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Carbon Conscious Limited ABN 20 129 035 221

31 August 2009

Company Announcements Office  
Australian Securities Exchange  
10<sup>th</sup> Floor  
20 Bond Street  
SYDNEY NSW 2000

**ANNOUNCEMENT NUMBER 49**

**Via: ASX Online**

**Number of Pages: 14** (including this page)

**ASX Code: CCF**

Dear Sir

**ASX Announcement 49 – ASX Preliminary Final Report for the Period Ending 30 June 2009**

Please find enclosed the ASX Preliminary Final Report (Appendix 4E) for the activities of Carbon Conscious Limited for the period ending 30 June 2009 as required under ASX Listing Rule 4.3A.

Yours sincerely

A handwritten signature in black ink that reads "Geraldine Holland".

**Geraldine Holland**  
Company Secretary

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# **CARBON CONSCIOUS LIMITED**

ABN 20 129 035 221

ASX Preliminary Final Report  
Appendix 4E

30 June 2009

Lodged with the ASX under Listing Rule 4.3A

**Results for Announcement to the Market****Consolidated**

|   |         | <b>2009<br/>\$'000</b> | <b>2008<br/>\$'000</b> |
|---|---------|------------------------|------------------------|
| Revenue from ordinary activities                | Up 188% | 260                    | 90                     |
| Profit (Loss) before income tax                 | Up 110% | (2,374)                | (1,130)                |
| Profit (Loss) after tax attributable to members | Up 110% | (2,374)                | (1,130)                |

**Dividends**

No dividends have been paid or declared since the start of the financial period and the directors do not recommend the payment of a dividend in respect of the financial period.

**Review of Operations**

Carbon Conscious Limited is an Australian company producing carbon credits through 'carbon farming' - the planting of Mallee Eucalypt trees in Australia's wheatbelt region. This is achieved through the Carbon Capture Program™ and involves partnering with landholders, carbon emitters and businesses under a form of carbon share farming to deliver benefits for each stakeholder.

The continued effects of the global financial crisis and the continued uncertainty around the adoption of a government instituted emission trading scheme combined to make 2009 a challenging year for the Company. The financial statements for the 2009 year reflect this challenge with losses equating to \$2.3M being booked to the accounts. The loss for the year is consistent with the "pre revenue" nature of the Company's operations.

During the year the Company invested heavily in human resources in land identification and acquisition, deal establishment and systems and procedures. In addition, the Company continued to develop carbon forecasting model(s) through exhaustive research and development involving the extensive collection and analysis of real growth data from existing plantations. Through this expenditure, the Directors believe that the Company has built a strong base to benefit from future demand for carbon credits.

Having established the Company on a "pre revenue" basis, a major initial goal of the Company was the finalisation of a substantial client agreement to fund plantings. Throughout the 2009 financial year significant effort was spent negotiating such arrangements and pleasingly, this culminated in early July 2009 with the announcement of a substantial contract with Origin Energy (see details below).

Representatives of Carbon Conscious have spent significant amount of time in Canberra over recent months discussing the various options for an Australian Emissions Trading Scheme and the Directors are encouraged that the leadership group of both major parties are now in favour of such a scheme. Whilst legislative uncertainty remains, the Directors are confident that the political process will shortly resolve the impasse between the major political parties on the issue. An appropriately structured implemented Emission Trading Scheme will provide the most effective forum for creating value from the mallee plantings undertaking by the Company.

Through the year, the Company restructured the Board of Directors to provide a greater degree of variety of experience, independence and corporate governance to the Company.

A summary of the key matters pertaining to the Company is as follows:

### **Carbon Conscious and Origin Agree Large Scale Carbon Forest Sink Deal**

- On 16 July 2009, Carbon Conscious Limited and Origin Energy Limited (ASX code: ORG) successfully completed due diligence and signed contracts for what is believed to be the largest carbon bio sequestration project in Australia to date, if fully exercised.
- The contract involves Origin paying Carbon Conscious to plant millions of native Mallee Eucalypt trees on less viable agricultural land in the wheatbelt regions of Australia for the production of Carbon Permits tradable under the Commonwealth Government's Carbon Pollution Reduction Scheme (CPRS).
- Origin has engaged Carbon Conscious to establish environmental carbon offset plantings over the first 3 seasons (2009, 2010 and 2011).
- These plantings will have a face value of approximately \$26 million and comprise both upfront planting and ongoing licence and management fees payable over the 15-year term of the arrangement.
- In addition, Carbon Conscious will provide options for Origin to take up further environmental plantings between 2010 and 2014.
- The face value of these additional plantings is up to \$143 million and would be paid in a combination of upfront planting and ongoing licence and management fees.
- If the options are exercised by Origin in full, the deal would represent what the parties believe will be the largest carbon forest sink development program in Australia to date with a value of up to \$169 million to be paid over the 15-year life of the project.
- This deal is the culmination of rigorous negotiation and due diligence and confirms the ASX announcement Carbon Conscious made on 7 May 2009 regarding the conclusion of commercial terms with a top 50 ASX Company.
- Although significant in its scale from an industry perspective, the deal represents a minor percentage of the Carbon Conscious planting capacity over the contract term and is expected to provide the platform for a significant ramp up of operations and new investment.

### **Australian CPRS Update**

- The emissions trading debate could be settled this year, with momentum building for a scheme to be bedded in the near future.
- On 13 August 2009, the Senate rejected the CPRS legislation. The Government has indicated their intention to reintroduce the legislation in November of 2009 after waiting the required three months.
- Failure to pass the legislation in November 2009 provides the Government with a "double dissolution" trigger.
- Opposition Leader Malcolm Turnbull has taken a conciliatory approach to emissions trading. He flagged the Opposition would try to modify the scheme instead of knocking it back.
- The ETS is due to start in 2011 and will put a price on greenhouse pollution.

### **International Matters**

- The implementation of an Emission Trading Scheme in the USA is seen by many as key driver to continued development of the world wide carbon market.
- A draft bill for a carbon trading scheme has emerged from the US House of Representatives.
- The draft bill will assist framing a cap and trade program in the single most important economy capable of attempting to reverse global warming.
- The latest draft is an important starting point as it recommends a slow start to cutting emissions - by 6 per cent of 2005 levels by 2020 - but then lifts the bar considerably.
- By 2030, it proposes cuts of 44 per cent on 2005 levels and then 80 per cent below 2005 levels by 2050.

- Other features include bonuses for renewable energy generators and incentives for the development of carbon capture and storage technology. 2005 levels by 2020, and 83 percent by mid-century.

#### **Board Alterations**

- On 19 March the Company appointed Mr Steve James Lowe as a Non-executive Director of Carbon Conscious Limited. Mr Lowe has extensive experience in energy markets, investment banking and funds management across national and international markets.
- On 25 June 2009, Mr Dan Stevens and Mr Ric Collins stepped down from their positions as executive directors of the Company. Both Mr Collins and Mr Stevens remain with the Company in an executive capacity and will focus primarily on operational matters as the Company prepares for the next stage of development.
- Effective 25 June 2009, Mr Mike Shields was reinstated to the position of Non-executive director having stepped down in November 2008 for family related reasons. Mr Shields is a well respected businessman in WA with significant farming and agricultural expertise and is very familiar with the operations of Carbon Conscious from his previous time on the Board.

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**Preliminary Consolidated Income Statement  
For the Year Ended 30 June 2009**

|  | Notes | 30 June 2009       | 2 January to<br>30 June 2008 |
|--|-------|--------------------|------------------------------|
|  |       | \$                 | \$                           |
| Revenue  | 4     | 268,170            | 89,822                       |
| Administrative expenses                          | 5     | (463,316)          | (208,174)                    |
| Compliance and regulatory expenses               |       | (54,031)           | (11,828)                     |
| Consultancy expenses                             |       | (301,640)          | (104,926)                    |
| Depreciation and amortisation expenses           |       | (47,199)           | (3,448)                      |
| Directors benefit expense                        |       | (468,179)          | (180,325)                    |
| Employee benefits expense                        |       | (614,099)          | (242,700)                    |
| Finance expenses                                 |       | (2,479)            | (1,392)                      |
| Marketing expenses                               |       | (183,070)          | (73,317)                     |
| Occupancy expenses                               |       | (110,678)          | (47,217)                     |
| Operating expenses                               | 5     | (25,665)           | (33,421)                     |
| Travel expenses                                  |       | (263,307)          | -                            |
| Option expense                                   |       | (108,227)          | (313,006)                    |
| Profit (Loss) before income tax                  |       | (2,373,720)        | (1,129,932)                  |
| Income tax benefit                               |       | -                  | -                            |
| <b>Net Profit (Loss) attributable to members</b> |       | <b>(2,373,720)</b> | <b>(1,129,932)</b>           |
| Basic profit (loss) per share (cents per share)  | 6     | (6.35)             | (5.88)                       |

The accompanying notes form part of these financial statements.

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**Preliminary Consolidated Balance Sheet  
As at 30 June 2009**

|                                  | Notes | 2009<br>\$       | 2008<br>\$       |
|----------------------------------|-------|------------------|------------------|
| <b>Current Assets</b>            |       |                  |                  |
| Cash and cash equivalents        |       | 2,854,109        | 6,649,103        |
| Trade and other receivables      |       | 148,881          | 133,998          |
| Inventories                      |       | 140,080          | 25,970           |
| Other assets                     |       | 720,929          | 5,000            |
| <b>Total Current Assets</b>      |       | <b>3,863,999</b> | <b>6,814,071</b> |
| <b>Non-Current Assets</b>        |       |                  |                  |
| Plant and equipment              |       | 737,845          | 33,294           |
| <b>Total Non-Current Assets</b>  |       | <b>737,845</b>   | <b>33,294</b>    |
| <b>TOTAL ASSETS</b>              |       | <b>4,601,844</b> | <b>6,847,365</b> |
| <b>Current Liabilities</b>       |       |                  |                  |
| Trade and other payables         |       | 368,250          | 348,277          |
| <b>Total Current Liabilities</b> |       | <b>368,250</b>   | <b>348,277</b>   |
| <b>TOTAL LIABILITIES</b>         |       | <b>368,250</b>   | <b>348,277</b>   |
| <b>NET ASSETS</b>                |       | <b>4,233,594</b> | <b>6,499,088</b> |
| <b>Equity</b>                    |       |                  |                  |
| Issued capital                   | 9     | 7,316,014        | 7,316,014        |
| Reserves                         |       | 415,187          | 313,006          |
| Accumulated losses               |       | (3,497,607)      | (1,129,932)      |
| <b>TOTAL EQUITY</b>              |       | <b>4,233,594</b> | <b>6,499,088</b> |

The accompanying notes form part of these financial statements.

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**Preliminary Consolidated Statement of Changes in Equity  
For the Year ended 30 June 2009**

|                                  | Share<br>Capital<br>Ordinary | Retained<br>Earnings | Option<br>Reserve | Total       |
|----------------------------------|------------------------------|----------------------|-------------------|-------------|
|                                  | \$                           | \$                   | \$                | \$          |
| <b>Balance at 2 January 2008</b> | 1                            | -                    | -                 | 1           |
| Shares issued during the year    | 7,851,625                    | -                    | -                 | 7,851,625   |
| Transaction costs                | (535,612)                    | -                    | -                 | (535,612)   |
| Options issued during the year   | -                            | -                    | 313,006           | 313,006     |
| Profit attributable to members   | -                            | (1,129,932)          | -                 | (1,129,932) |
| <b>Balance at 30 June 2008</b>   | 7,316,014                    | (1,129,932)          | 313,006           | 6,499,088   |
| Shares issued during the year    | -                            | -                    | -                 | -           |
| Option expense                   | -                            | -                    | 116,690           | 116,690     |
| Option cancellation              | -                            | 6,045                | (14,509)          | (8,464)     |
| Profit attributable to members   | -                            | (2,373,720)          | -                 | (2,373,720) |
| <b>Balance at 30 June 2009</b>   | 7,316,014                    | (3,497,607)          | 415,187           | 4,233,594   |

The accompanying notes form part of these financial statements.

**Preliminary Consolidated Cash Flow Statement  
For the Period 2 January 2008 to 30 June 2008**

|  | Notes | <b>2009</b><br>\$  | <b>2008</b><br>\$ |
|--|-------|--------------------|-------------------|
| <b>Cash Flows from Operating Activities</b>            |       |                    |                   |
| Payments to suppliers and employees                    |       | (3,413,084)        | (666,044)         |
| Interest received                                      |       | 276,746            | 66,845            |
| Interest paid  |       | (2,835)            | -                 |
| Other revenue  |       | 6,061              | -                 |
| <b>Net cash flows used in operating activities</b>     | 10    | <b>(3,133,112)</b> | <b>(630,169)</b>  |
| <b>Cash Flows from Investing Activities</b>            |       |                    |                   |
| Purchase of property, plant and equipment              |       | 661,882            | (36,742)          |
| <b>Net cash flows used in investing activities</b>     |       | <b>(661,882)</b>   | <b>(36,742)</b>   |
| <b>Cash Flows from Financing Activities</b>            |       |                    |                   |
| Proceeds from issue of shares                          |       | -                  | 7,851,625         |
| Payment of share issue costs                           |       | -                  | (535,612)         |
| <b>Net cash flows provided by financing activities</b> |       | <b>-</b>           | <b>7,316,014</b>  |
| <b>Net increase/(decrease) in cash held</b>            |       | <b>(3,794,994)</b> | <b>6,649,103</b>  |
| Cash at the beginning of the financial year            |       | 6,649,103          | -                 |
| <b>Cash at the end of the financial year</b>           |       | <b>2,854,109</b>   | <b>6,649,103</b>  |

The accompanying notes form part of these financial statements.

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**Notes to the Preliminary Consolidated Financial Statements**  
**Year ended 30 June 2009**

**1. BASIS OF THE PREPARATION OF THE PRELIMINARY FINAL REPORT**

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

This report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The accounting policies have been consistently applied, unless otherwise stated.

**2. INCOME TAX**

The Company has recognised an income tax benefit in 2009 of \$Nil (\$2008: Nil).

**3. DIVIDENDS**

The directors recommend that no dividend be paid for the year ended 30 June 2009, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

**4. REVENUE**

|                      | <b>2009</b> | <b>2008</b> |
|----------------------|-------------|-------------|
|                      | <b>\$</b>   | <b>\$</b>   |
| Operating activities |             |             |
| - interest received  | 259,497     | 89,822      |
| - planting income    | 7,998       | -           |
| - other income       | 675         | -           |
| Total revenue        | 268,170     | 89,822      |

**Notes to the Preliminary Consolidated Financial Statements**  
**Year ended 30 June 2009**

| <b>5. EXPENSES</b>             | <b>2009</b> | <b>2008</b> |
|--------------------------------|-------------|-------------|
|                                | <b>\$</b>   | <b>\$</b>   |
| <b>Expenses</b>                |             |             |
| Operating expenses             |             |             |
| - Cost of sales                | 16,264      | 33,421      |
| - Plantation management fees   | 1,666       | -           |
| - Landgate fees                | 7,735       | -           |
| Total operating expenses       | 25,665      | 33,421      |
| Administrative expenses        |             |             |
| - Administration charge        | 168,075     | 60,000      |
| - Legal expenses               | 129,263     | 3,312       |
| - Insurance expenses           | 20,527      | 9,278       |
| - Computer and system expenses | 55,643      | 31,899      |
| - Travel expenses              | -           | 67,604      |
| - Motor vehicle expenses       | 58,787      | 22,762      |
| - Other                        | 31,021      | 13,319      |
| Total administrative expenses  | 463,316     | 208,174     |

**Notes to the Preliminary Consolidated Financial Statements**  
**Year ended 30 June 2009**

| <b>6. EARNINGS PER SHARE (EPS)</b>                                     | <b>2009</b> | <b>2008</b> |
|--|-------------|-------------|
|  | ¢           | ¢           |
| Basic loss per share (cents per share)                                 | (6.35)      | (5.88)      |
| Weighted average number of shares used in the calculation of basic EPS | 37,375,000  | 19,186,805  |

The amount used in the numerator in calculating basic EPS is the same as the net profit (loss) reported in the income statement.

**7. SEGMENT REPORTING**

During the financial year the consolidated entity operated in Australia in the business segment of the production of carbon offsets.

| <b>8. NTA Backing</b>                         | <b>2009</b> | <b>2008</b> |
|---|-------------|-------------|
|   | ¢           | ¢           |
| Net tangible asset backing per ordinary share | 0.11        | 0.17        |

| <b>9. ISSUED &amp; PAID UP CAPITAL</b> | <b>2009</b>       | <b>2008</b>       |
|--|-------------------|-------------------|
|  | \$                | \$                |
| Ordinary shares fully paid             | 37,375,000        | 37,375,000        |
|  | <u>37,375,000</u> | <u>37,375,000</u> |

**Movements during the period:**

There was no movement in issued and paid up ordinary share capital of the Company during the year ended 30 June 2009.

**Notes to the Preliminary Consolidated Financial Statements**  
**Year ended 30 June 2009**

**10. NOTES TO THE STATEMENT OF CASH FLOWS**

|   |                    |                  |
|---|--------------------|------------------|
| Reconciliation of cash flow from operations with loss after income tax: | <b>2009</b>        | <b>2008</b>      |
|   | <b>\$</b>          | <b>\$</b>        |
| <b>Profit (Loss) after income tax</b>                                   | (2,373,720)        | (1,129,932)      |
| <b>Non cash-flows in loss</b>   |                    |                  |
| Equity settled transactions   | 108,226            | 313,006          |
| (Increase)/decrease stock on hand                                       | (114,110)          | (25,970)         |
| Employee entitlement provision  | 30,524             | 71,373           |
| Depreciation expense  | 47,199             | 3,448            |
| <b>Changes in assets and liabilities</b>                                |                    |                  |
| (Increase)/decrease in trade and other receivables                      | 14,883             | (133,998)        |
| Increase/(decrease) in trade payables and accruals                      | (110,419)          | 276,904          |
| (Increase) in other assets  | (715,929)          | (5,000)          |
| <b>Net cash flow used in operating activities</b>                       | <b>(3,101,969)</b> | <b>(630,169)</b> |
| <b>Reconciliation of Cash</b>   |                    |                  |
| Cash at bank and in hand  | 79,109             | 361,346          |
| Short-term bank deposits  | 2,775,000          | 6,287,757        |
|   | <b>2,854,109</b>   | <b>6,649,103</b> |

**11. EVENTS SUBSEQUENT TO REPORTING DATE**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

**12. CONTROLLED ENTITIES**

|                               | Country of Origin | Class of Share | Percentage Owned |      |
|-------------------------------|-------------------|----------------|------------------|------|
|                               |                   |                | 2009 %           | 2008 |
| Carbon Fund Australia Pty Ltd | Australia         | Ord            | 100              | -    |

**Notes to the Preliminary Consolidated Financial Statements  
Year ended 30 June 2009**

**13. COMPLIANCE STATEMENT**

This report is based on financial statements to which the following applies:

- |                                     |  |                          |   |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/>            | The financial statements have been audited.  | <input type="checkbox"/> | The financial statements have been supplied to review.          |
| <input checked="" type="checkbox"/> | The financial statements are in the process of being audited or subject to review. | <input type="checkbox"/> | The financial statements have not yet been audited or reviewed. |



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**Peter Balsarini**  
**Chief Executive Officer**

Date: 31 August 2009

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