'000	Jatropha and Power Generation (India) (DISCONTINUED OPERATIONS) 2012 AS'000	Consolidated (CONTINUING AND DISCONTINUED OPERATIONS) 2012 AS'000
Non-current segment assets	574	5	579	156	735
Non-current Segment assets – Assets held for sale	-	-	-	2,286	2,286
Total Segment assets	4,319	3,666	7,985	2,718	10,703
Segment liabilities	1,383	31,949	33,332	1,812	35,144
Acquisitions of property, plant and equipment	732	55	787	46	833

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Segment reporting accounting Policies

The Managing Director/Group Chief Executive Officer is the Chief operating decision maker. The reportable segments presented are in line with the segmental information reported during the financial year to the Group Chief Executive Officer.

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.

Segments exclude discontinued operations.

Intersegment Transfers

Segment revenues, expenses and results exclude transfers between segments.

Business and Geographical Segments

The Group has three key business segments. The Group's business segments are located in Malaysia, Indonesia, and Mauritius (the Mauritian entity acts as a holding company for Mission Biofuels India Pvt Limited, and as such no operational activities occur in Mauritius) with the Group's head office located in Australia. The Biodiesel Refinery segment is located in Malaysia and the downstream palm oil project is located in Indonesia. The Jatropa business segment is located in India along with the Power generation segment and is now classified in Discontinued operations (See note 36).

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29. Cash Flow Information

	2013	2012	2011
	AS'000	AS'000	AS'000
Reconciliation of Cash Flow from Operations with Profit (loss) after Income Tax			
Profit / (Loss) after income tax before non-controlling interests	10,774	(3,443)	(17,011)
Loss for the year from discontinued operations	(717)	(2,755)	(4,659)
Non cash flows in profit / (loss)			
Depreciation of plant and equipment – continued operations	7	259	263
Depreciation of plant and equipment – discontinued operations	144	257	299
Amortisation of Convertible Note Costs	-	17	379
Interest accrued	137	-	-
Gain on the settlement/restructure of Convertible Note	(7,748)	(10,300)	(1,734)
Amortisation of Equity portion of Convertible Note	3,394	1,067	2,003
Provision for employee benefits	32	11	20
Impairment of Trade Receivables	-	188	1,930
(Impairment reversal)/Impairment of assets	(12,174)	4,268	3,501
Impairment of inventories	680	303	-
Impairment of receivables, assets and inventories of discontinued operation	404	918	-
Share based payment expense	-	299	3,324
Net cash provided by / (used in) operating activities before change in assets and liabilities	<u>(5,067)</u>	<u>(8,911)</u>	<u>(11,685)</u>
Change in assets and liabilities			
- (Increase) decrease in receivables	618	3,954	(6,169)
- (Increase) decrease in inventories	374	4,759	(5,090)
- (Increase) decrease in biological assets	-	-	1,389
- (Increase) decrease in other assets	82	230	(524)
- (Increase) decrease in deferred tax and current tax	25	6	17
- Increase (decrease) in creditors and accruals	(1,031)	(4,691)	5,378
Foreign Currency Adjustments	1,284	(218)	1,595
	<u>1,352</u>	<u>4,040</u>	<u>(3,404)</u>
Cash (used in) operations	<u><u>(3,715)</u></u>	<u><u>(4,871)</u></u>	<u><u>(15,089)</u></u>

Cash flows from discontinued operations (being the Windmill segment) are a net operating cash loss of \$0.1 million for the period ended 30 June 2013 (\$0.02 million loss for 30 June 2012).

Credit Standby Facilities with Banks and Funding Sources

	2013	2012
	AS'000	AS'000
Loan facilities	7,139	1,764
Amount utilised	(3,093)	(1,764)
	<u>4,046</u>	<u>-</u>

Facilities at June 2013 relate term loans for the funding of various items of Property, Plant and Equipment and a working capital facility. The loan terms range from two to six years with interest rates from 16.7% to 20%. These loans do not have an option to extend.

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30. Interests and Remuneration of Key Management Personnel

	2013	2012
	A\$000	A\$000
Salaries	1,115	1,329
Non-cash benefits	12	18
Post employment benefits	59	66
Share based payments	-	49
Total	1,186	1,462

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Equity settled Performance rights

	Balance 30/6/2011	New Issue	Exercised	Lapsed	Balance 30/6/2012	New Issue	Exercised	Lapsed	Balance 30/6/2013	Vested and unexercised at 30/6/2013
Director										
Nathan Mahalingam	33,334	-	(33,334)	-	-	-	-	-	-	-
Guy Burnett	39,334	-	(33,334)	(6,000)	-	-	-	-	-	-
Executives										
James Garton	39,334	-	(33,334)	(6,000)	-	-	-	-	-	-
Senior employees collectively	21,075	20,000 ²¹	(16,675)	(22,800)	1,600	-	-	-	1,600	-
Total	133,077	20,000	(116,677)²²	(34,800)	1,600	-	-	-	-	-

Ordinary shares held by key management personnel

²¹ Grant date was 1 July 2011, share price and fair value on grant date was \$4.90. 10,000 of the performance rights vest on 31 December 2012 for service and 10,000 vest on 30 June 2012 if the refining operations are cash flow positive for the 2012 financial year.

²² The weighted average exercise price was \$5.47 for performance rights exercised in 2012.

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	Balance 30/6/2011	Exercised pursuant to performance rights	Disposed	Balance 30/06/2012	Exercised pursuant to performance rights	Disposed	Balance 30/06/2013
Dario Amara	2,000	-	-	2,000	-	-	2,000
Nathan Mahalingam	579,622	33,334	-	612,956	-	-	612,956
Guy Burnett	78,667	33,334	-	112,001	-	-	112,001
James Garton	78,717	33,334	-	112,051	-	-	112,051
Samsudeen Ganny	-	10,000	-	10,000	-	-	10,000
Total	739,006	110,002	-	849,008	-	-	849,008

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

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31. Related Parties

2013
AS'000

2012
AS'000

There were no transactions with related parties during the period.

32. Financial Instruments

Financial Risk Management

The Group has a financial risk management policy in place and the financial risks are overseen by the Board. The Group's financial instruments consist mainly of deposits with banks, secured loans, convertible notes, other financial assets, accounts receivable, accounts payable, and loans to and from subsidiaries.

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

The Group does not have any financial assets carried at fair value therefore no further disclosure in relation to the fair value hierarchy is presented.

Fair value of financial instruments

	Carrying amount \$,000	Fair Value \$,000
Financial assets		
Cash and cash equivalents	1,420	1,420
Other Financial Assets	12	12
Receivables (Current)	3,833	3,833
Financial liabilities		
Trade and other payables	1,679	1,679
Current loans	27,404	27,404
Non-current loans	1,558	1,558

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The fair value of cash and cash equivalents, other financial assets, receivables, trade and other payables and current loans are short-term instruments in nature whose carrying value is equivalent to fair value.

Non-current receivables are carried at a discounted value, which reflects the fair value.

Non-current loans are carried at amortised cost, with the fair value being determined using a discounted cash flow model incorporating current commercial borrowing rates.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate deposits, fixed rate convertible note debt and floating rate debt. For further details on interest rate risk refer to the table below under liquidity risk. The Group's main interest rate risk, being cash flow interest rate risk, arises from the windmill loan.

Group sensitivity

At 30 June 2013, if interest rates had changed by +/- 25 basis points, with all other variables held constant, the following financial impacts would have been recorded by the Group;

- Effect on post tax profit – A\$ Nil million lower/higher (2012: A\$ Nil million lower/higher)
- Equity would have been – A\$ Nil million lower/higher (2012: A\$ Nil million lower/higher)

Foreign currency risk

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

Foreign exchange risks arising from the sale of products are hedged using forward exchange contracts.

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

Group sensitivity

At 30 June 2013, if foreign currencies had changed by +/- 10%, with all other variables held constant, the following financial impacts would have been recorded by the Group;

Effect on cash and cash equivalent – A\$ 0.1 million lower/ A\$0.2 million higher (2012: A\$ 0.1 million lower/ A\$0.1 million higher)

Profit and Loss would have been – A\$ 0.1 million lower/ A\$0.2 million higher (2012: A\$ 0.1 million lower/ A\$0.1 million higher)

Hedging of Foreign Currency Risk

At financial report date the Group had no forward exchange contracts in place.

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Credit risk

Malaysian operations

Credit risk for receivables at 30 June 2013 in the refining operations stemmed from sales to large Malaysian oil companies with an inherent low risk of credit default receivables from the 250,000 tpa refinery EPCC contractor for costs incurred on their behalf.

Indian Operations

With the downsizing of the feedstock operations, all receivables from sale of saplings have been written off. Sales of electricity, which is under a power purchase agreement and the resultant receivable, are to a large Indian State Owned enterprise and hence credit risk is deemed low.

Indonesian operations

The group carries a receivable relating to an investment into an Indonesian palm oil joint venture. This receivable is the minimum amount due to the Group under the joint venture agreement which is with a large state owned entity, and hence the credit risk is deemed low.

Second Biodiesel plant guarantee

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

The following table sets out the credit quality of financial assets:

	2013 A\$'000	2012 A\$'000
Cash and Cash Equivalents		
Counterparties with external credit rating (Standard and Poors)		
A-1+	1,381	676
A-1	-	246
A-2	39	534
	<u>1,420</u>	<u>1,454</u>

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	2013 AS'000	2012 AS'000
Receivables		
<i>Counterparties without external credit rating</i>		
Group 1	3,833	3,136
Group 2	-	1,089

Group 1 receivables relate receivables under arbitration, the timing and recoverability being dependant on the outcome of the arbitration proceedings.

Group 2 receivables relate to existing customers (more than 6 months) with no defaults in the past.

Commodity Risk

As there was no inventory held as at 30 June 2013, the Group has no exposure to market prices of input costs into the production of biodiesel.

Liquidity risk

	2013 AS'000	2012 AS'000	Weighted Average Interest Rate 2013 %	2012 %
Financial Assets:				
Cash and cash equivalents	1,420	1,456	0.1%	2.5%
Other financial assets	12	581	-	-
Loans and Receivables	3,833	4,225	-	-
	<u>5,265</u>	<u>6,262</u>		
Financial Liabilities summarised by contractual maturity:				
Current debt				
Floating Interest Rate – less than 6 months	838	825	16.5%	18.3%
Floating Interest Rate - 6 to 12 months	838	825	16.5%	18.3%
Fixed Interest Rate – 6 to 12 months	27,404	-	-	-
Non Interest Bearing	-	2,175	-	-
Total Current Debt	<u>29,080</u>	<u>3,825</u>		
Non-current debt				
Floating Interest Rate (1 to 3 Years)	-	114	20.0%	3.4%
Floating Interest Rate (4 to 5 Years)	-	-		
Fixed Interest Rate (1 to 3 Years)	1,558	31,101	20.0%	4.0%
Fixed Interest Rate (4 to 5 Years)	-	-		
Total Non-Current Debt	<u>1,558</u>	<u>31,215</u>		

Mission New Energy Limited and Controlled Entities
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The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash is maintained. Working capital requirements are met through drawdowns of the US\$5 million facility.

33. Parent entity information

	2013	2012
	AS'000	AS'000
Information relating to Mission NewEnergy Limited:		
Current assets	16,832	887
Total assets	16,839	892
Current liabilities	(27,629)	(848)
Total liabilities	(29,187)	(31,948)
Net asset (deficit)/surplus	(12,348)	(31,057)
Issued capital	110,311	110,215
Opening Retained loss	(151,985)	(141,191)
Share based payments reserve	4,907	4,907
Convertible notes reserve	8,481	2,645
Total shareholders' equity	(12,348)	(31,057)
Profit / (Loss) of the parent entity	15,937	(7,633)
Total comprehensive income of the parent entity	15,937	(7,633)
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries *	2,858	3,483
Details of any contingent liabilities of the parent entity	-	-
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment.	-	-

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

The Parent entity is not aware of any other contingent liabilities or contingent assets as at 30 June 2013.

Mission New Energy Limited and Controlled Entities
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34. Events occurring after the reporting period

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

The majority of the conditions precedent to complete the sale of the 100,000 tpa refinery were completed at the date of this report and hence the Company has reflected a reversal of previous asset impairment to the value of the sale, being A\$12.2 million.

35. Non-controlling Interests

	2013 A\$'000	2012 A\$'000	2011 A\$'000
Issued Capital	70	70	-
Reserves	-	-	-
Retained profit / (loss) per annum	(14)	68	-
Retained profit / (loss)	54	68	-

The non-controlling interest has a 15% (2012: 15%) equity holding in Oleovest PL.

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

36. Non-current assets held for sale and discontinued operations

The Board has previously resolved to sell non-core assets in India being the windmill power generation operation in India and the office complex. In addition, during the current financial year, the Group completed the restructure of the Indian Jatropa operations and the operations have been significantly downsized. Accordingly these assets have been classified as non-current assets held for sale and the operations as discontinued operations.

The revenue, expenditure and carrying amount of the assets and liabilities in this disposal group are summarised as follows:

	2013 AS'000	2012 AS'000	2011 AS'000
Discontinued operations – Power generation and Jatropa segment			
Revenue	369	592	1,430
Cost of materials	(87)	(431)	(636)
Depreciation	(144)	(257)	(299)
Impairment – non-current assets	(350)	-	(298)
Impairment – current assets	(53)	(919)	(1,930)
Other expenses	(220)	(1,380)	(2,503)
Finance Costs	(232)	(360)	(423)
Net loss from discontinued operations attributable to members of the parent	(717)	(2,755)	(4,659)
Non-current assets classified as held for sale			
- Property, Plant and Equipment – power generation assets	1,566	1,869	
- Property, Plant and Equipment – jatropa assets	434	417	
- Property, Plant and Equipment – refining assets	12,573	-	
	14,573	2,286	
Liabilities classified as held for sale			
- Financial liabilities – power generation and jatropa segment	1,676	1,567	
- Other liabilities – power generation and jatropa segment	156	245	
	1,832	1,812	

The assets in this disposal group are actively being marketed for sale and are expected to be sold within the forthcoming twelve months.

Mission New Energy Limited and Controlled Entities
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37. Differences from preliminary final report

In accordance with ASX Listing Rule 4.5A, set out below are certain differences between information contained in the Appendix 4E lodged with the ASX and this financial report.

At the time of lodging the Preliminary Final Report, the Australian Accounting Standards Board accounting standard AASB 110, Events after Reporting Period, had not been applied when assessing the disclosure of impairment reversal of assets.

As disclosed in the Appendix 4E, the conditions precedent to concluding the sale of the 100,000 tpa refinery announced in April 2013 were yet to be completed. Had the conditions precedent been completed, the Group would have shown a reversal of impairment of Property, Plant and Equipment.

As of the date of this report the Board has determined that despite the conditions precedent not being fully completed, it is probable that the sale will conclude and have hence have reflected the impairment reversal.

As a result of this, the following differences between the Preliminary Final Report and this Financial Report have arisen.

The Profit after Income Tax attributable to members of the parent entity has increased from a loss of \$2,177,000 to a profit of \$10,057,000. This is primarily due to the reversal of impairment of refinery assets to a value of A\$12.2 million in the Consolidated Group Statement of Profit and Loss. In the Consolidated Group Balance sheets, the Non-current assets held for sale of \$2,000,000 has been increased to \$14,573,000.

Earnings per share have increase from a loss per share of \$0.21 to an earnings per share of \$0.96 cents.

Total Assets have increased from \$7,532,000 to \$20,105,000. Net Assets Deficit has decreased from \$25,077,000 to \$12,504,000.

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

38. COMPANY DETAILS

The registered office of the company is: Mission NewEnergy Limited, Unit B2, 431 Roberts Road, Subiaco, WA 6008, Australia.

The principal places of business are:

Australia	Mission NewEnergy Limited Head Office Unit B2, 431 Roberts Rd, Subiaco, Western Australia, 6008, Australia.	
Malaysia	Mission Biofuels Sdn Bhd Unit 621, Block A, Kelana centre point, No. 3, Jalan ss7/ 19, Kelanajaya, 47301 Petaling Jaya, Selangor	Mission Biotechnologies Sdn Bhd Unit 621, Block A, Kelana centre point, No. 3, Jalan ss7/ 19, Kelanajaya, 47301 Petaling Jaya, Selangor
Mauritius	Mission Agro Energy Limited 9th Floor Ebene Tower 52 Cybercity Ebene Republic of Mauritius	
India	Mission Biofuels (India) Pvt Limited Shops nos. 1,2 and 3 Sun heights, Ground floor Gandhingar bridge Adishankaracharyya Marg Powai, Mumbai Maharashtra India, 400 076	Mission Agro Diesel (India) Pvt Limited 608 Powai Plaza, Hiranandani Business Park Powai, Mumbai - 400076, India

LIST OF SUBSIDIARIES

Australia

Mission NewEnergy Limited

Head Office
Unit B2, 431 Roberts Rd, Subiaco, Western
Australia, 6008, Australia.

Malaysia

Mission Biofuels Sdn Bhd

Unit 621, Block A, Kelana centre point, No. 3,
Jalan ss7/ 19, Kelanajaya, 47301 Petaling Jaya,
Selangor

Mission Biotechnologies Sdn Bhd

Unit 621, Block A, Kelana centre point,
No. 3, Jalan ss7/ 19, Kelanajaya, 47301
Petaling Jaya, Selangor

Mauritius

Mission Agro Energy Limited

9th Floor Ebene Tower
52 Cybercity
Ebene
Republic of Mauritius

India

Mission Biofuels (India) Pvt Limited

Shops nos. 1,2 and 3
Sun heights, Ground floor
Gandhingar bridge
Adishankaracharyya Marg
Powai, Mumbai
Maharashtra
India, 400 076

Mission Agro Diesel (India) Pvt Limited

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

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CERTIFICATIONS

I, Nathan Mahalingam, certify that:

1. I have reviewed this annual report on Form 20-F of Mission NewEnergy Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: October 31, 2013

/s/ Nathan Mahalingam
Nathan Mahalingam
Chief Executive Officer

CERTIFICATIONS

I, Guy Burnett, certify that:

1. I have reviewed this annual report on Form 20-F of Mission NewEnergy Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: October 31, 2013

/s/ Guy Burnett
Guy Burnett
Chief Financial Officer

**Certification Pursuant to Rule 13a-14(b) or Rule 15d-14(b) of
the Securities Exchange Act of 1934, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
18 U.S.C. Section 1350**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Mission NewEnergy Limited (the "Company"), does hereby certify, to such officer's knowledge, that:

1. The Annual Report on Form 20-F for the year ended June 30, 2012 (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2013

/s/ Nathan Mahalingam
Nathan Mahalingam
Chief Executive Officer

Date: October 31, 2013

/s/ Guy Burnett
Guy Burnett
Chief Financial Officer

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Series 3 Convertible Note Deed Poll made 23 November 2012

By Mission NewEnergy Limited ACN 117 065 719 ("Mission")
In favour of the Noteholders from time to time

Background

- A Mission proposes to issue Convertible Notes on the terms and conditions contained in the Convertible Note Conditions.
- B It is intended that the Noteholders will have the benefit of this document.

Operative provisions

1. Definitions and interpretation

Definitions

- 1.1 In this document:
 - (a) "Convertible Note Conditions" means, generally, the terms and conditions contained in the annexure as amended, varied or replaced from time to time; and
 - (b) words and expressions defined, or incorporated by reference into the Convertible Note Conditions, have the same meanings when used in this document.

Interpretation

- 1.2 Condition 23(a) of the Convertible Note Conditions applies to the interpretation of this document as if every reference to "these Conditions" is replaced with "this document" and to a "Condition" is replaced with a "clause".
-

2. Nature and status of Convertible Notes

Constitution of Convertible Notes

- 2.1 Each Convertible Note is a debt obligation of Mission constituted by, and owing under, this document.

Terms of Convertible Notes

- 2.2 Each Convertible Note is issued on, and subject to, the provisions of this document and the Convertible Note Conditions.

Form of Convertible Notes

- 2.3 Each Convertible Note will be issued in registered form by entry in the Register.

Creation of Convertible Notes

- 2.4 Each Convertible Note will be created and issued immediately upon the entry in the Register of the subscriber for that Convertible Note as its initial Noteholder.

Effect of registration

- 2.5 Each entry in the Register in respect of a Convertible Note constitutes an unconditional and irrevocable covenant by Mission in favour of the person whose name is so registered that Mission will:
- (a) **(Make all payments):** make all payments of principal, distributions and other amounts in respect of the Convertible Note in accordance with this document and the Convertible Note Conditions; and
 - (b) **(Perform other obligations):** perform all of its other obligations in full, and by the due dates, referred to in this document and the Convertible Note Conditions.

3. Enforceability

Noteholder may enforce

- 3.1 This document operates as a deed poll and is enforceable against Mission in accordance with its terms by each Noteholder in respect of the Convertible Notes held by it, even though the Noteholder is not a party to, or is not in existence at the time of execution and delivery of, this document.

Noteholders bound

- 3.2 Each Noteholder, and each person claiming through each Noteholder, is bound by, and is deemed to have notice of, the provisions of this document and the Convertible Note Conditions.

Independent enforcement

- 3.3 Each Noteholder may enforce its rights under this document and the Convertible Note Conditions independently from each other Noteholder, subject to any limitations imposed by this document and the Convertible Note Conditions.

4. General

Governing Law

- 4.1 This document is governed by and must be construed according to the law applying in Western Australia.

Jurisdiction

- 4.2 Mission and each Noteholder irrevocably:
- (a) submits to the non-exclusive jurisdiction of the courts of Western Australia and the courts competent to determine appeals from those courts, with respect to any proceedings which may be brought at any time relating to this document, the Convertible Note Conditions and the Notes; and
 - (b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim they may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 4.2(a).

Executed as a deed.

Executed by **Mission NewEnergy Limited ACN 117 065 719** in accordance with section 127 of the *Corporations Act* by or in the presence of:



Signature of Secretary/other Director

Guy Burnett

Name of Secretary/other Director in full

Signature of Director or Sole Director and Secretary

Nathan Mahlingam

Name of Director or Sole Director and Secretary in full

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Annexure - Convertible Note Conditions

The following are the terms and conditions of each Convertible Note

1 Interpretation and Definitions

1.1 Unless the context otherwise requires:

"**Allotment Date**" means, in respect of a Share issued on Conversion of a Convertible Note, the date on which the Share is allotted and issued under Condition 6.

"**Application Form**" means an application for Convertible Notes or entitlement and acceptance form attached to the offer for the issue of Convertible Notes.

"**ASPL Settlement Rules**" means the settlement and transfer rules of ASX Settlement Pty Ltd as amended or replaced from time to time.

"**ASX**" means Australian Securities Exchange Limited.

"**AWST**" means Australian Western Standard Time.

"**Board**" means the Board of directors of the Company.

"**Business Day**" means any day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in the place where an act is to be performed or a payment is to be made.

"**Cleansing Notice**" means a notice given by the Company under section 708A(6) of the Corporations Act.

"**Company**" means Mission NewEnergy Limited ACN 117 065 719 of Tempo Offices, Unit B2, 431 Roberts Road Subiaco, Western Australia 6008.

"**Conditions**" means these terms and conditions of issue of the Convertible Notes.

"**Constitution**" means the constitution of the Company.

"**Conversion**" means the conversion of the Convertible Notes into Shares in accordance with these Conditions, and "**Convert**", "**Converted**" and "**Convertible**" will be interpreted accordingly.

"**Conversion Date**" means, in respect of a Convertible Note, the date on which it is Converted.

"**Conversion Notice**" means a notice in substantially the form set out in Schedule 1.

"**Conversion Number**" is 433 subject to adjustment in accordance with Conditions 8 to 11.

"**Convertible Note**" means a Convertible Note having the Face Value and issued in accordance with and subject to these Conditions.

"**Convertible Note Certificate**" means the document of that name to which these Conditions of issue are attached.

"**Corporations Act**" means the Corporations Act 2001 (Cth).

"**Event of Default**" means any of the events of default set out in Condition 16.

"**Exchange Offer Letter**" means the letter to Noteholders from the Company dated on or around 23 October 2012 offering Series 3 Convertible Notes in exchange for existing convertible notes held by Noteholders.

"**Face Value**" means the face value of a Convertible Note as set out in Condition 2(b).

"**Government Agency**" means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state.

"**Insolvency Event**" means in relation to a body corporate:

- (a) the body corporate being unable to pay all of its debts, as and when they become due and payable;
- (b) an administrator of the body corporate being appointed under the *Corporations Act*;
- (c) the body corporate or a subsidiary executing a deed of company arrangement otherwise than for the purpose of an amalgamation or reconstruction;
- (d) the entry by the body corporate into a scheme of arrangement or a composition with, or assignment for the benefit of, all or any class of its creditors, or a moratorium involving any of them, otherwise than for the purpose of an amalgamation or reconstruction;
- (e) the body corporate being insolvent within the meaning of section 95A(2) of the *Corporations Act*;
- (f) the body corporate being or stating that it is unable to pay its debts when they fall due;
- (g) the appointment of a receiver or receiver and manager in respect of the body corporate or any part of its property; or
- (h) the making of a winding up or dissolution order, or the passing of a resolution for winding up or dissolution, in respect of the body corporate except for the purposes of reconstruction or amalgamation.

"**Issue Date**" means, in respect of a Convertible Note, the date on which the Convertible Note is issued.

"**Listing Rules**" means at any time the listing rules of the ASX in force at that time.

"**Material Adverse Effect**" means a material adverse effect on the ability of the Company to perform its obligations under these Conditions or on the financial condition or business of the Company.

"**Material Asset**" means any asset of value greater than US\$1.0 million.

"**Maturity Date**" means, in respect of a Convertible Note, 16 May, 2014.

"**Note Deed Poll**" means the note deed poll under which the Convertible Notes are constituted.

"**Noteholder**" means, in relation to any Convertible Notes, the person registered in the Register as the holder of those Convertible Notes.

"**Permitted Security**" means the security granted or to be granted by the Company to SLW International, LLC or its successor in interest in connection with a loan agreement entered into or to be entered into between the Company and SLW International, LLC.

"**Register**" means the register of Noteholders maintained by the Company under Condition 19.

"**Regulatory Authority**" means any of ASIC, ASX, the Takeovers Panel or any Government Agency, whether having jurisdiction in Australia or elsewhere.

"Securities" means Shares or a right or option to acquire Shares in the Company.

"Share" means a fully paid ordinary share in the capital of the Company.

"Significant Noteholding" means, at a particular time, greater than 50% of the unconverted Convertible Notes outstanding at that time.

"Subsidiary" and "Related Body Corporate" have the meaning given to those terms by the Corporations Act.

"Takeovers Panel" means the Panel as defined by the Corporations Act.

"Tax" means any taxes, duties, fees, rates, charges and imposts of all kinds assessed, levied or imposed by the Commonwealth, a state or any other government, regional, municipal or local authority (Australian or overseas) and includes capital gains tax, fringe benefits tax, income tax, withholding tax, prescribed payments tax, superannuation guarantee charge, training guarantee levy, undistributed profits tax, payroll tax, goods and services tax, group tax, land tax, import duty, excise, stamp duty, municipal and water rates, interest on tax payments and additional tax by way of penalty.

"VWAP" means the volume weighted average sale price of Shares sold on ASX calculated:

- (a) including all on-market trades without condition codes and any trades with condition codes XT (Crossed Trade) and SH (Short Trade) ; but
- (b) excluding any off-market trades, any trades with condition codes other than those condition codes referred to in paragraph (a) above or any trades that are subsequently cancelled.

2 The Notes

- (a) The Company acknowledges its indebtedness in respect of, and promises to pay all amounts due in relation to, each Convertible Note on the terms contained in the Note Deed Poll and these Conditions.
- (b) Each Convertible Note has a face value of \$65. ("Face Value").
- (c) Noteholders will receive Convertible Notes fully paid to the Face Value in accordance with the terms of the Exchange Offer Letter.
- (d) The Company may issue Convertible Notes up to a total face value of AU\$32,883,694.
- (e) Every offer for issue, or invitation to apply for the issue, of the Convertible Notes within the Commonwealth of Australia must be one that does not need disclosure to investors under Part 6D.2 of the Corporations Act and is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act.

3 General Terms of Issue of Convertible Notes

- (a) Each Convertible Note:
 - (i) is Convertible in accordance with Condition 5;
 - (ii) is redeemable in accordance with Condition 13;
 - (iii) bears, in accordance with Condition 4, no interest;
 - (iv) is an unsecured obligation of the Company ranking equally with any other Convertible Notes and other unsecured creditors of the Company; and

- (v) is only transferable in accordance with Condition 7.
- (b) If a Convertible Note is redeemed by the Company or Converted then the Convertible Note is automatically cancelled and may not be re-issued.
- (c) The Company will not apply for official quotation of the Convertible Notes on ASX or any other stock exchange.
- (d) Except as otherwise provided for in these Conditions, a Convertible Note does not give its Noteholder the right to participate in issues of new securities or capital reconstructions affecting the holders of Shares.

4 Interest

The Convertible Notes shall bear no interest.

5 Conversion of Convertible Notes

- (a) The Noteholder may, at any time prior to 2.00pm AWST on the Maturity Date, elect to Convert some or all of its Convertible Notes by giving a Conversion Notice to the Company on receipt of which by the Company, those Convertible Notes will be deemed to Convert and such Conversion Notice once given is irrevocable.
- (b) The Company may elect to Convert some or all of the Convertible Notes at any time when the daily VWAP for a period of 90 consecutive trading days is at least 0.75 times the Face Value, provided that no Event of Default has occurred and is continuing. The Company is required to give a Noteholder 10 Business Days notice prior to converting all or any of the Convertible Notes under this Condition 5(b) and the Company must notify the Noteholder that the Conversion has occurred within 10 Business Days.
- (c) If a Noteholder (a “**Converting Noteholder**”) elects to Convert a Significant Noteholding (as determined on the date of the relevant Conversion Notice) in accordance with Condition 5(a), all other unconverted Convertible Notes (including any other unconverted Convertible Notes held by such Converting Noteholder), will be deemed to Convert on the same date that the Company receives the relevant Conversion Notice from the Converting Noteholder. The Company shall notify the Noteholder of such deemed Conversion within 10 Business Days of its occurrence, unless the Noteholder is the Converting Noteholder.
- (d) On Conversion of all or any of the Convertible Notes pursuant to Conditions 5(a), 5(b) or 5(c), a Noteholder is entitled to be allotted the Conversion Number of Shares for each Convertible Note it holds that is Converted. Where the total number of Shares that a Noteholder becomes entitled to on Conversion includes a fraction, that number will be rounded down to the next whole number.
- (e) A Convertible Note is not capable of Conversion in part.

6 Allotment and Ranking of Shares

- (a) The Company must issue the Shares that a Noteholder becomes entitled to under Condition 5(d) no later than 3 Business Days after the Conversion Date. For the avoidance of doubt, the Noteholder for the purpose of any record date shall be deemed to own such Shares as at the Conversion Date.
- (b) The Company will procure that a holding statement for any Shares is sent to the relevant Noteholders in accordance with the ASPL Settlement Rules.

- (c) The Company will apply for the Shares issued on Conversion of Convertible Notes to be quoted on ASX as soon as practicable, and in any event within 2 Business Days of the Allotment Date and, if appropriate, on any other stock exchange on which the Company is listed at that time.
- (d) Subject to the restrictions set out in Condition 7, Shares issued on Conversion will rank equally in all respects with the other Shares on issue at the Allotment Date.

7 Transferability

Convertible Notes and Shares issued under Condition 6 are transferable, in accordance with applicable laws, but

no Convertible Notes or Shares may be transferred to a person whose voting power for the purposes of Chapter 6 of the Corporations Act would increase above 20% upon the occurrence of such transfer (or upon the subsequent Conversion of the Convertible Notes subject to such transfer) unless Company shareholder approval is given to the transfer pursuant to item 7 of section 611 of the Corporations Act.

8 Adjustments for Bonus Issues and Rights Issues

- (a) Subject to Condition 8(b), if the Company makes a pro rata bonus issue or a rights issue of Securities to holders of Shares, the Conversion Number automatically adjusts in accordance with the following formula:

$$NewCN = OldCN \times Px \left(\frac{(S + NewS)}{(SxP) + (NewSxSP)} \right)$$

where:

New CN means the Conversion Number that will apply after the application of this formula;

Old CN means the Conversion Number that applied immediately before the application of this formula;

P means the VWAP during the period from the 1st Business Day after the announcement of the bonus or rights issue to ASX up to and including the last Business Day of trading cum rights or bonus issue;

S means the number of Shares on issue immediately before the issue of new Shares pursuant to the rights or bonus issue of Securities;

New S means the number of Shares to be issued pursuant to the rights or bonus issue of Securities; and

SP means the subscription price per Share for a rights issue and 0 for a bonus issue.

- (b) No adjustment will be made if:
- (i) the component "SP" exceeds the component "P"; or
 - (ii) the issue of Shares is made pursuant to a dividend reinvestment plan, bonus share plan, employee or executive share or option plan, or a share top up plan.

9 Adjustments for Off-Market Buy-Backs

- (a) Subject to Condition 9(b), if the Company undertakes an off-market buy-back of Shares, the Conversion Number automatically adjusts in accordance with the following formula:

$$NewCN = OldCN \times P \times \left(\frac{S - BBS}{(S \times P) - (BBS \times BBP)} \right)$$

where:

New CN means the Conversion Number that will apply after the application of this formula;

Old CN means the Conversion Number that applied immediately before the application of this formula;

P means the VWAP during the 20 Business Days (including Business Days on which Shares are not traded on ASX) before the announcement of the buy-back;

S means the number of Shares on issue immediately before the buy-back;

BBS means the number of Shares bought-back under the buy-back; and

BBP means the buy-back price per Share.

- (b) No adjustment will be made if the component "BBP" is less than the component "P".

10 Adjustments for Returns Of Capital

If the Company makes a return of capital to the holders of Shares (other than by way of a buy-back of Shares), the Conversion Number automatically adjusts in accordance with the following formula:

$$New\ CN = Old\ CN \times (P / (P - C))$$

where:

New CN means the Conversion Number that will apply after the application of this formula;

Old CN means the Conversion Number that applied immediately before the application of this formula;

P means the VWAP during the period from the first Business Day after the announcement of the return of capital to ASX up to and including the last Business Day of trading cum the return of capital;

C means the amount of cash and value of property distributed (as reasonably determined by the Board) to holders of Shares per Share provided that C must not be less than 0.

11 Adjustments for Capital Reconstructions

If Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities:

- (a) the Convertible Notes will be reconstructed, consolidated, divided or reclassified on the same basis in accordance with the Listing Rules or the rules of any other stock exchange as they apply to the Company; and

- (b) the Conversion Number will be adjusted as reasonably determined appropriate by the Board.

12 Discretion in Adjustments

If the Board determines in its reasonable opinion that the application of any of Conditions 8 to 11 would affect the relative value of Convertible Notes and Shares to the detriment of the Noteholders, the Board may:

- (a) make any alterations to the Face Value of Convertible Notes or the Conversion Number; or
- (b) offer Noteholders the ability to participate in any distribution that they would have been entitled to as holders of Shares had their Convertible Notes been converted immediately prior to the date that holders of Shares were entitled to participate in the distribution,

where the Board reasonably considers it appropriate or necessary to do so in order to maintain the relative value of Convertible Notes and Shares.

13 Redemption

- (a) Unless otherwise Converted by the Noteholder or the Company in accordance with Condition 5, the Company must redeem each Convertible Note on its Maturity Date (such redemption by the Company may only occur after 2pm AWST on the Maturity Date).
- (b) Other than pursuant to Condition 13(a) above, Condition 16 below, Condition 17 (a) (ix) below or as otherwise agreed by the Company and the Noteholder in writing, the Company may not redeem the Convertible Notes.
- (c) Unless otherwise agreed by the Noteholder and the Company in writing, a Convertible Note is redeemed by the Company paying the Noteholder the Face Value of that Convertible Note in Australian dollars by deposit into an account with an Australian bank or other financial institution nominated by the Noteholder or by cheque drawn in favour of the Noteholder and sent by pre-paid post to the address of the Noteholder recorded in the Register.

14 Notices of, and Voting at, General Meetings

- (a) Noteholders have the same right as holders of Shares to receive accounts, reports and notices of general meetings of the Company's shareholders and to attend those meetings.
- (b) Noteholders are not entitled to speak or vote at general meetings of the Company's shareholders except as provided for in the Corporations Act or the Listing Rules.
- (c) If a Noteholder holds Shares, nothing in this Condition 14 will prevent the Noteholder from speaking or voting at general meetings of the Company's shareholders in its capacity as shareholder.

15 Representations and Warranties

The Company represents and warrants for the benefit of each Noteholder as at the Issue Date that other than as disclosed in writing to the Noteholders:

- (a) the Company is a corporation validly existing under the laws of the place of its incorporation;

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- (b) the Company has full power and authority to issue Convertible Notes on these Conditions;
 - (c) no event has occurred and is continuing which constitutes an Event of Default or which with lapse of time or notice of other conditions would become an Event of Default;
 - (d) to the best of the Company's knowledge, information and belief no litigation, arbitration, Tax claim, dispute or administrative or other proceeding is current or pending or to its knowledge, threatened, which if adversely determined is likely to have a Material Adverse Effect;
 - (e) the Company has the corporate power to enter into and perform its obligations under the Note Deed Poll, these Conditions, the Convertible Notes, the Exchange Offer Letter and any related document (the "**Transaction Documents**") and to carry out the transactions contemplated by the Transaction Documents;
 - (f) the Company has taken all necessary corporate action to authorise the entry into and performance of the Transaction Documents and to carry out the transactions contemplated by the Transaction Documents;
 - (g) neither the entry into nor performance by the Company of its obligations under the Transaction Documents nor any transaction contemplated under the Transaction Documents violates in any material respect any provision of any judgment binding on it, its constituent documents, any law or any document, agreement or other arrangement binding on it or its assets;
 - (h) on the Issue Date, the Company will have the capital structure set out in the Notice of Meeting;
 - (i) there is no obligation of the Company whether arising under any option or otherwise to issue any equity securities, shares, convertible notes, debentures or securities of any kind or nature whatsoever in the Company, and there are not agreements or arrangements that could call for the issue of, or grant to any person the right to call for the issue of, any shares or loan capital of the Company;
 - (j) upon the execution of the Transaction Documents by the Company and delivery of the same, the Transaction Documents will constitute the legal, valid and binding obligations of the Company enforceable against them in accordance with their respective terms;
 - (k) the issued capital of the Company was duly and validly authorized and issued and is fully paid, and was issued in accordance with all applicable securities laws, rules and regulations, or pursuant to valid exemptions therefrom;
 - (l) the Company does not have any current or foreseeable obligation to issue further Shares or other such securities in the Company at this time;
 - (m) the Company is not in violation or default of any provision of (i) its organizational documents, (ii) any judgment, order, writ, decree or material contract to which it is a party or by which it is bound, or (iii) any provision of any local or foreign statute, rule or regulation applicable to the Company. Neither the Company nor its Subsidiaries has received any written notice from any Regulatory Authority that they have committed any criminal, illegal or unlawful act or any violation of or default with respect to any ordinance, statute, regulation, order, decree or judgment of any court or government agency of relevant jurisdiction which, if committed by them may have an adverse effect on the Company or its Subsidiaries; and

- (n) each of the Company and its Subsidiaries has all franchises, permits, licenses, and any similar authority necessary for the conduct of its respective business as now being conducted by it and the Company believes in good faith that the Company and its Subsidiaries can obtain any similar authority for the conduct of the business of each of the Company and its Subsidiaries as contained in releases to ASX.

16 Events of Default and Early Repayment

Each of the following is an Event of Default (unless Holder of Significant Noteholding confirm otherwise in writing):

- (a) the Company fails to pay the Face Value or other amount when due pursuant to the terms of the Convertible Note or otherwise;
- (b) the Company fails to carry out any provision of these Conditions and the Company does not remedy that failure within 10 Business Days after the Noteholder gives written notice to the Company requiring it to be remedied;
- (c) any representations or warranties contained in these Conditions are found to have been false or misleading in any material respect when made;
- (d) there is an Insolvency Event with respect to the Company;
- (e) the main business undertaking of the Company is sold or the Company is merged or consolidated with any other entity;
- (f) the sale or other disposition of any Material Assets of the Company;
- (g) a final judgment or judgments for the payment of money aggregating in excess of \$1,000,000 are rendered against the Company or any of its Subsidiaries and which judgments are not, within sixty (60) days after the entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within sixty (60) days after the expiration of such stay; or
- (h) the Company is removed from the Official List of ASX and other stock exchange on which it is listed.

If an Event of Default occurs and is continuing, then in any such event, and at any time thereafter, the Noteholder may by written notice to the Company require the Company to immediately redeem the Convertible Notes in accordance with Condition 13(c).

No such written notice is required from the Noteholder upon the occurrence of an Event of Default specified in Condition 16(d).

17 Covenants by the Company

- (a) For so long as the Convertible Notes are outstanding, the Company must:
 - (i) comply with these Conditions;
 - (ii) maintain its corporate existence;
 - (iii) not amend its Constitution or alter the voting or other rights attached to Shares in a manner that is prejudicial to the interests of Noteholders;
 - (iv) not do or omit to do anything that would preclude the issue of a valid Cleansing Notice on the date such notice is required to be issued under these Conditions;

- (v) make disclosure of material information to the public as required by the Listing Rules, or the rules of any other stock exchange on which it is listed and the Corporations Act or any other applicable law;
- (vi) not incur a total debt obligation (including any unconverted Convertible Notes outstanding at any given time) of higher than 2.5x its net worth (being paid up equity plus any retained earnings) without the prior consent of at least 75% of Noteholders (on the basis of one vote for every Convertible Note held unconverted).
- (vii) not issue more than 25% of the Company's share capital in options or convertible notes, without the prior consent of at least 75% of Noteholders (on the basis of one vote for every Convertible Note held at such time unconverted).
- (viii) maintain the capacity to issue sufficient Shares to enable the conversion of all of the outstanding Convertible Notes into Shares in accordance with the Conditions.
- (ix) ensure that in the event of either consolidation or merger or other business combination transactions in respect to the Company, that the Noteholders be given at least 5 Business Days notice prior to the event and that the obligation on the notes are assumed by the surviving entity or acquiring entity such that the value of the Notes are not diminished by the event. In any case given such an event the Noteholders can require the surviving or acquiring company to redeem the Outstanding Notes for their Face Value.

18 Certificates

- (a) Upon the Conversion of a Convertible Note or the redemption of a Convertible Note by the Company, the Noteholder must deliver to the Company the Convertible Note Certificate and the Company shall cancel the Convertible Note Certificate. If the Conversion or redemption relates only to some of the Convertible Notes described in a Convertible Note Certificate, the Company will issue a further Convertible Note Certificate to the Noteholder in respect of the Convertible Notes not Converted or redeemed.
- (b) If a Convertible Note Certificate becomes worn out or defaced, on production and delivery of that Convertible Note Certificate to the Company, the Company will cancel it and issue a replacement Convertible Note Certificate.
- (c) If a Convertible Note Certificate is lost or destroyed, then subject to the Noteholder providing proof of that loss or destruction and an indemnity satisfactory to the Company (at its expense), the Company will give a new Convertible Note Certificate to the person entitled to that lost or destroyed Convertible Note Certificate.

19 Register

- (a) The Company must establish and maintain (or cause to be established and maintained) a register of Noteholders that records:
 - (i) the names and addresses of all Noteholders;
 - (ii) the number of Convertible Notes held by the Noteholder;
 - (iii) the Face Value for each Convertible Note;
 - (iv) the date of issue or transfer of the Convertible Notes;

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- (v) details of any redemption or Conversion of the Convertible Notes; and
 - (vi) any other information the Company considers necessary or desirable.
- (b) A Noteholder must give the Company notice in writing of any change of name or address or other details, provided that failure to give such notice shall not affect any of the Company's obligations under the Convertible Notes but provided further that in this event the Company shall be entitled to rely on the change of name or address or other details previously provided in accordance with this clause. Notice of change of name or address must be accompanied by such evidence as the Company reasonably requires. On receipt of the notice, the Company must alter the register of Noteholders accordingly.
- (c) The register of Noteholders maintained under this Condition, in the absence of manifest error, is conclusive of the details set out in Condition 19(a).
- (d) No notice of any trust or other interest in any Convertible Note will be entered in the Register and the Company will not be obliged to take notice of any other interest or claim to a Convertible Note, other than as provided in the Register, except as ordered by a court of competent jurisdiction or as required by law.

20 Amendment

Subject to complying with the Corporations Act or any other applicable law and the Listing Rules or the rules of any other stock exchange on which it is listed, the Company may:

- (a) without the consent or approval of Noteholders amend or add to these Conditions if such amendment or addition is, in the reasonable opinion of the Board:
- (i) of a formal, minor or technical nature;
 - (ii) made to correct a manifest error; or
 - (iii) not likely (taken as a whole with all other amendments or additions) to be disadvantageous or prejudicial to any individual Noteholder (relative to each other Noteholder) or to the interest of Noteholders as a whole.
- (b) with the consent or approval of Noteholders holding at least 75% of the outstanding Convertible Notes, make any other amendments or addition to these Conditions.

21 Notices

- (a) Any notice, demand, consent or other communication to be made or given under these Conditions must be in writing and signed by a person duly authorised by the party giving it and shall be served either by delivery, by facsimile, by email or by pre-paid courier to the address of the party as specified in Condition 21 (c) or at such substituted address as may be advised by notice in writing from time to time.
- (b) All notices shall be deemed to be given when sent by:
- (i) pre-paid courier or delivered in person, when delivered;
 - (ii) pre-paid post, 2 Business Days after the date of posting (if posted to an address in the same country) or 7 Business Days after the date of posting (if posted to an address in another country); and
 - (iii) facsimile or email, on receipt by the recipient,

provided that a notice deemed to be given on a day other than a Business Day or at a time later than 4.00pm in the place at which the notice is given, will be deemed to have been given at the commencement of business on the next Business Day in that place.

(c) Notice under these Conditions must be given as follows:

(i) Company

Mission NewEnergy Limited
Attention: Mr. Guy Burnett Company Secretary
Unit B2,

Unit 2B 431 Roberts Road
SUBIACO WA 6008
Fax: +61 (08) 6313 3975

Email: guy@missionbiofuels.com

(ii) Noteholder

The address, fax number or email address set out in the Register.

22 Obligations of Noteholders

Each Convertible Note is issued on the condition that each Noteholder is bound by and complies with the terms and conditions of the Note Deed Poll and these Conditions.

23 Miscellaneous

(a) In these Conditions:

- (i) reference to money or \$ is to Australian dollars, unless otherwise stated;
- (ii) the singular includes the plural and the plural includes the singular;
- (iii) the use of one gender shall include all other genders;
- (iv) representations, agreements, covenants, obligations or warranties, by more than one person shall include those persons jointly and each of them severally;
- (v) a party includes the party's executors, administrators, successors and permitted assigns
- (vi) a person includes a body corporate;
- (vii) a statute, regulation or provision of a statute or regulation (**Statutory Provision**) includes:
 - (A) that Statutory Provision as amended or re-enacted from time to time; and
 - (B) a statute, regulation or provision enacted in replacement of that Statutory Provision;
- (viii) "including" and similar expressions are not words of limitation;
- (ix) where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning; and

- (x) headings are for convenience only and do not form part of these Conditions or affect their interpretation.
- (b) The law of Western Australia governs these Conditions and the parties submit to the jurisdiction of the courts of Western Australia and the Federal Court of Australia.
- (c) If anything in these Conditions is unenforceable, illegal or void then it is severed and the rest of these Conditions remains in force.
- (d) If an act must be done on a specified day which is not a Business Day, it must be done instead on the next Business Day.
- (e) A provision of these Conditions must not be construed to the disadvantage of a party merely because that party was responsible for the preparation of these Conditions or the inclusion of the provision in these Conditions.
- (f) These Conditions incorporate the entire understanding of the parties and supersede all previous arrangements and understandings, written and oral, between the parties in relation to these Conditions and the Convertible Notes.
- (g) The Company shall bear the legal costs in connection with the preparation, registration and stamping of all documentation relating to the Convertible Notes. However, the Company will not be responsible for, or bear, any Taxes that the Noteholder becomes liable for in respect of Convertible Notes or these Conditions or any legal costs incurred by the Noteholder with respect to obtaining advice on or negotiating and entering into the Transaction Documents.
- (h) Notwithstanding Condition 23(g), the Company will not be responsible for any stamp duties or similar Taxes payable in any jurisdiction in connection with any transfer, assignment or other dealing by a Noteholder in respect of its Convertible Notes.
- (i) The Company may deduct any amount in respect of Tax it is required to deduct from any payment due to a Noteholder under these Conditions.
- (j) Where a calculation is required under these Conditions, the calculation will be performed to 4 decimal places and will be, in the absence of manifest error, final and binding on the Company and each Noteholder.

Schedule 1 - Conversion Notice

Notice of conversion or redemption of Convertible Note

To: Mission NewEnergy Limited ACN 117 065 719
("Company")

[*Insert name of Noteholder*] ("**Noteholder**"), gives notice in accordance with Condition 5(a) of the Conditions of Issue of Convertible Notes to convert [*insert number of Convertible Notes to be converted*] Convertible Notes held by it into Shares.

The Noteholder applies for such number of Shares in the capital of the Company as is equal to the number of ordinary shares that the Noteholder is entitled to upon conversion, as calculated in accordance with Condition 5(d) of the Conditions of Issue of Convertible Notes.

The Noteholder agrees to accept the Shares issued to it subject to the Constitution and the restrictions on transfer set out in Condition 7 of the Conditions of Issue of Convertible Notes.

Words used in this notice have the same meaning as in the Conditions of Issue of Convertible Notes.

Execution by individual:

Signed by [*insert name*] in the presence of:

Signature of witness

Name of witness (BLOCK LETTERS)

Address of witness

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SLWI LOAN FACILITY AGREEMENT

This SLWI Loan Facility Agreement (as amended, supplemented and restated, this "SLWI Facility Agreement") dated as of February 22, 2013 between MISSION NEWENERGY LIMITED ACN 117 065 719 (the "Borrower" or "MNEL"), an Australian corporation, and SLW INTERNATIONAL, LLC (the "Lender"), a Texas limited liability company;

WITNESSETH:

THAT, in consideration of the mutual covenants, agreements and undertakings herein contained, the parties hereto agree as follows:

1. Definitions.

1.1. Defined Terms. Unless a particular word or phrase is otherwise defined or the context otherwise requires, capitalized words and phrases used in Loan Documents have the meanings provided below.

Affiliate means any Person controlling, controlled by or under common control with any other Person and, in the case of an individual, anyone related to such individual by blood, adoption or marriage. For purposes of this definition, "control" (including "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or otherwise.

Annual Financial Statements means the annual Financial Statements of a Person, accompanied by a report and opinion of independent certified public accountants satisfactory to the Lender, which shall (a) state that such financial statements, in the opinion of such accountants, present fairly the financial position of such Person as of the date thereof and the results of its operations for the period covered thereby in conformity with International Financial Reporting Standards and (b) not express an adverse doubt as to the ability of such Person to continue as a going concern audit option. For the avoidance of doubt, an audit option of emphasis of matter shall not be deemed an Event of Default; in the case of a Person with Subsidiaries, its Annual Financial Statements shall also include its consolidating Financial Statements, but such consolidating Financial Statements need not be covered by the report and opinion of such Person's independent certified public accountants described in the preceding clause of this definition.

Business Day means any day except Saturday, Sunday or any other day when commercial banks in Houston, Texas are closed.

Business Entities means corporations, partnerships, joint ventures, limited liability companies, joint stock associations, business trusts and other business entities.

Collateral means all Property, tangible or intangible, real, personal or mixed, now or hereafter subject to the Security Documents, or intended so to be.

Commitment means \$5,000,000, subject to reduction as provided in Section 2.2.

Corporations Act means the *Corporations Act 2001* (Commonwealth of Australia)

Dollars and \$ means United States dollars.

Event of Default means any of the events specified in Section 7.1, if there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and Default means any of such events, whether or not any such requirement has been satisfied an Obligor.

Financial Statements means the financial statements of a Person, including all notes (if any) thereto, which shall include a balance sheet as of the date of such financial statements and an income statement and a statement of cash flows for the fiscal year to date and for the four fiscal quarters ending on such date, all setting forth in comparative form the corresponding figures from the previous fiscal year and prepared in accordance with International Financial Reporting Standards (subject, in all cases except Annual Financial Statements, to normal year-end adjustments).

International Financial Reporting Standards means, as to a particular Person, such accounting practice as, in the opinion of the independent accountants of recognized international standing regularly retained by such Person and acceptable to the Lender, conforms at the time to international financial reporting standards, consistently applied. International financial reporting standards means those standards and practices which are (a) recognized as such by the International Accounting Standards Board; (b) applied for all periods after the date hereof in a manner consistent with the manner in which such standards and practices were applied to the most recent audited financial statements of the relevant Person furnished to the Lender, and (c) consistently applied for all periods after the date hereof so as to reflect properly the financial condition, and results of operations and changes in financial position, of such Person. If any change in any accounting standard or practice is required by the International Accounting Standards Board in order for such standard or practice to continue as an international financial reporting standard or practice, all reports and financial statements required hereunder may be prepared in accordance with such change only after written notice of such change is given to the Lender.

Governmental Authority means any foreign governmental authority, the United States of America, any state of the United States and any political subdivision of any of the foregoing, and any agency, department, commission, board, bureau, court or other tribunal having jurisdiction over the Lender or the Borrower, any of the Borrower's Subsidiaries or their respective Property.

Guarantor means each Person executing a Guaranty guaranteeing the Obligations, including Mission Biotechnologies Sdn Bhd ("MBTSB"), Mission Biofuels Sdn Bhd ("MBSB"), Mission Argo Energy Limited ("MAEL") and Oleovest Pte Ltd. ("Oleovest").

Guaranty means each Guaranty, in Proper Form, executed or to be executed by any Guarantor in favor of the Lender.

Highest Lawful Rate means the maximum nonusurious rate of interest permitted to be charged by applicable law.

Indebtedness means and includes (a) all items which in accordance with International Financial Reporting Standards would be included on the liability side of a balance sheet on the date as of which Indebtedness is to be determined (excluding capital stock, surplus, surplus reserves and deferred credits); (b) all guaranties, endorsements and other contingent obligations in respect of, or any obligations to purchase or otherwise acquire, Indebtedness of others; and (c) all Indebtedness secured by any Lien existing on any interest of the Person with respect to which Indebtedness is being determined in Property owned subject to such Lien whether or not the Indebtedness secured thereby shall have been assumed; but such term shall not mean or include any Indebtedness in respect of which monies sufficient to pay and discharge the same in full (either on the expressed date of maturity thereof or on such earlier date as such Indebtedness may be duly called for redemption and payment) shall be deposited with a depository, agency or trustee acceptable to the Lender in trust for the payment thereof.

Interim Financial Statements means the Financial Statements of a Person for the preceeding six-month period.

Investment means the purchase or other acquisition of any securities or Indebtedness of, or the making of any loan, advance, transfer of Property or capital contribution to, or the incurring of any liability, contingently or otherwise, in respect of the Indebtedness of, any Person.

Legal Requirement means any law, statute, ordinance, decree, requirement, order, judgment, rule, regulation (or interpretation of any of the foregoing) of, and the terms of any license or permit issued by, any Governmental Authority.

Lien means any mortgage, pledge, charge, encumbrance, security interest, collateral assignment or other lien or restriction of any kind, whether based on common law, constitutional provision, statute or contract, including any security interest for the purposes of the PPSA and shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions.

Loan Documents means this SLWI Facility Agreement, the Note, each Guaranty, all Security Documents, all instruments, certificates and agreements now or hereafter executed or delivered to the Lender pursuant to any of the foregoing, and all amendments, modifications, renewals, extensions, increases and rearrangements of, and substitutions for, any of the foregoing.

Loans means the Loans described in Section 2.1.

Material Property means Property valued or considered received for such Property over \$250,000.

MNEL Loan means the second ranking loan among Borrower, MBTSB and MBSB, and any and all renewals, extensions, modifications, rearrangements and replacements thereof and any and all substitutions therefor.

Note means the promissory note of the Borrower described in Section 2.1, and any and all renewals, extensions, modifications, rearrangements and replacements thereof and any and all substitutions therefor.

Obligations means all Indebtedness of the Obligors under the Loan Documents, including the Loans, the expenses of the Lender of the type described in Section 8.8 and other expenses paid or incurred by the Lender in performing any agreement of any Obligor under any Loan Document which such Obligor has failed to perform

Obligors means the Borrower and the Guarantors.

Organizational Documents means, with respect to a Business Entity, the documents and instruments providing for the formation, organization and governance thereof.

Past Due Rate means the 20% per annum.

Permitted Investment Securities means (a) readily marketable securities issued or fully guaranteed by the United States of America or the Commonwealth of Australia; (b) commercial paper rated "Prime 1" by Moody's Investors Service, Inc. or "A 1" by Standard and Poor's Ratings Group, with maturities of not more than 180 days; (c) certificates of deposit or repurchase certificates issued by financial institutions acceptable to the Lender, all of the foregoing not having a maturity of more than one year from the date of issuance thereof; (d) securities received in settlement of liabilities created in the ordinary course of business; and (e) money market mutual funds with a right of redemption on a daily basis and having assets of at least \$500,000,000, substantially all of which assets consist of investments of a type described in the foregoing clauses.

Person means any individual, Business Entity, trust, unincorporated organization, Governmental Authority or any other form of entity.

PPSA means the *Personal Property Securities Act 2009* (Commonwealth of Australia).

Proper Form means in form and substance satisfactory to the Lender.

Property means any interest in any kind of property or asset, whether real, personal or mixed, tangible or intangible.

Secretary's Certificate means a certificate of the Secretary or an Assistant Secretary (or similar officer) of a Business Entity as to (a) the resolutions of the Board of Directors (or similar body) of such Business Entity authorizing the execution, delivery and performance of the Loan Documents to be delivered by such Business Entity; (b) the incumbency and signature of the officer(s) of such Business Entity executing such Loan Documents on behalf of such Business Entity; and (c) the Organizational Documents of such Business Entity.

Security Documents means this SLWI Facility Agreement, the SLWI Debenture on MBTSB, the SLWI Debenture on MBSB, the SLWI Charge on MBTSB, the SLWI Charge on MBSB, the SLWI Debenture on MNEL, the SLWI Share Pledge on Oleovest and MAEL and any and all other agreements, charges, deeds of trust, mortgages, chattel mortgages, security agreements, pledges, assignments, standby agreements, subordination agreements, undertakings and other instruments now or hereafter executed and delivered by any Person (other than solely by the Lender and/or any other creditor participating in the Loans or any collateral or security therefor) in connection with, or as security for the payment or performance of, the Obligations.

SLWI Charge on MBSB means that certain Charge between Lender and MBSB, and any and all renewals, extensions, modifications, rearrangements and replacements thereof and any and all substitutions therefor.

SLWI Charge on MBTSB means that certain Charge between Lender and MBTSB, and any and all renewals, extensions, modifications, rearrangements and replacements thereof and any and all substitutions therefor.

SLWI Debenture on MBSB means that certain Debenture between Lender and MBSB, and any and all renewals, extensions, modifications, rearrangements and replacements thereof and any and all substitutions therefor.

SLWI Debenture on MBTSB means that certain Debenture between Lender and MBTSB, and any and all renewals, extensions, modifications, rearrangements and replacements thereof and any and all substitutions therefor.

SLWI Debenture on MNEL means that certain Debenture between Lender and the Borrower, and any and all renewals, extensions, modifications, rearrangements and replacements thereof and any and all substitutions therefor.

SLWI Share Pledge on Oleovest and MAEL means that certain Third Party Memorandum of Deposit and Charge over Stocks and Shares in respect of Oleovest and MAEL shares between Lender and Borrower, and any and all renewals, extensions, modifications, rearrangements and replacements thereof and any and all substitutions therefor.

Subsidiary means, as to a particular parent Business Entity, any Business Entity of which more than 50% of the indicia of equity rights (whether outstanding capital stock or otherwise) is at the time directly or indirectly owned by, such parent Business Entity, or by one or more of its Affiliates.

Tax means a tax (including any tax in the nature of a goods and services tax), rate, levy, impost or duty (other than a tax on the net overall income of the Lender) and any interest, penalty, fine or expense relating to any of them.

Termination Date means the earlier of (a) 24 months after the date hereof or (b) the date specified by the Lender in accordance with Section 7.1.

Unused Commitment means the difference of the Commitment minus the then-outstanding principal balance of the Note.

1.2. Other Terms and References. Except where specifically otherwise provided in the Loan Documents:

(a) Any accounting term not otherwise defined shall have the meaning ascribed to it under International Financial Reporting Standards.

(b) Unless otherwise specified, all references to time shall be references to Houston, Texas time.

(c) Wherever the term "including" or any of its correlatives appears in a Loan Document, it shall be read as if it were written "including (by way of example and without limiting the generality of the subject or concept referred to)."

(d) Wherever the word "herein" or "hereof" is used in a Loan Document, it is a reference to that entire Loan Document and not just to the subdivision of it in which the word is used.

(e) References in a Loan Document to Section and Article numbers are references to the Sections and Articles, respectively, of such Loan Document.

(f) References in a Loan Document to Exhibits, Schedules, Riders, Annexes and Appendices are to the Exhibits, Schedules, Riders, Annexes and Appendices to such Loan Document, and they shall be deemed incorporated into such Loan Document by reference.

(g) Any term defined in the Loan Documents which refers to a particular agreement, instrument or document shall also mean, refer to and include all modifications, amendments, supplements, restatements, renewals, extensions and substitutions of the same; but nothing in this Section shall be construed to authorize any such modification, amendment, supplement, restatement, renewal, extension or substitution except as may be permitted by other provisions of the Loan Documents.

(h) Defined terms may be used in the singular or plural, as the context requires.

(i) The pronouns used in the Loan Documents are in the neuter gender but shall be construed as feminine, masculine or neuter, as the context requires.

2. The Loans.

2.1. Loans. Subject to the terms and conditions hereof, the Lender agrees to make Loans to the Borrower from time to time before the Termination Date, not to exceed the Commitment at any one time outstanding, the Borrower having the right to borrow and repay. Each Loan shall be in an amount of at least \$200,000.00 or the Unused Commitment, whichever is less. Each such Loan shall be deemed to be an Obligation secured pursuant to the Security Documents. Each repayment of the Loans shall be in an amount of at least \$200,000.00 or the principal balance of the Note, whichever is less. The Loans shall be evidenced by the Note substantially in the form of Exhibit A.

2.2. Mandatory Prepayments. The Commitment shall be automatically reduced by an amount equal to the net cash proceeds received by the Borrower or any of its Subsidiaries (if the recipient is a Subsidiary that is not a wholly owned Subsidiary of the Borrower, such reduction shall be in an amount equal to the Borrower's interest therein) from the sale of any Material Property or receipt of insurance proceeds from any casualty loss to any Material Property. If the unpaid balance of the Note at any time exceeds the reduced Commitment then in effect, the Borrower shall make a prepayment on the Note in an amount sufficient to reduce the unpaid balance of the Note to an amount no greater than the reduced Commitment then in effect;

provided, however, that the Borrower shall be entitled to retain cash equivalent to three months of net working capital.

2.3. Fee. In consideration of the Commitment and the making of the Loans, the Borrower shall pay to the Lender a fee equal to the greater of (a) 25% of the greatest principal balance of the Note on any date or (b) \$1,000,000; such fee shall be due and payable on the earlier of (x) the Termination Date or (y) the date the Commitment equals zero. In the event that no Loans are made, upon the Termination Date, Borrower shall pay an availability fee in the amount of \$500,000 plus all applicable fees and expenses.

2.4. Payments. Unless otherwise expressly provided therein, all payments of principal, interest and other fees and amounts due from any Obligor under the terms of the Loan Documents shall be made in immediately available dollars (and without set-off, counter claim or, unless required by law, deduction or withholding) to the Lender at its offices at 3635 Danbury Road, Brewster New York, 10509 or as otherwise directed by Lender, by no later than 5:00 p.m. Brewster, New York time on the date when due; each payment made after that time shall be considered for all purposes (including the payment of interest, to the extent permitted by law) as having been made on the next succeeding Business Day. All past-due payments of any Obligation shall accrue interest at the Past Due Rate. Except as otherwise provided in the Loan Documents, if any payment or prepayment becomes due and payable on a day which is not a Business Day, then the date for the payment thereof shall be extended to the next succeeding Business Day, and interest shall be payable thereon at the then-applicable rate per annum during such extension. If the Borrower is required by applicable law to deduct or withhold Taxes from any payment it must: (a) make the required deduction and withholding; (b) pay the full amount deducted or withheld in accordance with the relevant law; (c) deliver to the Lender an original receipt for each payment; and (d) pay an additional amount with such payment so that, after all applicable deductions or withholdings, the Lender actually receives for its own benefit the full amount which would have been payable to the Lender if no deduction or withholding had been required.

3. Conditions.

3.1. All Loans. The obligation of the Lender to make any Loan is subject to the accuracy of all representations and warranties of the Obligors on the date of such Loan, to the performance by the Obligors of their respective obligations under the Loan Documents and to the satisfaction of the following further conditions: (a) the Lender shall have received the following, all of which shall be duly executed and in Proper Form: (1) a Request for Loan, substantially in the form of Exhibit B, three Business Days before the date (which shall also be a Business Day) of the proposed Loan, and (2) such other documents as the Lender may reasonably require; (b) the proposed use of the Loan, as set forth in such Request for Loan, is satisfactory to the Lender in its sole discretion; (c) before the Loan, there shall have occurred, in the sole opinion of the Lender, no material adverse change in the assets, liabilities, financial condition, business or affairs of the Borrower or any Subsidiary of the Borrower; (d) no Default or Event of Default shall have occurred; and (e) the making of the Loan shall not be prohibited by, or subject the Lender to any penalty or onerous condition under, any Legal Requirement.

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3.2. First Loan. In addition to the matters described in Section 3.1, the obligation of the Lender to make the first Loan hereunder is subject to the receipt by the Lender of each of the following, in Proper Form and not later than March 31, 2013: (a) the Note, executed by the Borrower; (b) a Secretary's Certificate or its equivalent acceptable to Lender for each Obligor that is a Business Entity, in the case of such Secretary's Certificate for the Borrower, the resolutions of the Board of Directors of Borrower shall also contain the continuing agreement of such Board to approve a Lender-designee as Director and Chairman of the Executive Committee of such Board; (c) a certificate from the appropriate Governmental Authority of each jurisdiction as to the continued existence or good standing (as the case may be) of such Obligor; (d) the Security Documents; (e) if required by Lender, a legal opinion from one or more independent counsel for the Obligors acceptable to the Lender; (f) policies or certificates of insurance addressed to the Lender reflecting the insurance required by Section 5.6; (g) evidence satisfactory to the Lender as to the priority of the Liens created by the Security Documents; (h), if required by Lender, a signed New South Wales multi-jurisdictional mortgage statement; and (i) evidence as to the payment of all expenses described in Section 8.8 incurred through the date of the initial Loan, or Borrower's provision for the payment of such expenses through the proceeds of the initial Loan, and to the further condition that, at the time of any subsequent Loan(s), all such expenses of Lender incident to the transactions herein contemplated shall be paid or provision for payment from such Loan shall be effected, as shall be satisfactory to Lender.

4. Representations and Warranties.

To induce the Lender to enter into this SLWI Facility Agreement and to make the Loans, the Borrower represents and warrants as follows:

4.1. Organization. The Borrower and each of its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (b) has all power and authority to conduct its business as presently conducted; and (c) is duly qualified to do business and in good standing (as the case may be) in all jurisdictions where such qualification is necessary or desirable.

4.2. Financial Statements. The financial statements delivered to the Lender fairly present, in accordance with International Financial Reporting Standards, the financial condition and the results of operations of the Borrower and its Subsidiaries as at the dates and for the periods indicated. No material adverse change has occurred in the assets, liabilities, financial condition, business or affairs of the Borrower or any of its Subsidiaries since the dates of such financial statements. Neither the Borrower nor any of its Subsidiaries is subject to any instrument or agreement materially and adversely affecting its financial condition, business or affairs.

4.3. Enforceable Obligations; Authorization. The Loan Documents are legal, valid and binding obligations of the Obligors, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other similar laws affecting creditors' rights generally and by general equitable principles. The execution, delivery and performance of the Loan Documents (a) have all been duly authorized by all necessary action; (b) are within the power and authority of the Obligors; (c) do not and will not contravene or violate any Legal

Requirement or the Organizational Documents of the Obligor; (d) do not and will not result in the breach of, or constitute a default under, any agreement or instrument by which the Obligor or any of their respective Property may be bound or affected; and (e) do not and will not result in the creation of any Lien upon any Property of any Obligor except as expressly contemplated therein. All necessary permits, registrations and consents for such making and performance have been obtained. Except as otherwise expressly stated in the Security Documents, the Liens of the Security Documents will constitute valid and perfected first and prior Liens on the Property described therein, subject to no other Liens whatsoever.

4.4. Other Debt. Neither the Borrower nor any of its Subsidiaries, other than MBIPL, is in default in the payment of any other Indebtedness or, with the exception of the MNEL Loan to MBSB and MBTSB, under any agreement, mortgage, deed of trust, security agreement or lease to which it is a party. At all times the MNEL Loan shall be second ranking to the Loan.

4.5. Litigation. Except as heretofore disclosed in Appendix I to the Lender, there is no litigation or administrative proceeding pending or, to the knowledge of the Borrower, threatened against, nor any outstanding judgment, order or decree affecting, the Borrower or any of its Subsidiaries before or by any Governmental Authority. Neither the Borrower nor any of its Subsidiaries is in default with respect to any judgment, order or decree of any Governmental Authority.

4.6. Title. The Borrower and each Subsidiary has good and marketable title to its respective Property, free and clear of all Liens other than Liens permitted under Section 6.2.

4.7. Taxes. The Borrower and each Subsidiary has filed all tax returns required to have been filed and paid all taxes shown thereon to be due, except those for which extensions have been obtained and those which are being contested in good faith by appropriate proceedings diligently conducted.

4.8. Regulation U. None of the proceeds of any Loan will be used for the purpose of purchasing or carrying directly or indirectly any margin stock or for any other purpose would constitute this transaction a "purpose credit" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System.

4.9. Subsidiaries. The Borrower has no Subsidiaries other than as listed on Appendix II. Each such Subsidiary is owned by the Borrower in the percentage set forth on Appendix II.

4.10. Representations by Others. All statements made by or on behalf of the any Obligor in connection with any Loan Document shall constitute representations and warranties of the Borrower hereunder.

5. Affirmative Covenants. The Borrower covenants and agrees with the Lender that before the termination of this SLWI Facility Agreement it will do, cause each of its Subsidiaries to do, and if necessary cause to be done, each and all of the following:

5.1. Taxes, Existence, Regulations, Property, etc. At all times (a) pay when due all taxes and governmental charges of every kind upon it or against its income, profits or Property; (b) do all things necessary to preserve its existence, qualifications, rights and franchises in all

jurisdictions where such qualification is necessary or desirable; (c) comply with all applicable Legal Requirements in respect of the conduct of its business and the ownership of its Property; and (d) cause its Property to be protected, maintained and kept in good repair and make all replacements and additions to its Property as may be reasonably necessary to conduct its business properly and efficiently.

5.2. Financial Statements and Information. Furnish to the Lender three copies of each of the following: (a) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, Annual Financial Statements of the Borrower and its Subsidiaries; (b) as soon as available and in any event within 45 days after the end of each six-month period of each fiscal year of the Borrower, Interim Financial Statements of the Borrower and its Subsidiaries; (c) as soon as available, monthly management and cash flow reports of the Borrower and its Subsidiaries; (d) concurrently with the financial statements provided for in Sections 5.2(a) and (b), a Certificate of No Default substantially in the form of Exhibit C; (e) no later than 60 days before the first day of each fiscal year of the Borrower and its Subsidiaries, an annual budget, executive compensation arrangements and planned capital expenditures for such fiscal year, in Proper Form (and the Borrower shall not be deemed to have satisfied this covenant unless and until the Lender has notified the Borrower that such budget (reflecting such executive compensation plan and planned capital expenditures) is in Proper Form); and (f) such other information relating to the financial condition and affairs of the Borrower and its Subsidiaries as from time to time may be requested by the Lender.

5.3. Inspection. Permit the Lender to inspect its Property, to examine its files, books and records and make and take away copies thereof, and to discuss its affairs with its officers and accountants, all at such times and intervals and to such extent as the Lender may reasonably desire.

5.4. Further Assurances. Promptly execute and deliver any and all other and further instruments which may be requested by the Lender to cure any defect in the execution and delivery of any Loan Document or more fully to describe particular aspects of the Borrower's agreements set forth in the Loan Documents or so intended to be.

5.5. Books and Records. Maintain books of record and account in accordance with International Financial Reporting Standards.

5.6. Insurance. Maintain insurance with such insurers, on such of its properties, in such amounts and against such risks as is satisfactory to the Lender, and furnish the Lender satisfactory evidence thereof promptly upon request. These insurance provisions are cumulative of the insurance provisions of the Security Documents. Upon request, the Borrower shall cause the Lender to be named as a beneficiary of such insurance and shall provide the Lender with copies of the policies of insurance and a certificate of the insurer that the insurance required by this Section may not be canceled, reduced or affected in any manner without 30 days' prior written notice to the Lender.

5.7. Notice of Certain Matters. Notify the Lender immediately upon acquiring knowledge of (a) the institution or threatened institution of any lawsuit or administrative proceeding affecting the Borrower or any of its Subsidiaries; (b) any material adverse change in

the assets, liabilities, financial condition, business or affairs of the Borrower or any of its Subsidiaries, or (c) the occurrence of any Event of Default or any Default. The Borrower will notify the Lender in writing at least 30 days before the date that the Borrower or any of its Subsidiaries changes its name or the location of its chief executive office or principal place of business or the place where it keeps its books and records.

5.8. Use of Proceeds. The proceeds of the Loans will be used only for working capital; not in limitation of the foregoing, the proceeds of the Loans will not be used for capital expenditures or debt service to other creditors outside of the normal course of business as per the agreed business plan.

6. Negative Covenants. The Borrower covenants and agrees with the Lender that before the termination of this SLWI Facility Agreement it will not, and will not suffer or permit any of its Subsidiaries to, do any of the following (unless waived by the Lender in the exercise of its sole, absolute and unfettered discretion):

6.1. Indebtedness. Create, incur, suffer or permit to exist, or assume or guarantee, directly or indirectly, or become or remain liable with respect to any Indebtedness, whether direct, indirect, absolute, contingent or otherwise, except the following: (a) Indebtedness to the Lender; (b) Indebtedness secured by Liens permitted by Section 6.2; (c) other liabilities existing on the date of this SLWI Facility Agreement and heretofore disclosed to the Lender, including but not limited to the MNEL Loan, and all renewals and extensions (but not increases) thereof; and (d) current accounts payable and unsecured current liabilities, not the result of borrowing, to vendors, suppliers and persons providing services, for expenditures for goods and services normally required by it in the ordinary course of business and on ordinary trade terms, not to exceed \$100,000.00 in the aggregate.

6.2. Liens. Create or suffer to exist any Lien upon any of its Property now owned or hereafter acquired, or acquire any Property upon any conditional sale or other title retention device or arrangement or any purchase money security agreement; or in any manner directly or indirectly sell, assign, pledge or otherwise transfer any of its accounts or contract rights; but the Borrower or any of its Subsidiaries may create or suffer to exist: (a) artisans' or mechanics' Liens arising in the ordinary course of business, and Liens for taxes, but only to the extent that payment thereof shall not at the time be due; (b) Liens in effect on the date hereof and disclosed to the Lender in writing, but neither the Indebtedness secured thereby nor the Property covered thereby shall increase; and (c) Liens in favor of the Lender.

6.3. Contingent Liabilities. With the exception of the contingent liabilities as outlined in Appendix III, directly or indirectly guarantee the performance or payment of, or purchase or agree to purchase, or assume or contingently agree to become or be secondarily liable in respect of, any obligation or liability of any other Person except for the endorsement of checks or other negotiable instruments in the ordinary course of business.

6.4. Mergers, Consolidations and Dispositions and Acquisitions of Assets. In any single transaction or series of transactions, directly or indirectly (a) liquidate or dissolve; (b) be a party to any merger or consolidation; (c) sell, convey or lease all or any substantial part of its assets (including any line of business), except for sale of inventory in the ordinary course of

business; (d) pledge, transfer or otherwise dispose of any equity interests in a Subsidiary or any indebtedness of a Subsidiary, or permit the Borrower or any Subsidiary to issue any additional equity interests (other than, in the case of a Subsidiary, to the Borrower or a wholly owned Subsidiary of the Borrower); or (e) acquire all or substantially all of the assets or any line of business of any Person, or (except as expressly permitted by Section 6.8) any shares of stock of or similar interest in any other Person.

6.5. Redemption, Dividends and Distributions. At any time (a) redeem, retire or otherwise acquire, directly or indirectly, any of its equity interests; (b) pay any dividend (except dividends paid to the Borrower); or (c) make any other distribution of any Property or cash to equity holders as such.

6.6. Nature of Business; Management. Change the nature of its business or enter into any business which is substantially different from the business in which it is presently engaged or permit any material change in its management.

6.7. Transactions with Related Parties. Enter into any transaction or agreement with any officer, director or holder of any outstanding equity interest in the Borrower or any of its Subsidiaries (or any Affiliate of any such Person) unless the same is upon terms substantially similar to those obtainable from wholly unrelated sources.

6.8. Loans and Investments. Make any loan, advance, extension of credit or capital contribution to, or make any Investment in, any Person, or make any commitment to make any such extension of credit or Investment, except the stock of Subsidiaries, Permitted Investment Securities and travel advances in the ordinary course of business to officers and employees.

6.9. Expenditures. Make any expenditure or series of similar expenditures not in the then-current annual budget in excess of \$25,000 (or its equivalent in other currencies), or pay any executive compensation in excess of that reflected in the then-current annual budget, or make any capital expenditure in any amount, in each case without the express prior written approval of the Lender.

6.10. Application of Proceeds. All moneys received from the sale of any Material Assets shall, subject to the claims of all secured or unsecured creditors (if any) ranking in priority to the Loan Documents, be applied as follows:

(a) First, in or towards the payment of all costs expended or incurred by the Lender in the enforcement of this SLWI Facility Agreement and/or the Security Documents or any part thereof (including court costs and attorney' fees);

(b) Second, in or towards the payment of all amounts payable under this SLWI Facility Agreement and/or the Loan Documents; and

(c) Third, the balance to the Borrower or to such other persons as may be lawfully entitled thereto.

7. Events of Default and Remedies.

7.1. Events of Default. If any of the following events shall occur, then the Lender may do any or all of the following: (1) without notice to the Borrower, declare the Note to be, and thereupon the Note shall forthwith become, immediately due and payable, together with all accrued interest thereon, without notice of any kind, notice of acceleration or of intention to accelerate, presentment and demand or protest, all of which are hereby expressly waived; (2) by notice in writing to the Borrower, accelerate the Termination Date to a date as early as the date of the notice; (3) exercise its rights of offset against all Property of the Borrower in the possession of the Lender, which right is hereby granted by the Borrower to the Lender; and (4) exercise any and all other rights pursuant to the Loan Documents:

(a) The Borrower shall fail to pay or prepay any principal of or interest on the Note or any other obligation hereunder as and when due; or

(b) The Borrower or any of its Subsidiaries (1) shall fail to pay at maturity, or within any applicable period of grace, any principal of or interest on any other borrowed money obligation or shall fail to observe or perform any term, covenant or agreement contained in any agreement or obligation by which it is bound, or (2) is in default under or in violation of any Legal Requirement; or

(c) Any representation or warranty made in connection with any Loan Document shall prove to have been incorrect, false or misleading; or

(d) Default shall occur in the punctual and complete performance of any covenant of any Obligor contained in any Loan Document; or

(e) The Borrower shall fail to satisfy the conditions precedent to the First Loan as set forth in Section 3.2 in accordance with the date specified therein; or

(f) Final judgment for the payment of money shall be rendered against the Borrower or any of its Subsidiaries and such execution shall not be effectively stayed within 60 days; or

(g) Any Obligor shall claim, or any court shall find or rule, that the Lender does not have a valid Lien as provided for herein on any security which may have been provided by such Obligor; or

(h) The sale, encumbrance or abandonment (except as otherwise expressly permitted by this SLWI Facility Agreement) of any Collateral; or the making of any levy, seizure or attachment thereof or thereon; or the loss, theft, substantial damage, or destruction of any Collateral; or

(i) Any order shall be entered in any proceeding against the Borrower or any of its Subsidiaries decreeing the dissolution, liquidation or split-up thereof, and such order shall remain in effect for 30 days; or

(j) The occurrence of an Event of Default under any Loan Document; or

(k) The Borrower or any of its Subsidiaries shall make a general assignment for the benefit of creditors or shall petition or apply to any tribunal for the appointment of a trustee, custodian, receiver or liquidator of all or any substantial part of its business, estate or assets or shall commence any proceeding under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect; or

(l) Any such petition or application shall be filed or any such proceeding shall be commenced against the Borrower or any of its Subsidiaries, or Borrower of any of its subsidiaries shall by any act or omission shall indicate approval thereof, consent thereto or acquiescence therein, or an order shall be entered appointing a trustee, custodian, receiver or liquidator of all or any substantial part of its assets or granting relief to it or approving the petition in any such proceeding, and such order shall remain in effect for more than 30 days; or

(m) The Borrower or any of its Subsidiaries shall fail generally to pay its debts as they become due or suffer any writ of attachment or execution or any similar process to be issued or levied against it or any substantial part of its Property which is not released, stayed, bonded or vacated within 30 days after its issue or levy; or

(n) A material adverse change shall occur in the assets, liabilities, financial condition, business or affairs of the Borrower or any of its Subsidiaries, individually or on a consolidated basis; or

(o) The Borrower or any of its Subsidiaries shall have concealed, removed, or permitted to be concealed or removed, any part of its Property, with intent to hinder, delay or defraud its creditors or any of them, or made or suffered a transfer of any of its Property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall have made any transfer of its Property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or

(p) The Lender shall reasonably and in good faith deem repayment of the Note and the other indebtedness of the Borrower hereunder to be insecure; or

(q) Nathan Mahalingam shall cease to serve as chief executive officer of the Borrower, with substantially the same responsibilities and duties as presently performed.

7.2 Remedies Cumulative. No remedy, right or power conferred upon the Lender is intended to be exclusive of any other remedy, right or power given hereunder or now or hereafter existing at law, in equity, or otherwise, and all such remedies, rights and powers shall be cumulative.

8. Miscellaneous.

8.1. No Waiver. No waiver of any Default shall be deemed to be a waiver of any other Default. No failure to exercise or delay in exercising any right or power under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any further or other exercise thereof or the exercise of any other right or power. No amendment, modification or waiver of any Loan Document shall be effective unless

the same is in writing and signed by the Person against whom such amendment is sought to be enforced. No notice to or demand on the Borrower or any other Person shall entitle the Borrower or any other Person to any other or further notice or demand in similar or other circumstances.

8.2. Notices. All notices under the Loan Documents shall be in writing and either (i) delivered against receipt therefor; (ii) mailed by registered or certified mail, return receipt requested; or (iii) sent by telecopy or confirmed receipt electronic mail, in each case addressed as follows:

(a) If to the Borrower, to:

Mission NewEnergy Limited
Unit B2
431 Roberts Road
Subiaco Perth
Western Australia, 6008
Attention: Nathan Mahalingam, CEO
Fax No.: +618 6270 6339
email: Nathan@missionnewenergy.com; guy@missionnewenergy.com

(b) If to the Lender, to:

SLW International, LLC
7941 Katy Freeway, No. 529
Houston, Texas, USA 77024
Attention: Stephen L. Way
Fax No.: (713) 365-2589
email: slw@slwintl.com

or to such other address as a party may designate. Notices shall be deemed to have been given (whether actually received or not) when delivered (or, if mailed, on the next Business Day); however, the notices required or permitted by Section 3.1(a) shall be effective only when actually received by the Lender. Actual notice shall always be effective.

8.3. Governing Law. Unless otherwise specified therein, each Loan Document shall be governed by and construed in accordance with the laws of New York.

8.4. Survival; Parties Bound. All representations, warranties, covenants and agreements made by or on behalf of the Borrower in connection herewith shall (a) survive the execution and delivery of the Loan Documents; (b) not be affected by any investigation made by any Person; and (c) bind the Borrower and its successors, trustees, receivers and assigns and inure to the benefit of the successors and assigns of the Lender; but the undertaking of the Lender hereunder to make Loans to the Borrower shall not inure to the benefit of any successor or assign of the Borrower. The term of this SLWI Facility Agreement shall be until the final maturity of the Note and the payment of all Obligations.

8.5. Counterparts; Electronic Signature. This SLWI Facility Agreement may be executed in several identical counterparts, and by the parties hereto on separate counterparts, and each counterpart, when so executed and delivered, shall constitute an original instrument, and all such separate counterparts shall constitute but one and the same instrument. It is hereby agreed by the parties that an electronic signature or a copy of an original signature to this SLWI Facility Agreement, delivered by facsimile, electronic mail or other electronic means (attached to or attaching an electronic copy of the document), upon transmission and confirmation of receipt, shall have the same force and effect as the delivery of a manually executed and original copy of such signature and shall bind the parties hereto.

8.6. Usury Not Intended; Refund of Any Excess Payments. It is the intent of the parties in the execution and performance of this SLWI Facility Agreement to contract in strict compliance with all relevant usury laws from time to time in effect. In furtherance thereof, the Lender and the Borrower stipulate and agree that none of the terms and provisions contained in any Loan Documents shall ever be construed to create a contract to pay for the use, forbearance or detention of money with interest at a rate in excess of the Highest Lawful Rate and that for purposes hereof "interest" shall include the aggregate of all charges which constitute interest under such laws that are contracted for, reserved, taken, charged or received under this SLWI Facility Agreement. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the Highest Lawful Rate, the Borrower and the Lender shall, to the maximum extent permitted under applicable law, (a) treat all Loans as but a single extension of credit (and the Borrower and the Lender agree that such is the case and that provision herein for multiple Loans and Notes is for convenience only); (b) characterize any nonprincipal payment as an expense, fee or premium rather than as interest; (c) exclude voluntary prepayments and the effects thereof, and (d) "spread" the total amount of interest throughout the entire contemplated term of the Loans. The provisions of this Section shall control over all other provisions of the Loan Documents which may be in apparent conflict herewith.

8.7. Captions. The headings and captions appearing in the Loan Documents have been included solely for convenience and shall not be considered in construing the Loan Documents.

8.8. Expenses. Any provision to the contrary notwithstanding, and whether or not the transactions contemplated by this SLWI Facility Agreement shall be consummated, the Borrower shall pay on demand all out-of-pocket expenses (including, without limitation, the fees and expenses of counsel for the Lender) in connection with (a) the negotiation, preparation, execution, filing, recording, re-filing, re-recording, modification, supplementing and waiver of the Loan Documents; (b) the auditing, appraising, evaluating, monitoring, administering and protecting of any of the Collateral after the occurrence of a Default or an Event of Default (including the same as determined as a result of such audit, etc.); (c) the realizing upon the Collateral and all costs and expenses relating to the Lender's exercising any of its rights and remedies under any Loan Document or at law; and (d) the performance by the Lender (in the applicable Obligor's name or in the name of the Lender) of any agreement, covenant or obligations of either Obligor under the Loan Documents which such Obligor has not performed, in each case including all appraisal fees, consulting fees, filing fees, taxes, brokerage fees and commissions and search fees; but (x) no right or option granted by an Obligor to the Lender pursuant to any Loan Document shall be deemed to impose or admit a duty on the Lender to

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supervise, monitor or control any aspect of the character or condition of any of the Collateral or any operations conducted in connection with it for the benefit of any Obligor or any other Person, and (y) the performance by the Lender of an agreement, covenant or obligation of any Obligor under any Loan Document which such Obligor has not performed shall not be considered or constitute a cure of such default or a waiver of the Lender's right at any time after an Event of Default to exercise its rights and remedies under the Loan Documents and applicable law. If the Lender makes a payment in satisfaction of an agreement, covenant or obligation of any Obligor under any Loan Document which such Obligor has not performed, then the Lender shall be fully and automatically subrogated to all of the rights of the Person receiving such payment. Interest shall accrue on all such expenses from the date of demand therefor at the Past Due Rate if such expenses are not reimbursed within 15 days after such date of demand. The obligations of the Borrower under this and the following Section shall survive the termination of this SLWI Facility Agreement and/or the payment of the Notes.

8.9. Indemnification. The Borrower agrees to indemnify, defend and hold the Lender and its members, managers, officers, employees and agents harmless from and against any and all loss, liability, obligation, damage, penalty, judgment, claim, deficiency and expense (including interest, penalties, attorneys' fees and amounts paid in settlement) to which such Person may become subject arising out of or based upon the Loan Documents or any Loan, WHETHER THROUGH THE ACTUAL OR ALLEGED NEGLIGENCE OF SUCH PERSON OR OTHERWISE, except and to the extent caused by the gross negligence, willful misconduct or bad faith of the Person otherwise so indemnified.

8.10. Entire Agreement. This SLWI Facility Agreement embodies the entire agreement between the Borrower and the Lender and supersedes all prior proposals, agreements and understandings relating to the subject matter hereof.

8.11. Severability. If any provision of any Loan Document shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby. Each waiver in the Loan Documents is subject to the overriding and controlling rule that it shall be effective only if and to the extent that (a) it is not prohibited by applicable law and (b) applicable law neither provides for nor allows any material sanction to be imposed against the Lender for having bargained for and obtained it.

8.12. Disclosures. Every reference in the Loan Documents to disclosures of the Borrower to the Lender, to the extent that such references refer to disclosures at or before the execution of this SLWI Facility Agreement, shall be deemed strictly to refer only to written disclosures delivered to the Lender in an orderly manner concurrently with the execution hereof.

8.13. Currency Conversion.

(a) For the purpose of the payment or recovery of any Obligation, the Lender may convert any monies received, recovered or realized (whether same be received, recovered or realized as a result of a court judgment or order or otherwise) from their existing currency of denomination into Dollars and any such conversion as the Lender may obtain from any bank's

then-prevailing spot selling rate of exchange at such office as such bank deems appropriate for such other currency against Dollars.

(b) Any sum received or recovered by the Lender on account of any such payment in any currency other than Dollars (whether as a result of legal proceedings in any foreign country or other steps taken to enforce such payment or otherwise) shall constitute a discharge of the Borrower only to the extent of the amount of Dollars (net of commission and other expenses of purchase) with the non-Dollar sum so received or recovered at such spot rate on the date of such receipt or recovery (or, if it is not practicable to make such a purchase on that date, on the first date thereafter on which it is practicable to do so).

(c) If the amount of Dollars so purchased (net as aforesaid) shall fall short of the amount denominated in Dollars which is payable by or recoverable from the Borrower, the Borrower shall and does hereby indemnify and hold harmless the Lender in Dollars against the amount of such shortfall, and until paid such amount shall bear interest at a rate per annum equal at all times to the Past Due Rate, which interest shall be payable on demand.

(d) The indemnity afforded by Section 8.13(c) shall constitute a separate obligation independent of the obligation to make the payment referred to in Section 8.13(b), shall give rise to an independent cause of action, shall apply irrespective of any indulgence granted by the Lender and shall continue in full force and effect notwithstanding and despite any judgment, order, claim or proof for a liquidated amount in respect of any other monies under any Loan Document or any judgment or order. No proof of evidence of actual loss shall be required to be produced by the Lender in connection with such indemnity.

8.14. Personal Property Securities Act.

(a) If the Lender determines that a Loan Document (or a transaction in connection with it) is or contains a security interest for the purposes of the PPSA, the Borrower agrees to do anything (such as obtaining consents, signing and producing documents, getting documents completed and signed and supplying information) which the Lender asks and considers necessary for the purposes of: (i) ensuring that the Security Document is enforceable, perfected and otherwise effective; (ii) enabling the Lender to apply for any registration, or give any notification, in connection with a Lien created under the Security Document so that the Lien has the priority required by the Lender; (iii) enabling the Lender to exercise the Lender's rights in connection with the Security Document; or (iv) providing more effective security over the Collateral.

(b) Everything the Borrower is required to do under this Section 8.14 is at the Borrower's expense. The Borrower agrees to pay or reimburse the reasonable costs of the Lender in connection with anything the Borrower is required to do under this Section 8.14.

(c) The Lender need not give any notice under the PPSA to the Borrower (including a notice of a verification statement (as defined in the PPSA)) unless the notice is required by the PPSA and cannot be excluded.

8.15. Consent to Jurisdiction; Waiver of Immunities.

(a) The Borrower hereby irrevocably submits to the jurisdiction of any federal or Texas state or court sitting in Houston, Texas in any action or proceeding arising out of or relating to any Loan Document, and the Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in any of the above courts. The Borrower hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Borrower hereby appoints CT Corporation or its affiliates or alternative registered agent approved by Lender (the "Process Agent") as its agent to receive on behalf of the Borrower and its Property service of copies of the summons and complaint and any other process which may be served in any such action or proceeding. Such service may be made by mailing or delivering a copy of such process to the Borrower in care of the Process Agent at the Process Agent's above address, and the Borrower hereby irrevocably authorizes and directs the Process Agent to receive such service on its behalf. As an alternative method of service, the Borrower also irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to the Borrower at its notice address set forth herein. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Nothing in this Section shall affect the right of the Lender to serve legal process in person or in any other manner permitted by law or affect the right of the Lender to bring any action or proceeding against any Obligor or its property in the courts of any other jurisdiction.

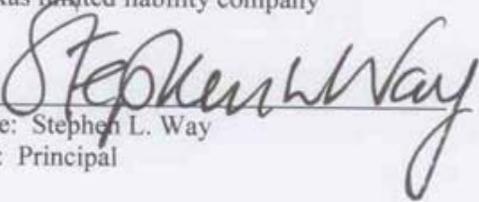
(c) To the extent that the Borrower may in any jurisdiction in which proceedings may be taken for the enforcement of any Loan Document be entitled at present or at any time in the future to claim for itself or any of its assets any immunity (including immunity from service of process, jurisdiction, suit, judgment, setoff, counterclaim, enforcement of or execution on a judgment, attachment (whether before judgment or in aid of execution) or other legal process) and to the extent that in any such jurisdiction there may at any time be attributed such immunity (whether or not claimed), the Borrower hereby, to the fullest extent permitted by the laws of such jurisdiction, irrevocably undertakes not to claim and hereby waives such immunity and hereby irrevocably agrees that it and all of its Property (whatever the purpose for which such Property is used) are and shall be subject to service of process, jurisdiction, suit, judgment, setoff, counterclaim, enforcement of or execution on a judgment, attachment (whether before judgment or in aid of execution) and all other legal processes, including the giving of relief, on account of the indebtedness and other obligations incurred by it pursuant to any Loan Document. For the purposes of the foregoing waiver and without prejudice to its generality, the Borrower hereby expressly acknowledges that such waiver is intended to be irrevocable for the purposes of the Foreign Sovereign Immunities Act of 1976 of the United States of America.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this SLWI Facility Agreement as of the date set forth above.

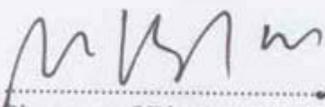
LENDER:

SLW INTERNATIONAL, LLC,
a Texas limited liability company

By: 
Name: Stephen L. Way
Title: Principal

BORROWER:

Executed by Mission NewEnergy)
Limited in accordance with section 127(1))
of the Corporations Act 2001:)
)


Signature of Director

SWAMINATHAN MAHALINGAM
Print Full name


Signature of Director (or Company Secretary)

Anurag BHATTNAGAR
Print Full name

- Exhibit A – Note
- Exhibit B – Request for Loan
- Exhibit C – Certificate of No Default
- Appendix I – Litigation
- Appendix II – Subsidiaries
- Appendix III – Contingent Liabilities

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See attached.

Exhibit A
Note

NOTE

US\$5,000,000.00

Brewster, New York

February ____, 2013

FOR VALUE RECEIVED, MISSION NEWENERGY LIMITED ACN 117 065 719 (“Maker”), an Australian corporation, promises to pay to the order of SLW INTERNATIONAL, LLC (“Payee”), a Texas limited liability company, at its offices or designated place for payment at 3635 Danbury Road, Brewster New York, 10509 or at such other place for payment as the holder of this note may hereafter designate in writing, in immediately available funds and in lawful money of the United States of America, the principal sum of FIVE MILLION DOLLARS (\$5,000,000.00) or the unpaid balance of all principal advanced against this note, if that amount is less, together with all past due amounts at the Past Due Rate; but for the full term of this note the interest rate produced by the aggregate of all sums paid or agreed to be paid to the holder of this note for the use, forbearance or detention of the debt evidenced hereby shall not exceed the Highest Lawful Rate.

This note is the Note that has been issued pursuant to the terms of that certain SLWI Loan Facility Agreement (as amended, supplemented and restated, the “SLWI Facility Agreement”) of even date herewith between Maker and Payee, to which reference is made for all purposes. Any term defined in the SLWI Facility Agreement and used in this note shall have the meaning ascribed to it in the SLWI Facility Agreement.

If, for any reason whatever, the interest paid or received on this note during its full term produces a rate which exceeds the Highest Lawful Rate, the holder of this note shall refund to the payor or, at the holder’s option, credit against the principal of this note such portion of said interest as shall be necessary to cause the interest paid on this note to produce a rate equal to the Highest Lawful Rate. All sums paid or agreed to be paid to the holder of this note for the use, forbearance or detention of the indebtedness evidenced hereby shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread in equal parts throughout the full term of this note, so that the interest rate is uniform throughout the full term of this note.

The principal of this note shall be due and payable on the Termination Date, the final maturity of this note. If the unpaid principal amount of this note exceeds the Commitment in effect on any date, as the same may be reduced under the terms of the SLWI Facility Agreement, a prepayment in the amount of such excess (subject to the provisions of the SLWI Facility Agreement) will then be due and payable and the principal amount of this note shall be deemed reduced accordingly. Subject to the terms of the SLWI Facility Agreement, Maker may at any time pay the full amount or any part of this note without payment of any premium or fee.

The unpaid principal balance of this note at any time shall be the total of all principal lent or advanced against this note less the sum of all principal payments and permitted prepayments made on this note by or for the account of Maker. All loans and advances and all payments and permitted prepayments made hereon may be endorsed by the holder of this note on the schedule which is attached hereto (and hereby made a part hereof for all purposes) or otherwise recorded

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EXHIBIT A - Page 1 of 3 Pages

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in the holder's records; but any failure to make notation of (a) any advance shall not cancel, limit or otherwise affect Maker's obligations or any holder's rights with respect to that advance, or (b) any payment or permitted prepayment of principal shall not cancel, limit or otherwise affect Maker's entitlement to credit for that payment as of the date received by the holder.

Subject to the terms of the SLWI Facility Agreement, Maker may use all or any part of the credit provided to be evidenced by this note at any time before the Termination Date. Maker may borrow, repay and reborrow and there is no limit on the number of advances against this note so long as the total unpaid principal at any time outstanding does not exceed the Commitment.

Advances against this note by Payee or other holder hereof shall be governed by the SLWI Facility Agreement. Payee is entitled to the benefits of and security provided for in the SLWI Facility Agreement. Such security includes the Security Documents.

The occurrence and continuation of an Event of Default shall constitute default under this note, whereupon the holder hereof may elect to exercise any or all rights, powers and remedies afforded (a) under the Loan Documents and (b) by law, including the right to accelerate the maturity of this entire note.

If any holder of this note retains an attorney in connection with any such default or to collect, enforce or defend this note or any papers intended to secure or guarantee it in any lawsuit or in any probate, reorganization, bankruptcy or other proceeding, or if Maker sues any holder in connection with this note or any such papers and does not prevail, then Maker agrees to pay to each such holder, in addition to principal and interest, all costs and out-of-pocket expenses incurred by such holder in trying to collect this note or in any such suit or proceeding, or, if greater, such attorneys' fees and other costs and expenses of collection as the court may award.

Maker and any and all co-makers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of intent to accelerate and notice of acceleration, notice of protest and notice of dishonor), demand, presentment for payment, protest, diligence in collecting and the filing of suit for the purpose of fixing liability and consent that the time of payment hereof may be extended and re-extended from time to time without notice to any of them. Each such Person agrees that his, her or its liability on or with respect to this note shall not be affected by any release of or change in any guaranty or security at any time existing or by any failure to perfect or maintain perfection of any Lien on any such security or the partial or complete unenforceability of any guaranty or other surety obligation, in each case in whole or in part, with or without notice and before or after maturity.

[Signature Page Follows]

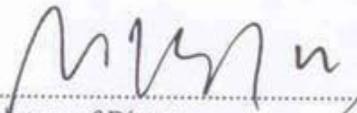
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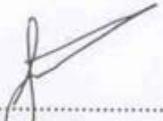
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MAKER:

Executed by Mission NewEnergy)
Limited in accordance with section 127(1))
of the Corporations Act 2001:)
)


.....
Signature of Director

SWAMINATHAN MAHALINGAM
.....
Print Full name


.....
Signature of Director (or Company Secretary)

Guy ALAIN BURET
.....
Print Full name

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ORIGINAL

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

MISSION BIOTECHNOLOGIES SDN BHD

AND

FELDA GLOBAL VENTURES DOWNSTREAM SDN BHD

17 April 2013

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ASSET PURCHASE AGREEMENT



THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made on this 17 April 2013,

BY AND BETWEEN:

(1) **FELDA GLOBAL VENTURES DOWNSTREAM SDN BHD**, a company incorporated in Malaysia (hereinafter referred to as "**Buyer**" and more fully described Part A of Schedule 1) on the one hand;

AND

(2) **MISSION BIOTECHNOLOGIES SDN BHD**, a company incorporated in Malaysia hereinafter referred to as "**Seller**" and more fully described in Part B of Schedule 1) on the other hand.

Seller and Buyer are individually and collectively referred to in this Agreement as a "**Party**" and the "**Parties**" respectively.

RECITALS

WHEREAS, Seller desires to sell certain Assets (as defined in this Agreement);

WHEREAS, Buyer desires to purchase the Assets for the Purchase Price (as set out in this Agreement) and on the terms set forth in this Agreement;

NOW THEREFORE, in consideration of the above recitals and the mutual representations, warranties, and covenants hereinafter set forth, the Parties, intending to be legally bound thereby, agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

1.1 DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

"Affected Party" means the Party which is materially and adversely affected by the imposition of conditions by any relevant Third Party;

"Affiliate" means, in relation to a Party, a corporation that is related to that Party within the meaning of section 6 of the Companies Act.

"Appeal" means an appeal filed or made by an Affected Party against any term or condition imposed by any relevant Third Party.

"Assets" means the Seller's rights and assets used in connection with the Business as at the Closing Date, being:



- (a) the Plant;
(b) the Fixed Assets;
(c) the Sub-Lease;
(d) the Technology Agreements;
(e) the Plans; and
(f) the Utility Agreements subject to Article 2.2 herein.

"Breach" means any breach of, or any inaccuracy in, any representation or warranty or any breach of, or failure to perform or comply with, any covenant or obligation, in or of this Agreement or any related agreement that forms part of this Agreement.

"Business" means the business of producing the Products at the Plant through the use and operation of the Assets.

"Business Day" means any day other than (i) Saturday or Sunday or (ii) any other day on which banks in Pahang are permitted or required to be closed.

"Business Premises" means the Sub-Lease Property, including buildings, shed, warehouses, stores, structures, and improvements, situated at the site of the Sub-Lease at Kuantan Port and used by Seller in the performance of the Business.

"Closing" means the consummation of the purchase and sale of the Assets pursuant to this Agreement in accordance with the provisions of Article 4.

"Closing Date" means the date on which the Closing occurs, as specified in Article 4.1.

"Closing Payment" shall have the meaning ascribed to it in Article 2.10.

"Conditions Precedent" shall have the meaning ascribed to it in Article 3.1.

"Consent" means the consents, permits, or approvals (other than Governmental Consents) of third parties necessary to transfer the Assets to Buyer or otherwise to consummate the Contemplated Transactions.

"Contemplated Transactions" means all of the transactions contemplated by this Agreement.

"Contracts" means all agreements (including any amendments and other modifications thereto) to which Seller is a party and which relate to the Business, and (i) which are in effect on the date of this Agreement or (ii) which are entered into by Seller between the date of this Agreement and the Closing Date.

"Crown" means Crown Iron Work Company.

"Crown Sign-Off" means the written formal advice to be issued by Crown pursuant to the milestone referred to in Item 6 Part B of Schedule 2 of the MTSA for the benefit of Buyer.

"Crown Sign-Off Payment" shall have the meaning ascribed to it in Article 2.9.



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"Cut Off Date" means the date on which Start Up occurs, provided that such date is no later than 30 June 2013, or such other date as mutually agreed by the Parties.

"Deposit" means the aggregate of the Initial Deposit and the Signing Payment.

"Effective Date" means the date of execution of this Agreement.

"Encumbrance" means any charge, claim through Proceeding or otherwise, community property interest, condition, equitable interest, lien, option, pledge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first option, right of first refusal or similar restriction, including any restriction on use, voting (in the case of any security or equity interest), transfer, receipt of income, or exercise of any other attribute of ownership.

"Exchange Rate" means the mid-day exchange rate for USD-RM as published by Bank Negara Malaysia for the Business Day preceding the day when payment is due to be made.

"Fixed Assets" means all fixed and movable production lines, machinery, equipment, fixtures, buildings and other items used in, or related to, the operation of the Plant details of which are set out in Part F of Schedule 3.

"Governmental Consents" means approvals, authorisations, operating licences, permits, certifications, consents, variances and permissions from or issued by federal, state or local governmental authorities and all pending applications therefor or renewals thereof in order to own and operate the Business Premises including but not limited to those set out in Part A of Schedule 3.

"Initial Deposit" shall have the meaning ascribed to it in Article 2.7.

"Landlord" means Lembaga Pelabuhan Kuantan and Kuantan Port Consortium Sdn Bhd, being the sub-lessor.

"Leasehold Improvements" means all improvements performed by Seller on the Sub Lease Property, including all structures, buildings, stores, warehouses, sheds, silos, tanks, all underground and over-ground pipelines, and all additions, alterations, remodelling and renovations thereto.

"M2 Plant" means the 250,000 tons per annum bio-diesel plant owned by Mission Biofuels Sdn Bhd, an Affiliate of the Seller, located adjacent to the Plant over the portion of the land held under Pajakan Negeri 550, Lot No. 1863, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang.

"M2 Written Undertaking" shall have the meaning ascribed to it in Article 2.5.

"Material Adverse Effect" means a material adverse effect on the Assets taken as a whole; provided that the foregoing shall not include any material adverse effect arising out of (i) general national, regional or local economic, competitive or market conditions, (ii) governmental or legislative laws, rules or regulations, or (iii) actions or omissions of Buyer or its agents.

"Milestones" shall have the meaning ascribed to it in Article 2.3(b).

"MTSA" shall have the meaning ascribed to it in Article 2.3(a).



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"Option Period" shall have the meaning ascribed to it in Article 2.5.

"person" means an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity, or a governmental body.

"Plans" means all plans including the technical drawings, maps, plans, diagrams, blueprints, and schematics relating to the design, structure, and layout of the production lines, machinery, structures, pipelines, and other Leasehold Improvements; descriptions of all the processes, formulae, chemicals, notes, schematics, specifications, operating procedures, models, and related materials pertaining to the conduct of the Business, the operation of the Plant and the manufacture of its Products, as listed in Part E of Schedule 2, and all revisions and modifications thereto, and where applicable as certified by Crown.

"Plant" means the bio-diesel refinery and all tangible property situated on the Sub Lease Property, details of which are set out in Part A of Schedule 2.

"Proceeding" means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, investigative, administrative, or informal), commenced, brought, conducted, or heard by or before, or otherwise involving, any court, governmental body or arbitrator including the proceeding described in Schedule 4.

"Products" means palm methyl ester to specifications EN 14214, palm fatty acid distillate, and crude or Refined Glycerine.

"Purchase Price" means the aggregate purchase price as determined pursuant to Article 2.6.

"Offer and Acceptance Letter" means the letter of offer dated 12 March 2013 from the Seller to the Buyer and the conditional letter of acceptance dated 27 March 2013 from the Buyer to the Seller confirming the Sellers intent to sell the Assets and the Buyers intent to buy the Assets.

"RM" means Ringgit Malaysia, the lawful currency of Malaysia.

"Signing Payment" shall have the meaning ascribed to it in Article 2.8.

"Start Up" means the re-commissioning of the Plant duly certified by Crown and the Plant producing Products to specification.

"Start Up Costs" means all cost and expenses reasonably required to be incurred in relation to the Start Up from the date of this Agreement to the Cut-Off Date including but not limited to costs and expenses in respect of raw materials, utilities, human resources and any Plant repairs maintenance required for Start Up, which shall first be approved by Buyer in writing.

"Sub-Lease" means the entire leasehold and rental interest in the land, Leasehold Improvements and appurtenances arising under the leases signed with Kuantan Port Consortium Sdn Bhd as described in Part B of Schedule 2.



"Sub-Lease Property" means the land and improvements on the land which are the subject of the Sub-Lease.

"Tax" means all forms of taxation whether direct or indirect and whether levied by reference to income, profits, gains, net wealth, asset values, turnover, added value or other reference and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions, rates and levies (including social security contributions and any other payroll taxes), whenever and wherever imposed (whether imposed by way of a withholding or deduction for or on account of tax or otherwise) and in respect of any person and all penalties, charges, costs and interest relating thereto.

"Technology Agreements" means all agreements and licences listed in Part C of Schedule 2.

"Third Party" means any government unit, department, ministry, instrumentality, agency, statutory board or commission, whether federal, state or local government, from whom a Governmental Consent is required to be obtained;

"USD" means United States Dollars, the lawful currency of the United States of America.

"Utility Agreements" means the agreements entered into with the utility providers listed in Part D of Schedule 2.

1.2 INTERPRETATION

- (a) This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto.
- (b) This Agreement and the documents to be delivered hereunder constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersede all prior and contemporaneous representations, understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and the documents to be delivered hereunder, the Exhibits and Schedules (other than an exception expressly set forth as such in the Schedules), the statements in the body of this Agreement will prevail.
- (c) The termination of this Agreement shall not prejudice the rights and remedies of either Party against the other in respect of any prior Breach of covenant, terms, warranty or condition.
- (d) The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.
- (e) Where the context implies words importing the singular number shall include the plural and vice versa and words importing the masculine shall include the feminine.
- (f) The Schedules form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement and any reference to this Agreement shall include the Schedules. The Parties agree to reserve the right to amend the content of the Schedules hereto from time to time and that any amendment to the Schedules shall be in writing and signed by both Parties.



- (g) If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.
- (h) No waiver by any Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. No waiver by any Party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

2. PURCHASE AND SALE

2.1 PURCHASE AND SALE OF ASSETS

Subject to the terms of this Agreement, the Seller agrees to sell, transfer and assign to the Buyer the Assets and the Buyer hereby agrees to purchase, receive and accept from the Seller the Assets free and clear of any Encumbrances with effect from Closing in consideration of the Purchase Price.

2.2 UTILITY AGREEMENTS, SUB-LEASE AND TECHNOLOGY AGREEMENTS

(a) Utility Agreements

Buyer may, at its discretion, elect to either: (i) enter into its own agreements with providers of utilities to the Plant, or (ii) cause the Seller to novate all or any of its agreements with providers of utilities, to the extent allowed by the providers of the utilities, to the Plant in favour of Buyer, but in any event Buyer shall not be liable for, and Seller agrees to keep Buyer indemnified against, any liability arising from any Utility Agreement incurred on or before the Closing Date.

For the avoidance of doubt, the Buyer shall pay all costs including the deposits for the supply of utilities.

(b) Sub-Lease and Technology Agreements

Buyer shall not be liable for, and Seller agrees to keep Buyer indemnified against, any liability arising from the Sub-Lease and/or the Technology Agreements incurred on or before the Closing Date.

2.3 MANAGEMENT AND TECHNICAL SERVICES AGREEMENT

(a) Management and Technical Services Agreement

Seller acknowledges that on or prior to the date of this Agreement, Seller and Buyer have entered into the Management and Technical Services Agreement ("MTSA") pursuant to which the Seller shall provide to Buyer certain management and technical services upon the terms and conditions set out in the MTSA for the purpose of,

among others, enabling Buyer to achieve Start Up and to operate the Plant and utilise the Assets for the purposes of undertaking the operations of the Business.

(b) **Milestones**

The MTSA contains provisions requiring the Seller to achieve certain milestones in connection with the delivery and effectuation of specific items and services ("**Milestones**").

2.4 DELIVERY OF INTERNAL AUTHORIZATIONS

Upon signing of this Agreement, Seller shall deliver to Buyer:

- (a) a certificate of the Company Secretary of Seller certifying as to (i) the resolutions of the board of directors of the Seller, duly adopted and in effect, which authorise the execution, delivery and performance of this Agreement and the transactions contemplated hereby, (ii) the names and signatures of the officers of the Seller authorised to sign this Agreement and the documents to be delivered hereunder; and
- (b) a resolution of the shareholders of the Seller approving this Agreement and the sale of the Assets by the Seller pursuant to this Agreement.

2.5 OPTION TO ACQUIRE M2 PLANT

Seller shall procure its Affiliate, Mission Biofuels Sdn. Bhd. to deliver at Closing in accordance with Article 4.2, a written undertaking to Buyer ("**M2 Written Undertaking**") that it shall not sell, deal with or otherwise dispose of, or offer to sell, deal with, or dispose of, all or any part of its interests in the M2 Plant for a period of ninety (90) days from Closing ("**Option Period**") without first giving Buyer an opportunity to make an offer to acquire the M2 Plant. In the event that any person apart from Buyer makes an offer to acquire all or part of the M2 Plant during the Option Period, Seller shall notify Buyer in writing of the offer and shall not dispose of all or any part of its interests in the M2 Plant without allowing Buyer to make an offer in respect of the M2 Plant within the Option Period.

2.6 PURCHASE PRICE

The aggregate purchase price for the Assets shall be USD Eleven Million Five Hundred Thousand (US\$11,500,000) (the "**Purchase Price**"). The Buyer shall pay the Purchase Price to Seller in accordance with the terms of this Agreement.

2.7 INITIAL DEPOSIT

Prior to the date of execution of this Agreement, Buyer had deposited the sum of RM Three Hundred Fifty Two Thousand Four Hundred and Seventeen and Fifty cent (RM352,417.50) being the equivalent of USD One Hundred and Fifteen Thousand (US\$115,000) calculated based on the exchange rate of RM3.0645 to USD1, being 1% of the Purchase Price to the Seller upon execution of the Offer and Acceptance Letter ("**Initial Deposit**").

2.8 SIGNING PAYMENT

Upon the execution of this Agreement, Buyer shall pay the sum of the USD One Million and Thirty Five Thousand (US\$1,035,000), being 9% of the Purchase Price to the Seller ("**Signing Payment**").



2.9 CROWN SIGN-OFF PAYMENT

Five (5) days after receipt of the Crown Sign-Off, Buyer shall pay the sum of USD Four Million, Six Hundred Thousand (US\$4,600,000), being 40% of the Purchase Price to the Seller ("Crown Sign-Off Payment").

2.10 CLOSING PAYMENT

On the Closing Date, Buyer shall pay the sum of USD Five Million Seven Hundred and Fifty Thousand (US\$5,750,000), being 50% of the Purchase Price to the Seller ("Closing Payment").

2.11 PAYMENT MODE

All payments to be made by Buyer to Seller under this Agreement shall be made in RM calculated based on the Exchange Rate and made to the following bank account of the Seller:

Bank Name	HSBC Bank
Bank Address	HSBC Bank Building, No. 2, Leboh Ampang, 50100 Kuala Lumpur
Type of Account	RM
Account Name	Mission Biotechnologies Sdn Bhd
Address of Account Holder	C-26-05,Dataran 3 Two Square, No.2 Jalan 19/1, 46300 Petaling Jaya, Selangor, Malaysia
Account Number	301-598769-101
SWIFT Code	HBMBMYKL

3. CONDITIONS PRECEDENT

3.1 SELLER'S CONDITIONS PRECEDENT

The Parties agree that this Agreement is conditional upon the Seller satisfying the following conditions (collectively the "Conditions Precedent" and each a "Condition Precedent"):

- (a) all Consents having been obtained;
- (b) the novation of the Sub-Lease resulting in the Buyer acquiring all the rights and liabilities of the Seller under the Sub-Lease which novation shall take effect from the Closing Date;
- (c) the novation of the Technology Agreements resulting in the Buyer acquiring all the rights and liabilities of the Seller under the Technology Agreements which novation shall take effect from the Closing Date;
- (d) all Governmental Consents having been obtained; and

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- (e) the achievement of the Milestones in a manner satisfactory to the Buyer as per the MTSA.

3.2 THIRD PARTY APPROVALS

3.2.1 Third Party Approval granted with conditions or not granted

In the event that the approval of a Third Party from whom an approval is required in order to satisfy a Condition Precedent:

- (a) is granted upon conditions or terms which makes a party an Affected Party; or
- (b) is not granted;

then in case of (a) the Affected Party may elect whether to accept (in which case the relevant Condition Precedent shall be deemed to have been fulfilled) or reject (in which case the relevant Conditions Precedent shall be deemed not to have been fulfilled) such terms or conditions by notice in writing to the other party within seven (7) days from the date of receipt of the approval and if it elects to reject such conditions, it shall also file an Appeal against such terms or conditions within fourteen (14) days from the date of receipt of the approval. In the case of (b) any Party may file an Appeal against the refusal within fourteen (14) days of its receipt of the refusal. If:

- (i) the relevant Third Party does not revert with the results of the Appeal on or before the Cut-Off Date; or
- (ii) relevant Third Party does not, in response to an appeal against its refusal, revert with an approval with terms and conditions satisfactory to the Affected Party on or before the Cut-Off Date, the relevant Condition Precedent shall (unless waived) be deemed to be unfulfilled.

3.2.2 Appeal

If the Appeal made by a Party shall not be allowed or if only partially allowed then the Affected Party shall have the option to elect either:

- (a) to accept the terms or conditions imposed by the relevant Third Party, in which case the Affected Party shall notify the other party of its decision in writing to so accept such terms and conditions within seven (7) days from the date of receipt of the decision by the relevant Third Party in respect of the Appeal, whereupon the relevant approval shall be deemed to have been obtained; or
- (b) to reject the terms and conditions imposed by the relevant Third Party, in which case the Affected Party shall also notify the other Party of its rejection in writing within seven (7) days from the date of receipt of the decision by the relevant Third Party whereupon the relevant approval shall be deemed to have not been obtained.

3.3 WAIVER OF CONDITION PRECEDENT

A Condition Precedent may only be waived in writing by the Buyer and will be effective only to the extent specifically set out in that waiver and may be subject to any conditions as may be determined by the Buyer at its discretion including that the Seller shall continue to be under the obligation to satisfy such Condition Precedent after the Cut-Off Date.



3.4 NOTIFICATION OF SATISFACTION OF CONDITION PRECEDENT

The Seller shall notify the Buyer of the satisfaction of any Condition Precedent as soon as is reasonably practicable after becoming aware of such satisfaction.

3.5 BEST ENDEAVOURS

The Seller shall use its best endeavours to ensure that the Conditions Precedent shall be fulfilled by the Cut-Off Date.

4. CLOSING AND CLOSING DELIVERABLES

4.1 CLOSING

- (a) Closing Date. The Closing of the transactions contemplated by this Agreement ("Closing") will take place on the date that is five (5) Business Days following the full satisfaction of the Conditions Precedent and there being no Breach by either Buyer or Seller immediately prior to Closing, unless the Parties agree otherwise.
- (b) Closing Place. The Closing shall be held at the offices of Buyer, or any other place that is agreed upon by the Parties.

4.2 CLOSING DELIVERABLES BY SELLER

At Closing, Seller shall deliver, or cause to be delivered to Buyer the following, in form and substance satisfactory to Buyer, ("Closing Deliverables by Seller"):

- (a) written evidence of the satisfaction of the Conditions Precedent;
- (b) the novation of the Sub-Lease and Technology Agreements executed by all parties, other than the Buyer;
- (c) the Plans;
- (d) the M2 Written Undertaking; and
- (e) such other customary instruments of transfer, assumption, filings or documents as may be normally required from Seller to give effect to this Agreement and to transfer the ownership in the Assets to the buyer.

4.3 CLOSING DELIVERABLES BY BUYER

At the Closing, Buyer shall deliver to Seller the following, in form and substance satisfactory to Seller:

- (a) the Closing Payment; and
- (b) the novation of the Sub-Lease as the case may be and Technology Agreements, duly executed by Buyer.

4.4 CURE

For all purposes under this Agreement, except in connection with a failure by Buyer to pay the Closing Payment on the Closing Date, the existence or occurrence of any events or circumstances that constitute or cause a Breach of a representation or warranty of Seller or Buyer under this Agreement on the date such representation or warranty is made shall be deemed not to constitute a breach of such representation or warranty if such event or circumstance is cured in all material respects on or before ten (10) Business Days after the



receipt by such Party of written notice thereof from the other Party or within a period mutually agreed.

4.5 TITLE AND RISK

For the avoidance of doubt, the title and risk in respect of the Assets being sold and purchased, shall pass from Seller to Buyer as and from the Closing Date.

5. INSURANCE

5.1 BUYER TO ACQUIRE INSURANCE FROM CLOSING DATE

Buyer shall acquire its own insurance for the Assets taking effect from the Closing Date. Seller shall cease all its insurance coverage on the Assets taking effect from the Closing Date.

5.2 SELLER TO ACQUIRE INSURANCE

Seller shall acquire industrial all risks insurance policy coverage in respect of the activities to be carried out at the Plant within fourteen (14) days from the execution of this Agreement. The Seller shall provide Buyer with a copy of the insurance policy as soon as reasonably practicable. The premium in relation to such insurance shall be considered a Start Up Cost and shall be payable by Buyer.

6. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer that the statements contained in this Article 6 and in Schedule 5 are true and correct as of the date hereof and continue to be true and correct up to the Closing Date.

6.1 ORGANISATION AND AUTHORITY OF SELLER; ENFORCEABILITY

Seller is duly incorporated under the laws of Malaysia. Seller has full corporate power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance by Seller of this Agreement and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorised by all requisite corporate action on the part of Seller. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by Seller, and (assuming due authorisation, execution and delivery by Buyer) this Agreement and the documents to be delivered hereunder constitute legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms.

6.2 NO CONFLICTS; CONSENTS

The execution, delivery and performance by Seller of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the certificate of incorporation, by-laws or other organisational documents of Seller; (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Seller or the Assets; (c) conflict with, or result in (with or without notice or lapse of time or both) any violation of, or default under, or give rise to a right of termination, acceleration or modification of any obligation or loss of any benefit under any contract or other instrument to which Seller is a party or to which any of the Assets are subject; or (d) result in the creation or imposition of any Encumbrance on



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the Assets. No consent, approval, waiver or authorisation is required to be obtained by Seller from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby, or these consents and approvals have been obtained.

6.3 TITLE TO ASSETS

Seller represents, warrants and undertakes that it owns and has good title to the Assets, free and clear of Encumbrances.

6.4 SUB-LEASE

- (a) Seller represents, warrants and undertakes to Buyer that Part B of Schedule 2 contains an accurate description of the Sub-Lease to which Seller is a party. The Sub-Lease is in full force and effect. Seller is in material compliance with the Sub-Lease, and, to the knowledge of Seller, there is not under the Sub-Lease any material default by any other party thereto or any event that, after notice or lapse of time or both, could reasonably be expected to constitute a material default. With respect to the Sub-Lease, all accrued and currently payable rent and other payments required thereunder have been paid.
- (b) With respect to the leasehold interests included in the Sub-Lease, so long as Seller fulfils its obligations under the Sub-Lease, Seller has enforceable rights to non-disturbance and quiet enjoyment of such leasehold interests.
- (c) All leasehold interests included in the Sub-Lease (including the improvements thereon) to the knowledge of Seller, comply with all applicable building or zoning codes and the regulations of any governmental authority having jurisdiction except for any non-compliance that could not reasonably be expected to have a Material Adverse Effect.

6.5 TECHNOLOGY AGREEMENTS

All of the Technology Agreements are valid and binding on Seller in accordance with its terms and are in full force and effect. Seller is in material compliance with the Technology Agreement. Seller has full legal power and authority to assign its rights under the Technology Agreements to Buyer in accordance with this Agreement.

6.6 INSURANCE

Part B of Schedule 3 sets forth a summary of all policies of insurance covering the Assets and such policies are in full force and effect.

6.7 LEGAL PROCEEDING

Except as set out in Schedule 4, there is no claim, action, suit, proceeding, or governmental investigation ("Proceeding") of any nature pending or, to Seller's knowledge, threatened against or by Seller (a) related to or affecting the Assets; or (b) that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement or shall result in the creation or existence of any Encumbrance or other restriction or limitation on Buyer's ability to enjoy ownership and/or benefits of the Assets. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Proceeding.



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6.8 ENVIRONMENTAL MATTERS

- (a) With respect to its operation of the Business, Seller is in compliance in all material respects with all laws, rules, and regulations of all federal, state, and local governments (and all agencies thereof) concerning the environment, and Seller has received no written notice of a charge, complaint, action, suit, proceeding, hearing, investigation, claim, demand, or notice having been filed or commenced against Seller in connection with its operation of the Business alleging any failure by Seller to comply with any such law, rule, or regulation or which would result in the creation or existence of any Encumbrance or other restriction or limitation on Buyer's ability to enjoy ownership and/or benefits of the Assets.
- (b) Except as set out in Schedule 4, to Seller's knowledge, Seller is in compliance in all material respects with all of the terms and conditions of all permits, licenses, and other authorisations which are required under, and are in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules, and timetables which are contained in, all federal, state, and local laws, rules, and regulations relating to pollution or protection of the environment, including laws relating to emissions, discharges, releases, or threatened releases of pollutants, contaminants, or chemical, industrial, hazardous, or toxic materials or wastes into ambient air, surface water, ground water, or lands or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, or chemical, industrial, hazardous, or toxic materials or wastes.

6.9 COMPLIANCE WITH LAWS

Seller is in material compliance with the authorisations and all federal, state, and local laws, rules, regulations, and ordinances applicable or relating to the ownership or operation by Seller of the Assets. Neither the ownership nor operation of the Assets by Seller conflicts in any material respect with the rights of any other person or entity.

6.10 INSOLVENCY

No insolvency proceedings of any character, including, without limitation, bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting Seller or any of the Assets is pending or, to Seller's knowledge, threatened, and Seller has not made any assignment for the benefit of creditors, nor taken any actions with a view to, or which would constitute the basis for, the institution of any such insolvency proceedings.

6.11 FULL DISCLOSURE

No representation or warranty by Seller in this Agreement and no statement contained in the Schedules to this Agreement or any certificate or other document furnished or to be furnished to Buyer pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

7. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that the statements contained in this Article 7 are true and correct as of the date hereof.

7.1 ORGANISATION, STANDING, AND AUTHORITY.

Buyer is a company duly incorporated under the laws of Malaysia. Buyer has full corporate power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance by Buyer of this Agreement and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorised by all requisite corporate action on the part of Buyer. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by Buyer, and (assuming due authorisation, execution and delivery by Seller) this Agreement and the documents to be delivered hereunder constitute legal, valid and binding obligations of Buyer.

7.2 NO CONFLICTS; CONSENTS

The execution, delivery and performance by Buyer of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the memorandum and articles of association of the Buyer ; or (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Buyer.

8. COVENANTS OF SELLER PRIOR TO CLOSING

Seller hereby pledges to perform the following covenants between the date of this Agreement and the Closing Date:

8.1 SELLER'S NOTIFICATION

Seller shall promptly notify Buyer in writing if Seller becomes aware of any fact or condition that causes or constitutes a Breach of any of Seller's representations and warranties as of the date of this Agreement, or if Seller becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. During the same period, Seller will promptly notify Buyer of the occurrence of any Breach of any covenant of Seller in this Article 8 (Covenants of Seller prior to Closing) or of the occurrence of any event that may make the satisfaction of the conditions in Article 3 (Conditions Precedent) impossible or unlikely.

8.2 CARE AND MAINTENANCE

Seller shall care for and maintain the Assets in all material respects in accordance with best industry practice until the Closing Date.

8.3 TECHNOLOGY AGREEMENTS

Seller shall not, without the prior written consent of Buyer, which consent shall not be unreasonably withheld, amend any Technology Agreements or enter into any contract or commitment relating to the Assets that will be binding on Buyer after Closing.



8.4 DISPOSITION OF ASSETS

Seller shall not sell, assign, lease, or otherwise transfer or dispose of any of the Assets.

8.5 ENCUMBRANCES

Between the Effective Date and the Closing Date Seller shall not create or assume any claim, liability, mortgage, lien, pledge, condition, charge, or encumbrance of any nature whatsoever upon the Assets.

8.6 COMPLIANCE WITH LAWS

Seller shall comply in all material respects with all laws, published policies, rules, and regulations applicable or relating to the ownership or operation by Seller of the Assets.

8.7 DEALINGS WITH ASSETS

Seller shall not, whether directly or indirectly, do, or omit to do, anything including tampering with the Asset, to prejudice or affect the value of the Assets prior to Closing.

8.8 EMPLOYMENT MATTERS

Seller shall not object, hinder or prevent Buyer from offering employment to any of Seller's employees. Seller shall give Buyer a free hand, without requiring prior approval from Seller, to conduct interviews with Seller's employees and make employment offers.

9. JOINT COVENANTS

9.1 PUBLIC ANNOUNCEMENTS

No announcement relating to the existence or subject matter of this Agreement shall be made or issued by or on behalf of any Party without the prior written consent of the other Party. In the event that such announcement is required pursuant to any law, applicable securities exchange, supervisory, regulatory or governmental body, the Party requesting such consent to the extent reasonably practicable and permitted, first consult and cooperate with the other Party on the proposed form, timing, nature and purpose of the announcement provided always that each Party shall use its best endeavours to procure such written consent within 24 hours of receipt of written notice requesting such consent, and such consent shall not be unreasonably be withheld.

9.2 CONFIDENTIAL INFORMATION

Neither Seller nor Buyer shall disclose to third parties (except to their respective agents, representatives and business associates who will be bound by this Article 9.2 any information designated as confidential and received from the other or its agents in the course of investigating, negotiating and consummating the transactions contemplated by this Agreement; provided, that no information shall be deemed to be confidential that (a) becomes publicly known or available other than through disclosure by the disclosing party; (b) is rightfully received by the disclosing party from a third party; or (c) is independently developed by the disclosing party. If this Agreement is terminated, each party shall return to the other all originals of all material provided by such other party or its agents and designated as confidential and all copies thereof shall be destroyed.



9.3 COOPERATION

Buyer and Seller shall cooperate fully with each other and their respective counsel and accountants in connection with any actions required to be taken as part of their respective obligations under this Agreement, and Buyer and Seller shall execute such other documents as may be necessary and desirable to the implementation and consummation of this Agreement, and otherwise use their reasonable efforts to consummate the transaction contemplated hereby and to fulfil their obligations under this Agreement.

9.4 FURTHER ASSURANCES

Following Closing, each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the Contemplated Transactions and the documents to be delivered hereunder.

10. TERMINATION

10.1 TERMINATION EVENTS

This Agreement may be terminated by notice given prior to or at the Closing (i) by either Buyer or Seller if a material Breach has been committed by the other Party and such Breach has not been remedied or waived within fourteen (14) days after written notice specifying the Breach has been sent to the other Party; (ii) by Buyer, if any Condition Precedent has not been satisfied as at the Cut-Off Date or if satisfaction of any Condition Precedent is or becomes impossible and Buyer has not waived such condition on or before the Cut-Off Date; (iii) by Buyer or Seller if the MTSA is terminated pursuant to Clauses 8.1(b) to (d) of the MTSA; or (iv) by mutual consent of Buyer and Seller.

10.2 EFFECT OF TERMINATION

Each Party's right of termination under Article 10.1 (Termination Events) is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Article 10.1 (Termination Events), all further obligations of the Parties under this Agreement will terminate, except that the obligations in Article 9.2 (Confidential Information) will survive; provided, however, that if this Agreement is terminated by a Party because of the Breach of the Agreement by the other Party, or because one or more of the conditions to the terminating Party's obligations under this Agreement is not satisfied as a result of the other Party's failure to comply with its obligations under this Agreement, the terminating Party's rights to pursue all legal remedies will survive such termination unimpaired. In the event that the Agreement is terminated prior to Closing for any reason other than a Breach caused by the Buyer, the Seller shall refund the full amount of all such monies paid by Seller to Buyer under this Agreement, including the Deposit and the Crown Sign-Off Payment if such payment has been made, are returned to Buyer within five (5) Business Days from the date of termination.

11. SURVIVAL; INDEMNIFICATION; CERTAIN REMEDIES

11.1 REPRESENTATIONS, WARRANTIES AND COVENANTS

All representations, warranties, covenants and agreements contained herein and all related rights to indemnification shall survive the Closing.



11.2 INDEMNIFICATION BY SELLER

Seller shall defend, indemnify and hold harmless Buyer, its affiliates and their respective stockholders, directors, officers and employees from and against all claims, judgments, damages, liabilities, settlements, losses, costs and expenses, including attorneys' fees and disbursements, arising from or related to:

- (a) any inaccuracy in or Breach of any of the representations or warranties of Seller contained in this Agreement or any document to be delivered hereunder; or
- (b) any Breach or non-fulfilment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement or any document to be delivered hereunder.

11.3 INDEMNIFICATION BY BUYER

Buyer shall defend, indemnify and hold harmless Seller, its affiliates and their respective stockholders, directors, officers and employees from and against all claims, judgments, damages, liabilities, settlements, losses, costs and expenses, including attorneys' fees and disbursements, arising from or related to:

- (a) any inaccuracy in or Breach of any of the representations or warranties of Buyer contained in this Agreement or any document to be delivered hereunder; or
- (b) any Breach or non-fulfilment of any covenant, agreement or obligation to be performed by Buyer pursuant to this Agreement or any document to be delivered hereunder.

11.4 PROCEDURE FOR INDEMNIFICATION

The procedure for indemnification shall be as follows:

- (a) Subject to Article 11.4(b), whenever any claim shall arise for indemnification hereunder, the Party entitled to indemnification (the "**Indemnified Party**") shall promptly provide written notice of such claim to the other Party (the "**Indemnifying Party**"). In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any Proceeding by a person or entity who is not a party to this Agreement, the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume conduct of any such Proceeding with counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall be entitled to participate in the defence of any such Proceeding, with its counsel and at its own cost and expense. If the Indemnifying Party does not assume the defence of any such Proceeding, the Indemnified Party may, but shall not be obligated to, defend against such Proceeding in such manner as it may deem appropriate, including, but not limited to, settling such Proceeding, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate and no action taken by the Indemnified Party in accordance with such defence and settlement shall relieve the Indemnifying Party of its indemnification obligations herein provided with respect to any damages resulting therefrom. The Indemnifying Party shall not settle any Proceeding without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld or delayed).
- (b) Buyer shall be entitled to assume conduct of any Proceedings irrespective of whether it is the Indemnified Party or the Indemnifying Party.



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11.5 CUMULATIVE REMEDIES

The rights and remedies provided in this Article 11 are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise.

12. GENERAL PROVISIONS

12.1 FEES AND EXPENSES

All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses.

12.2 NOTICES

All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized courier (receipt requested); (c) on the date sent by facsimile of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Article 12.2):

If to Seller: Mission Biotechnologies Sdn Bhd
Unit 725, 7th Floor
Block A, Kelana Centre Point
No. 3, Jalan SS7/19, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Fax No: +603-78808699
Attention: Swaminathan Mahalingam, Group CEO

If to Buyer: Felda Global Ventures Downstream Sdn Bhd
Level 5, Balai Felda, Jalan Gurney Satu, 54000 Kuala Lumpur
Fax No: +603-26970015
Attention: Abdul Halim Ahmad, Head of Downstream Cluster

12.3 SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

12.4 ASSIGNMENT

Neither Party may assign its rights or obligations hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed provided that Buyer may assign this Agreement and/or its rights hereunder to any of its Affiliates by written notification to Seller. No assignment shall relieve the assigning Party of any of its obligations hereunder.

12.5 GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of Malaysia.

12.6 SUBMISSION TO JURISDICTION

Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in the courts of Malaysia, and each Party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

12.7 TIME OF THE ESSENCE

Time shall be of the essence of this Agreement both as regards any dates, times and periods mentioned and as regards any dates, times and periods which may be substituted for them in accordance with this Agreement or by agreement in writing between the Parties.

12.8 COUNTERPARTS

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

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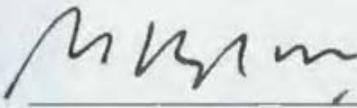


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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

SELLER

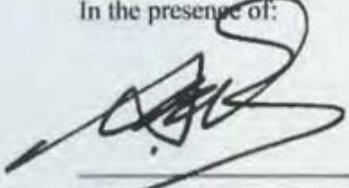
MISSION BIOTECHNOLOGIES SDN BHD

By: 

Name: **Swaminathan Mahalingam**

Title: **Group CEO**

In the presence of:



Name: **Samsudeen Ganny**

NRIC/ Passport No.:

BUYER

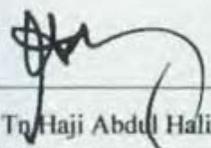
FELDA GLOBAL VENTURES DOWNSTREAM SDN BHD

By: 

Name: **Dato' Sabri Ahmad**

Title: **Group President/CEO**

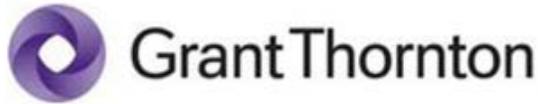
In the presence of:



Name: **Tn Haji Abdul Halim Ahmad**

NRIC/ Passport No.:

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31 October 2013

U.S. Securities and Exchange Commission
Office of the Chief Accountant
100 F Street, NE
Washington, DC 20549

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Re: Mission NewEnergy Limited

File No. 001-35022

Dear Sir or Madam:

We have read Item 16F of Form 20F of Mission NewEnergy Limited dated 31 October 2013 and agree with the statements concerning our firm contained therein.

Very truly yours,

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to read "M J Hillgrove", written over a horizontal line.

M J Hillgrove
Partner – Audit & Assurance

Grant Thornton Audit Pty Ltd ACN 130 913 594
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