



# carbonconscious

ABN 20 129 035 221

## Entitlements Issue Prospectus

**For a pro rata non-renounceable Entitlements Issue of New Shares to Shareholders of 1 New Share for every 2 Shares held at 5.00pm (WST) on 28 May 2010 at an issue price of 10 cents per New Share to raise approximately \$1.87m.**

The Company will seek quotation of the New Shares on ASX within 7 days of the date of this Prospectus.

### **Important Notice**

This is an important document which requires your immediate attention. It should be read in its entirety before deciding to participate. If you are in doubt about what to do, please contact your professional adviser without delay.

The investment offered pursuant to this Prospectus should be considered speculative. Investors may lose some or all of their money.



## **TABLE OF CONTENTS**

TABLE OF CONTENTS	1
IMPORTANT INFORMATION	2
CORPORATE DIRECTORY	3
CEO'S LETTER	4
TIMETABLE AND IMPORTANT DATES	6
SECTION 1 DETAILS OF THE OFFER	7
SECTION 2 RIGHTS ATTACHING TO SECURITIES	13
SECTION 3 RISK FACTORS	14
SECTION 4 EFFECT OF THE OFFER	17
SECTION 5 ADDITIONAL INFORMATION	19
SECTION 6 INFORMATION AVAILABLE TO SHAREHOLDERS	23
SECTION 7 DIRECTORS' CONSENT	25
SECTION 8 DEFINITIONS	26



## **IMPORTANT INFORMATION**

This Prospectus is dated 20 May 2010 and was lodged with ASIC on that date. Neither ASIC nor ASX, nor any of their officers, take any responsibility for the contents of this Prospectus.

No applications for New Shares will be accepted nor will any New Shares be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The offer contained in this Prospectus is only available for acceptance by Shareholders with a registered address as at the Record Date in Australia or New Zealand. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe the requirements of these laws. Non-observance by such persons may violate securities laws. Any recipient of this Prospectus residing outside Australia and New Zealand should consult their professional advisers on requisite formalities. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Investors can only apply for New Shares on the accompanying Acceptance Form and on the terms and conditions referred to in this Prospectus. Please read carefully the instructions on the reverse of the Acceptance Form regarding an application for New Shares pursuant to this Prospectus.

In preparing this Prospectus, regard has been given to the fact that as the Company is a disclosing entity for the purpose of the Corporations Act, it is subject to regular reporting and disclosure obligations. Accordingly, certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to section 713 of the Corporations Act. Section 713 allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering.

This document is important and it should be read in its entirety. The New Shares to be issued pursuant to this Prospectus should be viewed as a speculative investment and investors should refer to the Risk Factors affecting the Company set out in Section 3. Accordingly, before deciding to apply for New Shares, potential investors should consider whether or not such New Shares are a suitable investment having regard to their personal circumstances. If in doubt, potential investors should consult their stockbroker, solicitor, accountant or other professional adviser prior to completing and lodging an Acceptance Form.

No person is authorised to give any information or to make any representation in relation to the Offer which is not contained in this Prospectus and any such information may not be relied upon as having been authorised by the Directors.

A copy of this Prospectus can be downloaded from the Company's website at [www.carbonconscious.com.au](http://www.carbonconscious.com.au). The offer constituted by an electronic version of this Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. There is no facility for Applications to be accepted electronically or by applying online. The Corporations Act prohibits any person from passing on to another person the Acceptance Form unless it is attached to or accompanied by a complete and unaltered version of the Prospectus. The Company will not accept a completed Acceptance Form if it has reason to believe that the Applicant has not received a complete and unaltered copy of the Prospectus. Any person may obtain a hard copy of this Prospectus by contacting the Company prior to the Closing Date.

A number of terms and abbreviations used in this Prospectus have defined meanings set out in Section 8.



## **CORPORATE DIRECTORY**

### **Directors**

Stephen Lowe, Non-executive Chairman  
Peter Balsarini, Chief Executive Officer  
Nadaisan Logaraj, Non-executive Director  
Michael Shields, Non-executive Director  
Andrew McBain, Non-executive Director

### **Company Secretary**

Timothy Jones

### **Registered Office**

Level 1, 1 Outridge Crescent, Subiaco WA 6008

### **Stock Exchange Listing**

Australian Securities Exchange  
(Home exchange: Perth, Western Australia)

### **Australian Securities Exchange**

**Code: CCF**

### **Share Registry**

Advanced Share Registry Services  
150 Stirling Highway, Nedlands WA 6009

### **Solicitors**

Price Sierakowski Corporate  
Level 24, 44 St Georges Terrace, Perth WA 6000

### **Manager to the Issue**

Alto Capital  
Level 17 Exchange Plaza, 2 The Esplanade, Perth WA 6000

### **Auditors**

HLB Mann Judd  
Level 4, 130 Stirling Street, Perth WA 6000



## CEO'S LETTER

20 May 2010

Dear Shareholder

The Board is pleased to offer Shareholders the opportunity to participate in a 1 for 2 non-renounceable entitlement issue of New Shares. Each New Share will be issued at an issue price of 10 cents per New Share.

All Shareholders registered at 5.00pm (WST) on 28 May 2010 will be entitled to participate in the non-renounceable entitlement issue offered under this Prospectus. Generally, shares purchased on market in the period from 24 May 2010 to 28 May 2010 are NOT entitled to participate in the entitlement issue. If you have any doubt, please seek professional advice.

The Closing Date for acceptances is 5.00pm (WST) on 15 June 2010.

The Company will seek quotation of the New Shares on ASX within seven (7) days of the date of this Prospectus.

The Board encourages all Shareholders take up their Entitlements and advises that each of the Directors will fully take up their respective Entitlements.

The Company has experienced significant progress since its last capital raising when it listed on the ASX on 16 May 2008. Since the listing, Carbon Conscious has continued to develop its business model of producing carbon credits through carbon farming – the planting of Mallee Eucalypt trees in Australia's wheatbelt region.

The Company is preparing for a planting of approximately 6 million trees in the 2010 planting season and continues to develop its systems and procedures.

Having listed the business on a "pre revenue" basis, the Company has since finalised two significant contracts with strong counter parties: Origin Energy and BP. These contracts relate to contracts to plant trees in the 2009, 2010 and 2011 planting seasons. In addition to the revenue generated from planting activities in the planting seasons, the contracts also lock in management fee revenue for the Company over the life of the contracts of 15 years.

In December 2009, the Australian Senate rejected the Labor Government's legislation on the Carbon Pollution Reduction Scheme ("CPRS"), which requires emitters of carbon to buy permits for their carbon liability. On 27 April 2010, Prime Minister Kevin Rudd announced that the Government had deferred efforts to pass the CPRS legislation until late 2012. The Directors note that the political outcome of such efforts remains uncertain. Shareholders should refer to the risk factors summarised in Section 3 for further information.

Significantly, the Government reconfirmed its commitment to the 2020 target reductions in greenhouse gas emissions. The Government noted that a range of energy efficiency and abatement opportunities would be developed in the interim between now and the proposed commencement of the CPRS. The Directors believe that the Company's business model of bio-sequestration via native tree plantings provides one of the most cost effective and environmental friendly measures to meet this target.



For this reason, the Company remains committed to the protection of core competencies around bio-sequestration planting with a view to ensuring the Company's ability to scale up operations to meet the significant demand for the Company's services, which are anticipated to arise if the CPRS is adopted.

While the decision by the Government is extremely disappointing, given the Government's previously stated position, Carbon Conscious remains confident of future opportunities and value creation for Shareholders. The Company is currently assessing new opportunities and looks forward to further clarification as to the nature of the abatement opportunities on offer.

The Company continues to make inroads into the voluntary market for carbon abatement and its hard won credibility and long term contracts provide a solid base for this expansion.

The Company is in a position of having contracted relationships with existing customers which continue irrespective of the delay in the scheme and they provide ongoing planting and management revenue.

The funds raised by the Offer will be used for:

1. Acquisition of agricultural land for planting of trees for carbon sink purposes in the 2010 and 2011 planting seasons.
2. Continued development of voluntary market activities.
3. Expansion activities in alternative carbon markets and carbon related opportunities.
4. Working capital of the business.

In conjunction with the Offer, the Company today announced a convertible note arrangement of approximately \$2 million, in order to further secure the cash position of the Company. The terms of the convertible notes are set out in section 1.21 of this Prospectus.

The Board takes this opportunity to thank all Shareholders for their support and looks forward to your continued support in the future.

An investment in the Company is subject to risk and should be considered speculative. Shareholders should carefully consider the risk factors summarised in Section 3.

Yours faithfully

**Peter Balsarini**  
**CEO and Executive Director**



## TIMETABLE AND IMPORTANT DATES

EVENT	DATE
Announce pro rata issue and apply for quotation	20 May 2010
Prospectus lodged with ASIC and ASX	20 May 2010
Send notice to securities holders	21 May 2010
'Ex' Date	24 May 2010
Record Date for determining entitlements	28 May 2010
Despatch of Prospectus	31 May 2010
Closing Date	15 June 2010
Entity notifies ASX of under subscriptions	17 June 2010
Despatch Date	21 June 2010

These dates are indicative only and may, subject to the requirements of the Listing Rules and the Corporations Act, be changed without notice.

*\* Shareholders should consult their brokers or professional advisors in regards to the definition of 'Ex' Date and Record Date to ensure that their entitlement to participate in the Offer is assured.*

*\*\* The Directors reserve the right to vary the Closing Date, which may have a consequential effect on other dates. The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such, the date the New Shares are expected to commence trading on ASX may vary.*



## **SECTION 1 DETAILS OF THE OFFER**

### **1.1 Purpose of the Offer**

The purpose of the Offer is to raise approximately \$1.87 million before transaction costs which will be used by the Company for the following purposes:

- (a) Acquisition of agricultural land for planting of trees for carbon sink purposes in the 2010 and 2011 planting seasons.
- (b) Continued development of voluntary market activities.
- (c) Expansion activities in alternative carbon markets and carbon related opportunities.
- (d) Working capital of the business.

### **1.2 Details of the Offer**

The Company offers for subscription approximately 18,687,500 New Shares. The New Shares are being offered on the basis of one (1) New Share for every two (2) Shares held on the Record Date. In the calculation of any entitlement, fractions will be rounded up to the nearest whole number.

The Company has on issue 37,375,000 Shares. All holders of ordinary shares in the Company on the Record Date are entitled to participate in the Offer. Option holders who exercise their Options after the date of this Prospectus but prior to the Record Date are entitled to participate in the Offer.

Each New Share is offered for subscription at an issue price of 10 cents payable in full on application.

### **1.3 Entitlement**

The number of New Shares to which each Shareholder is entitled is shown on the enclosed personalised Acceptance Form. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be the maximum Entitlement.

Shareholders may accept their Entitlement in full or part by returning a completed Acceptance Form to the Company's share registry by 5.00 pm (WST) on 15 June 2010.

### **1.4 Non-Renounceable Issue**

The offer of New Shares pursuant to this Prospectus is non-renounceable. This means Shareholders cannot sell or otherwise transfer their Entitlements. Shareholders who do not accept their Entitlement will receive no benefit.

### **1.5 Terms and Conditions of New Shares**

The New Shares are fully paid ordinary shares and rank equally in all respects with the fully paid ordinary shares currently on issue.

The terms and conditions on which the New Shares are issued are set out in Section 2 of this Prospectus.

### **1.6 No Minimum Subscription**

There is no minimum subscription for the Offer.



## **1.7 Oversubscriptions**

Oversubscriptions will not be accepted.

## **1.8 Underwriting**

This Offer is not underwritten.

## **1.9 Shortfall**

If any Shortfall remains after Shareholders have taken up their Entitlements, the Directors reserve the right pursuant to Listing Rule 7.2 (exception 3) to place any Shortfall with parties selected by them. All Shortfall will be placed within 3 months of the Closing Date and will be issued on the same terms as are being offered to Shareholders pursuant to this Prospectus. New Shares not taken up by Shareholders will not be placed to the Directors or any associates of the Directors.

## **1.10 Capital Structure**

The Company has on issue 37,375,000 Shares.

The Company has on issue 12,775,000 Options with the following exercise price and expiry date:

- 7,200,000 options at \$0.60 exercisable on or before 31 December 2010
- 1,875,000 options at \$0.20 exercisable on or before 31 March 2011
- 500,000 options at \$0.60 exercisable on or before 8 August 2013
- 500,000 options at \$0.50 exercisable on or before 30 November 2010
- 900,000 options at \$0.58 exercisable on or before 31 December 2011
- 300,000 options at \$0.40 exercisable on or before 31 December 2013
- 800,000 options at \$0.60 exercisable on or before 31 March 2012
- 500,000 options at \$0.58 exercisable on or before 31 October 2010
- 200,000 options at \$0.60 exercisable on or before 31 December 2011

As announced to ASX on 20 May 2010, the Company has entered into agreements to issue convertible notes on or about 1 June 2010 to raise up to \$2,000,000, which, subject to all necessary Shareholder and regulatory approvals having been obtained, will be convertible to Shares at a specified formula. Please see Section 1.21 for details.

Pursuant to the Offer, the Company is intending to issue approximately 18,687,500 New Shares. Accordingly, assuming the Offer is fully subscribed and none of the existing Options on issue are exercised, the total number of Shares in the Company on issue will be 56,062,500 and the total number of Options on issue will be 12,775,000 at the completion of the Offer.

Option holders who exercise their Options after the date of this Prospectus but prior to the Record Date are entitled to participate in the Offer.



### **1.11 Allocation and Allotment of New Share**

The Offer pursuant to this Prospectus may be accepted in whole or in part.

Subject to ASX granting approval for quotation of the New Shares, the allotment of the New Shares will occur as soon as practicable after the Offer closes. Statements of Shareholdings will be despatched as required by ASX.

### **1.12 Application Monies to be Held in Trust**

The Application Monies for the New Shares to be issued pursuant to the Offer will be held in a separate bank account on behalf of applicants until the New Shares are allotted.

### **1.13 Expenses of the Offer**

The expenses which are payable by the Company for advisory fees, legal fees, printing fees and other costs incurred in preparing and distributing this Prospectus in respect of the Offer are estimated to be approximately \$38,000.

### **1.14 Quotation of New Shares**

The Company will apply to ASX for quotation of the New Shares within seven days after the date of this Prospectus. If an application for quotation of the New Shares is not made within seven days after the date of this Prospectus, or ASX does not grant permission for official quotation of the New Shares within three months after the date of this Prospectus, applications will be dealt with in accordance with section 724 of the Corporations Act. No interest will be paid on any returned Application Money.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

### **1.15 How to Apply for New Shares**

An application for New Shares in response to this Offer may only be made on the Acceptance Form that accompanies this Prospectus.

Instructions as to how to complete the Acceptance Form are included on the reverse of the Acceptance Form. Applications that are not made on an Acceptance Form will not be accepted by the Company.

Applications for New Shares must be accompanied by the appropriate Application Money for the number of New Shares applied for in the Acceptance Form. Cheques should be drawn on an Australian bank in Australian dollars and should be made payable to **Carbon Conscious Limited – Share Issue Account** and be crossed “Not Negotiable”.

BPay service is available and Applicants are required to quote the reference number indicated on the Acceptance Form, which is unique for each shareholder.



Completed Acceptance Forms and accompanying cheques should be delivered before the Closing Date to:

**Advanced Share Registry Services  
150 Stirling Highway  
NEDLANDS WA 6009**

*Or posted to:*

**Advanced Share Registry Services  
PO Box 1156  
NEDLANDS WA 6909**

### **1.16 CHESS And Issuer Sponsorship**

The Company operates an electronic CHESS sub-register and an electronic issuer sponsored sub-register. These two sub-registers make up the Company's register of shares. The Company will not issue certificates to New Shareholders. Rather, holding statements (similar to bank statements) will be despatched to New Shareholders as soon as practicable after allotment. Holding statements will be sent either by CHESS (for New Shareholders who elect to hold New Shares on the CHESS sub-register) or by the Company's Share Registry (for New Shareholders who elect to hold their New Shares on the Issuer sponsored sub-register). The statements will set out the number of New Shares allotted under the Prospectus and provide details of a Shareholder's Holder Identification Number (for New Shareholders who elect to hold New Shares on the CHESS sub register) or Reference Number (for New Shareholders who elect to hold their New Shares on the issuer sponsored sub-register). Updated holding statements will also be sent to each New Shareholder following the month in which the balance of their holdings of New Share changes, and also as required by the ASX Listing Rules or the Corporations Act.

### **1.17 Risks**

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 3 of this Prospectus. The New Shares on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, Applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

Factors affecting an investment in the Company include stock market fluctuations, competition risks, counter party risk, political risk, economic risks and external market factors, additional requirements for capital, regulatory issues and governmental policy regarding environmental protection.

Investors are directed to Section 3 of this Prospectus which sets out certain key risks associated with making an investment in the Company.



### **1.18 Overseas Investors**

The offer contained in this Prospectus is only available for acceptance by Shareholders with a registered address as at the Record Date in Australia or New Zealand. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation. No action has been taken to register this Prospectus or otherwise to permit a public offering of New Shares in any jurisdiction outside Australia or New Zealand.

### **1.19 Privacy Disclosure**

Persons who apply for New Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for New Shares, to provide facilities and services to Shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for New Shares will not be processed. In accordance with privacy laws, information collected in relation to specific Shareholders can be obtained by that Shareholder through contacting the Company or the Share Registry.

### **1.20 Taxation**

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the New Shares. Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the New Shares in the Company or dealing with an Entitlement under this Offer.

### **1.21 Convertible Note Terms**

In addition to the rights issue to existing shareholders under this Prospectus, the Company has entered into agreements to raise up to \$2 million by way of the issue of Convertible Notes to two sophisticated investors to further facilitate future funding and growth of the Company. The key terms of the Convertible Notes are summarised below:

- (a) The funding term commences on 1 June 2010 and will be 13 months in duration ("Funding Term").
- (b) The notes will each have a face value of \$100,000.
- (c) 10 notes will be issued to Augustus Minerals Limited (ASX Code AUJ) to raise \$1 million at the commencement of the Funding Term and will remain on issue during the entire Funding Term.
- (d) Notes will be issued to Broadacre Asset Management Limited to a maximum number of 10 (equal to \$1 million) at any one time at the election of the Company during the Funding Term. Notes may be redeemed by the Company at its election during the Funding Term.
- (e) A coupon rate of 12% per annum will be paid quarterly in arrears on the outstanding amounts of the Notes.



- (f) At the expiry of the Funding Term the noteholders have the option to:
- Extend the Funding Term on the terms offered by the Company.
  - Require the Company to redeem the notes for the face value.
  - Convert the notes to Shares in the Company at the lower of:
    - 10% discount to the volume weighted average price of the Shares on ASX over the previous 20 days in which trades in the Shares occurred.
    - \$0.15 per Share.
- (g) Conversion of the notes to Shares will be subject to all necessary Shareholder and regulatory approvals having been obtained. If those approvals are not obtained, the Company will redeem the notes and will pay an additional amount to the noteholders equal to 20% of the face value of the notes.
- (h) If the conversion price calculated above is \$0.10 or less, the Company can elect to redeem the notes at their face value.

## **1.22 Enquiries**

This document is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, solicitor, accountant or other professional adviser without delay.

Questions relating to the Offer can be directed to the Company on +61 8 9286 5999.

Questions relating to the completion of the Acceptance Forms can be directed to the Company's Share Registry, Advanced Share Registry Services on +61 8 9389 8033.



## SECTION 2 RIGHTS ATTACHING TO SECURITIES

### Terms and Conditions of Shares

The rights attaching to the New Shares are derived through a combination of statute, the Company's constitution, common law, the Listing Rules and other applicable legislation. The following is a broad summary (though not an exhaustive or definitive statement) of the current rights that attach to Shares in the Company.

#### (a) Voting Rights

Subject to any rights or restrictions attached to any class of shares, whether by their issue, the Constitution, the Listing Rules or the Corporations Act, at a general meeting each Shareholder present in person or by proxy, company representative or attorney, is entitled to one vote on a show of hands. Upon a poll, every Shareholder present in person or by proxy, company representative or attorney, is entitled to one vote for each fully paid share that the Shareholder holds.

#### (b) General Meetings

Each Shareholder is entitled to receive notice of and to be present, to vote and to speak at a general meeting of the Company. Further, each Shareholder is entitled to receive all notices, accounts and other documents required to be furnished to Shareholders under the constitution of the Company, the Listing Rules or the Corporations Act.

#### (c) Dividend Rights

The Company may in general meeting declare a dividend which shall not exceed the amount recommended by Directors. The Company does not expect to pay dividends in the short to medium term.

#### (d) Transfer of Shares

Subject to the constitution of the Company, the Corporations Act, the ASTC Settlement Rules and the Listing Rules, Shares are freely transferable. Shares may only be transferred by a proper instrument in writing delivered to the Company, and the transferor is deemed to remain the holder of the Shares until the name of the transferee is entered into the Company's register of members. The Company may decline to register a transfer where permitted by law, the Listing Rules or the ASTC Settlement Rules.

#### (e) Changes in Capital

Subject to the Corporations Act, the constitution of the Company and the Listing Rules, the Directors may consolidate, or divide the Shares, allot, issue or otherwise dispose of new Shares on such terms and conditions as they determine.

#### (f) Variation of Rights

The Company may only modify or vary the rights attaching to any class of Shares by a special resolution of the Company and a special resolution passed at a meeting of the holders of the issued Shares of that class.

#### (g) Rights on Winding Up

Subject to the rights of holders of Shares with special rights in a winding up (at present there are none), on a winding up of the Company all assets that may be legally distributed among members will be distributed in proportion to the number of Shares held by them, irrespective of the amount paid up.



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## SECTION 3 RISK FACTORS

### 3.1 Investment Risks

The business activities of the Company are subject to various risks that may impact on the future performance of the Company. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. There are a number of risk factors that investors should consider and seek independent advice on, before deciding whether or not to invest in New Shares. The principal risk factors include, but are not limited to the following:

#### (a) Agricultural Risk

As an agricultural business the Company is subject to the risks specific to agriculture including:

- Flood and drought;
- Natural disasters;
- Pest and disease; and
- Yield variance.

#### (b) Political Uncertainty – CPRS

In December 2009 the Australian Senate rejected the Labor Government's legislation on the Carbon Pollution Reduction Scheme ("CPRS"), which requires emitters of carbon to buy permits for their carbon liability and as such would create a mandatory market for the Company's output. On 27 April 2010, Prime Minister Kevin Rudd announced that the Government had deferred efforts to pass the CPRS legislation until late 2012.

Whilst the Government has indicated that it intends to continue its efforts to pass the legislation in the medium term, the political outcome of the legislation remains uncertain. There is also the possibility of a change of Government should an election be held in the short to medium term. In this case, the new Government may not support the introduction of a CPRS.

Even if a CPRS is legislated for in Australia, there is no guarantee that emitters of carbon would seek the Company's services.

#### (c) Government Policy Change

Government action or policy change in relation to environmental policies, Carbon Markets, taxation, property rights and Carbon Rights may adversely affect the Company's operational and financial performance. The market for Carbon Credits into the future is dependent on a number of variables surrounding the Government's decisions in these areas.

#### (d) Economic Risks

General economic conditions, movements in interest and inflation rates and currency changes may have an adverse impact on the Company's activities as well as its ability to fund those activities.



**(e) Future Capital Needs**

Further funding may be required by the Company to support its ongoing activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of the Company and, consequently, its performance. Any additional equity financing will dilute Shareholders and debt financing, if available, may restrict the Company's financing and operating activities.

**(f) Price Risk**

The prices the company receives for its product are subject to market forces that are beyond the control of the Company. The Company monitors the stability and trends of market prices closely and where possible will negotiate agreements that reflect market prices and maintain adequate underlying profit margins.

**(g) Ability to Access Suitable Raw Materials at Cost Effective Prices**

An inability to access suitable land, Mallee Eucalypt Tree seeds and seedlings at cost effective prices will adversely affect the Company's performance.

**(h) Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

**(i) Competition**

There is a risk that the Company will not be able to compete profitably in the competitive industry in which it intends to operate. The possibility exists for the nature and extent of competition to change rapidly which may result in loss to the Company.

**(j) Insurance**

The Company may where economically practical and available endeavour to mitigate potential risks through relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover.

**3.2 Specific Risks Associated with the Company**

There are also a number of specific risks associated with the Company which may adversely affect the Company's financial position, prospects and price of its listed securities. In particular, the Company is subject to risks relating to the production of Carbon Credits, which are not generally associated with other businesses.

Set out below are specific risks that may adversely affect the Company:

**(a) Carbon Market Development**

As the market for Carbon Credits is an emerging market, it may display volatile pricing and be subject to uncertainty, speculation and regulatory intervention. This may adversely affect the profitability of the Company into the future.



**(b) Scientific and Technology Breakthroughs**

The market for Carbon Offsets may be affected by any major scientific or technological breakthrough into the future that provides:

- An alternative and widely agreed explanation for the phenomenon of Global Warming that debunks the notion that carbon dioxide emissions are the significant cause of Global Warming.
- Alternative methods for the mass production of economic output that does not involve Carbon Dioxide emission and therefore renders the need for Carbon Offsets production as obsolete. Examples could include such things as clean coal technologies and alternative natural energy sources.
- An alternative method of Carbon Abatement that is significantly less costly and widely adopted. Examples could include major developments in Carbon Capture via geo-sequestration.

**(c) Rate and Amount of Carbon Sequestered**

Although significant scientific resources and knowledge are utilised to forecast both rates and total amount Carbon sequestered from Mallee Eucalypt Trees over a given period of time, these forecasts are reliant upon a number of underlying assumptions that may or may not occur. The total amount of Carbon sequestered and the rate at which this Carbon is sequestered may vary, which in turn may affect the Company's performance into the future.

**(d) Contract / Counter Party Risk**

The Company has contractual arrangements with third parties to provide services of tree planting, management and monitoring of trees over an extended period of time. The inability of these counter parties to provide remuneration for these services or any other breach of the agreements may adversely affect the profitability of the Company in the future.

**(e) Early Phase Nature of the Company**

Carbon Conscious was established on 2 January 2008 and listed on ASX on 16 May 2008. Since listing, Carbon Conscious has continued to develop its business model and has finalised two significant contracts with strong counter parties. Despite these developments, the Company remains a young company with limited historical financial information or operating history.

This Prospectus must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stages of development and operation.

The Company is subject to operational risks including for example:

- Cash flow problems
- Securing supply agreements
- Finalising off take or sale agreements

## SECTION 4 EFFECT OF THE OFFER

### 4.1 Use of Funds

Under the Offer, approximately 18,687,500 New Shares are available for issue and will be issued if the Offer is fully subscribed (either by Shareholders accepting the offer under this Prospectus or pursuant to the Directors' discretion to place any Shortfall referred to in Section 1.9 of this Prospectus).

After expenses of the Offer, the proceeds from the Offer of New Shares will be approximately \$1.832 million (assuming that the Offer is fully subscribed and none of the existing Options on issue are exercised).

These funds will be applied, together with the funds raised by the issue of convertible notes referred to in Section 1.21, over the next two years for the following purposes:

1. Acquisition of land for planting of trees for carbon sink purposes in the 2010 and 2011 planting seasons.
2. Continued development of voluntary market activities.
3. Expansion activities in alternative carbon markets and carbon related opportunities.
4. Working capital of the business.

If less than the full subscription is received, the funds will be applied firstly to the costs of the Offer and then to the Company's working capital.

### 4.2 Effect of the Offer

Assuming the Offer is fully subscribed, and none of the existing Options on issue are exercised, the principal effect of the Offer will be to:

- (a) increase cash reserves by approximately \$1.832 million after deducting estimated expenses of the Offer; and
- (b) increase the number of Shares on issue from 37,375,000 as at the date of this Prospectus to 56,062,500.

Please see Section 1.10 of this Prospectus for further details regarding the effect of the Offer on the Company's capital structure.

The following schedule details the estimated costs of the offer:

No.	Type	Amount
1.	Corporate Advisory Fees / Expenses	\$25,000
2.	Legal Fees / Expenses	\$5,000
3.	Share Registry Fees / Expenses	\$8,000
	<b>Total</b>	<b>\$38,000</b>



### 4.3 Pro Forma Balance Sheet

Set out below is:

- (a) a balance sheet of the Company as at 31 December 2009 as reviewed by auditors; and
- (b) an unaudited pro-forma balance sheet of the Company as at 31 December 2009 incorporating the following pro forma adjustments:
  - Recognition of the equity raising under this prospectus
  - Adjustment for the Convertible Note as described in Section 1.21 of this Prospectus.
  - Recognition of the application of proceeds of the Equity Raising and Convertible Note to the reduction of trade and other payables in the amount of \$2.5 million and to Property Plant and equipment in the amount of \$3 million.

	Balance Sheet as reviewed by auditors as at 31 December 2009 (\$)	Balance Sheet as adjusted for Pro Forma adjustments (\$)
Current Assets		
Cash and cash equivalents	4,215,423	2,582,923
Trade and other receivables	221,175	221,175
Inventories	469,034	469,034
Other assets	160,010	160,010
<b>Total Current Assets</b>	<b>5,065,642</b>	<b>3,433,142</b>
Non-Current Assets		
Carbon development expenditure	1,500,308	1,500,308
Property, plant and equipment	2,412,132	5,412,132
<b>Total Non-Current Assets</b>	<b>3,912,440</b>	<b>6,912,440</b>
<b>Total Assets</b>	<b>8,978,082</b>	<b>10,345,582</b>
Current Liabilities		
Convertible Note	-	2,000,000
Unearned income	2,925,000	2,925,000
Trade and other payables	2,728,439	228,439
<b>Total Current Liabilities</b>	<b>5,653,439</b>	<b>5,153,439</b>
<b>Total Liabilities</b>	<b>5,653,439</b>	<b>5,153,439</b>
<b>Net assets</b>	<b>3,324,643</b>	<b>5,192,143</b>
Equity		
Issued Capital	7,316,014	9,183,514
Reserves	530,448	530,448
Accumulated losses	(4,521,819)	(4,521,819)
<b>Total Equity</b>	<b>3,324,643</b>	<b>5,192,143</b>



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## SECTION 5 ADDITIONAL INFORMATION

### 5.1 Nature of this Prospectus

This Prospectus is issued under the special prospectus content rules for continuously quoted securities in section 713 of the Corporations Act. This enables listed disclosing entities, such as the Company, to issue a prospectus for continuously quoted securities with modified disclosure requirements if they satisfy certain requirements.

The information in this Prospectus principally concerns the terms and conditions of the Offer and the information reasonably necessary to make an informed assessment of:

- the effect of the Offer on the Company; and
- the rights and liabilities attaching to the New Shares offered by this Prospectus.

The Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the New Shares.

### 5.2 Continuous Reporting and Disclosure Obligations

The Company is listed on ASX and its Shares are quoted on ASX under the code “CCF”.

The Company is a “disclosing entity” for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at an office of ASIC.

The Company will provide a copy of all documents used to notify ASX of information relating to the Company under the provisions of the Listing Rules since the lodgement of the Company’s Annual Report on 30 September 2009 free of charge to any Shareholder who so requests prior to the Closing Date. A list of those documents for the period ended 30 September 2009 to the time of lodging this Prospectus is set out in Section 6.

### 5.3 Market Prices of Shares

The highest and lowest recorded closing market sale prices of the Shares quoted on ASX during the three (3) month period immediately prior the date of this Prospectus were \$0.29 (as at 19 February 2010) and \$0.09 (as at 6 May 2010) respectively.

The last closing market sale price of the Shares on ASX on the last day that trading took place in the Shares prior to the date of this Prospectus was \$0.115 (as at 18 May 2010).



#### 5.4 Litigation

The Company is not involved in any legal proceedings nor have any such legal proceedings been threatened.

#### 5.5 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer;
- and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:
  - to induce him to become, or to qualify him as, a Director; or
  - for services rendered by him in connection with the formation or promotion of the Company or the Offer.

All Directors have stated that they intend to take up their full Entitlement under the Offer. The direct and indirect interests of the Directors in the securities of the Company as at the date of this Prospectus are as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Stephen Lowe	Nil	10,000	Nil	600,000
Nadaisan Logaraj	Nil	694,664	300,000	Nil
Michael Shields	241,335	291,250	300,000	Nil
Andrew McBain	Nil	34,000	Nil	300,000
Peter Balsarini	1	161,249	900,000	500,000

- (a) Stephen Lowe has received fees of \$40,000 (exclusive of superannuation) prior to the day before the date of this Prospectus for services rendered to the Company since 1 July 2009. Mr Lowe is entitled to receive cash remuneration of \$50,000 per annum (exclusive of superannuation).
- (b) Nadaisan Logaraj has received fees of \$40,000 (exclusive of superannuation) prior to the day before the date of this Prospectus for services rendered to the Company since 1 July 2009. Mr Logaraj is entitled to receive cash remuneration of \$50,000 per annum (exclusive of superannuation).
- (c) Michael Shields has received fees of \$40,000 (exclusive of superannuation) prior to the day before the date of this Prospectus for services rendered to the Company since 1 July 2009. Mr Shields is entitled to receive cash remuneration of \$50,000 per annum (exclusive of superannuation).



- (d) Andrew McBain has received fees of \$40,000 (exclusive of superannuation) prior to the day before the date of this Prospectus for services rendered to the Company since 1 July 2009. Mr McBain is entitled to receive cash remuneration of \$50,000 per annum (exclusive of superannuation).
- (e) Peter Balsarini has received salary of \$137,500 (exclusive of superannuation) prior to the day before the date of this Prospectus for services rendered to the Company since 1 July 2009. Mr Balsarini is entitled to receive cash remuneration of \$150,000 per annum (exclusive of superannuation).

The annual financial report for the period ended 30 June 2009 details amounts paid to Directors prior to 1 July 2009.

- Each Director is a party to a Deed of Access and Indemnity with the Company.
- The Company has effected Directors' and Officers' Liability and Corporate Reimbursement insurance on behalf of the Directors. The Company intends to maintain this insurance.

## 5.6 Consents

Price Sierakowski Corporate has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in the Prospectus as solicitors to the Offer in the form and context in which it is named.

Alto Capital has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in the Prospectus as the Company's manager in the form and context in which it is named.

HLB Mann Judd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in the Prospectus as the Company's auditors in the form and context in which it is named.

Advanced Share Registry has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in the Prospectus as the Company's share registrar in the form and context in which it is named.

None of the four parties named above have made any statement included in this Prospectus, nor any statement on which a statement in this Prospectus is based on and do not accept any responsibility for the contents of this Prospectus.

## 5.7 Disclosure of Interests of Non-Directors

No person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus holds, or has held within two years before lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer, other than as set out below or elsewhere in this Prospectus.



No person has paid or agreed to pay any amount or has given or agreed to give any benefit to an underwriter, or a person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, other than as set out below or elsewhere in this Prospectus.

Price Sierakowski Corporate has acted as solicitors to the Offer and has performed legal work in relation to the Offer. The Company estimates as at the date of this Prospectus that it will pay amounts totalling approximately \$5,000 (excluding GST and disbursements) to Price Sierakowski Corporate for this work. Work in relation to the Offer after the date of this Prospectus will be charged at usual rates.

Alto Capital has acted as manager to the Offer. The Company estimates as at the date of this Prospectus that it will pay amounts totalling approximately \$25,000 (excluding GST and disbursements) to Alto Capital for this work. Work in relation to the Offer after the date of this Prospectus will be charged at usual rates.

Advanced Share Registry has acted as share registrar to the Offer. The Company estimates as at the date of this Prospectus that it will pay amounts totalling approximately \$8,000 (excluding GST and disbursements) to Advanced Share Registry for this work. Work in relation to the Offer after the date of this Prospectus will be charged at usual rates.

## **5.8 Electronic Prospectus**

Pursuant to Class Order 00/044, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant Acceptance Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic version of the form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## SECTION 6 INFORMATION AVAILABLE TO SHAREHOLDERS

The Company will provide a copy of each of the following documents, free of charge, to any Shareholder who so requests prior to the Offer of the New Shares pursuant to this Prospectus:

- (a) the Full Year Financial Report for the period ended 30 June 2009;
- (b) the Interim Financial Report for the Company for the period ended 31 December 2009; and
- (c) the documents set out below used to notify ASX of information relating to the Company during the period after lodgement of the Full Year Financial Report of the Company for the period ended 30 June 2009 (being September 2009) and prior to the date of this Prospectus.

<b>Date</b>	<b>ASX Announcement</b>	<b>No.</b>
17/05/2010	Release from Escrow	75
13/05/2010	Response to ASX Appendix 4C Query	-
12/05/2010	Response to ASX Appendix 3Y Query	-
07/05/2010	Change of Director's Interest Notice	74
06/05/2010	CCF Broadcast re CPRS Delay	73
03/05/2010	Escrow Release	72
30/04/2010	Appendix 4C - quarterly	71
14/04/2010	Appendix 3Y - Change in Director's Holdings (Andrew McBain)	70
25/03/2010	Appendix 3Y - Change in Director's Holdings (Steve Lowe)	69
17/03/2010	CCF Announces Amendment to Carbon Forest Sink Agreement with Origin	68
15/03/2010	Director Resignation and Appendix 3Z	67
26/02/2010	Half Yearly Reports and Accounts	66
29/01/2010	Appendix 4C - Quarterly	65
25/03/2010	Appendix 3Y - Change in Director's Holdings	69
17/03/2010	CCF Announces Amendment to Carbon Forest Sink Agreement with Origin	68
15/03/2010	Director Resignation and Appendix 3Z	67
26/02/2010	Half Yearly Reports and Accounts	66
29/01/2010	Appendix 4C - Quarterly	65
14/12/2009	CCF Broadcast	64
11/12/2009	Amended Appendix 3Y	63
11/12/2009	Company Secretary Appointment/Resignation	62
07/12/2009	Options Issue and Appendices 3B, 3Y and 3X	61
01/12/2009	Results of CCF Annual General Meeting	60
27/11/2009	Appendix 3Y - Change in Director's Holdings	59
23/11/2009	Response to ASX Appendix 3Y Query	-
16/11/2009	Appendix 3Y - Change in Director's Holdings	58
05/11/2009	Alteration to Notice of Meeting	57
30/10/2009	Notice of Annual General Meeting/Proxy Form/Annual Report	56



30/10/2009	Appendix 4C - quarterly	55
15/10/2009	Carbon Conscious Audio Broadcast with CEO Peter Balsarini	54
14/10/2009	BP and Carbon Conscious Agree Deal	53
14/10/2009	Trading Halt	-
30/09/2009	Annual Report to shareholders	52

Please note that all of the above documents are available from the ASX webpage at [www.asx.com.au](http://www.asx.com.au).



## **SECTION 7 DIRECTORS' CONSENT**

This Prospectus is dated 20 May 2010 and is issued by Carbon Conscious Limited.

The Directors have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive. In respect of any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC, or to the Directors knowledge, before any issue of New Shares pursuant to this Prospectus.

This Prospectus is prepared on the basis that certain matters may reasonably be expected to be known to likely investors or their professional advisors.

Each of the Directors of Carbon Conscious Limited has consented to the lodgement of this Prospectus in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

Signed for and on behalf of Carbon Conscious Limited.

**Peter Balsarini**  
**CEO and Executive Director**  
**20 May 2010**



## SECTION 8 DEFINITIONS

**“Acceptance Form”** means the personalised Acceptance Form accompanying this Prospectus.

**“Applicant”** means an applicant for New Shares who duly completes an Acceptance Form and pays the applicable Application Money.

**“Application”** means a valid application for New Shares under this Prospectus.

**“Application Money”** means the aggregate amount of money payable for New Shares applied for in the Acceptance Form.

**“ASIC”** means the Australian Securities and Investments Commission.

**“ASX”** means ASX Limited (ABN 98 008 624 691).

**“Business Day”** means any day which is defined to be a Business Day pursuant to Listing Rule 19.12 of the Listing Rules.

**“CHES”** means Clearing House Electronic Sub-register System of ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).

**“Closing Date”** means 5:00 pm (WST) on 15 June 2010 or such other date as may be determined by the Directors consistent with this Prospectus.

**“Company”** or **“Carbon Conscious”** means Carbon Conscious Limited (ABN 20 129 035 221).

**“Corporations Act”** means the Corporations Act 2001 (Cth).

**“Constitution”** means the constitution of the Company.

**“CPRS”** means a carbon pollution reduction scheme.

**“Cth”** means the Commonwealth of Australia.

**“Directors”** means the directors of the Company.

**“Dollars”** or **“\$”** means dollars in Australian currency.

**“Entitlement”** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**“GST”** means goods and service tax levied in Australia pursuant to A New Tax System (Goods and Services Tax) Act 1999 (Cth).

**“Listing Rules”** means the Listing Rules of the ASX.

**“New Share”** means a fully paid ordinary share in the Company issued pursuant to this Prospectus.

**“New Shareholders”** means any holders of New Shares in the Company.

**“Offer”** means the offer of approximately 18,687,500 New Shares under this Prospectus.

**“Option”** means an option to acquire a Share in the capital of the Company.



**“Optionholder”** means the holder of an Option as recorded in the register of the Company.

**“Prospectus”** means this prospectus dated 20 May 2010.

**“Record Date”** means the date to determine who is eligible to be offered New Shares in accordance with this Prospectus which is 5:00pm (WST) on 28 May 2010.

**“SCH Business Rules”** means the business rules of ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532) as the approved Securities Clearing House under the Corporations Act.

**“Share”** means a fully paid ordinary share in the Company.

**“Shareholder”** means the holder of a Share as recorded in the register of the Company.

**“Shortfall”** means the number of New Shares comprising the difference between the New Shares, the subject of the Offer and the number of New Shares for which valid applications have been received and accepted by the Company by the Closing Date.

**“WST”** means Western Standard Time in Perth, Western Australia.