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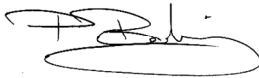
ASX Code: CCF

Dear Sir

Quarterly Report for the Period ended 31 December 2011 (Appendix 4C)

Please find attached the Quarterly Report for the activities of Carbon Conscious Limited for the period ended 31 December 2011 as required under ASX Listing Rule 4.7B.

Yours faithfully



Peter Balsarini
CEO & Executive Director
Carbon Conscious

encl.

Carbon Conscious Ltd – Background

Carbon Conscious operates plantation forests by utilising low productivity or degraded farm land in low rainfall areas to plant Mallee Eucalypt trees, a native species perfectly adapted to the growing conditions of the Australian wheatbelt. This creates large scale carbon estates, which produce carbon offset credits for the Commonwealth Government's Clean Energy Act 2011 and under the Carbon Farming Initiative. Carbon Conscious Limited was listed on the ASX in May 2008, and currently has over 8,000 hectares of Mallee Eucalypt trees under management in Western Australia and operates extensive plantations in New Zealand. For more information, see www.carbonconscious.com.au.

CARBON CONSCIOUS LIMITED QUARTERLY REPORT – PERIOD ENDED 31 DECEMBER 2011

1. COMPANY OVERVIEW

Carbon Conscious Limited (ASX: CCF) is Australasia's leading carbon forest sink project developer, having secured major transactions with clients such as Origin Energy and BP. Carbon Conscious Limited produces carbon credits by planting native trees on marginal agricultural land in Australia's wheatbelt region and pine trees on the North Island of New Zealand.

In both Australia and New Zealand, the Carbon Conscious - Carbon Capture Program™ involves partnering with landholders, carbon emitters and businesses under a form of carbon share farming to deliver benefits for each stakeholder. These benefits include an offset of carbon emissions for businesses and significant environmental benefits to farmers and landholders such as the reduction of the effects of salinity and soil erosion on their land.

Carbon Conscious combines its extensive experience in the Mallee Eucalypt, New Zealand Forestry, Agricultural and Funds Management industries to deliver these benefits.

We are a leading supplier of carbon credits to the ever expanding national and international markets. We strive to be the company of choice for carbon emitters and businesses looking for quality and certainty of carbon credit supply in sufficient commercial volumes.

2. QUARTERLY UPDATE

2.1 Political Update

- The Clean Energy Bill 2011 was passed by the Senate on 8 November 2011.
- Australia will commence an Emissions Trading Scheme (ETS) on 1 July 2012 with an initial fixed price of \$23 rising at 2.5% per annum until 2015. After 2015 the flexible price period commences with carbon pricing predicted to be around \$29 per tco₂-e.
- This together with the Carbon Farming Initiative (CFI) which passed on 23 August 2011, creates an important mechanism for land based carbon projects to generate carbon credits called Australian Carbon Credit Units (ACCUs) that can be used by the top 500 liable parties under the Clean Energy Act to acquit their liability. Importantly, Carbon Conscious is expected

to produce ACCUs in large quantities via its Australian Mallee Eucalypt Project.

- In addition, the CFI allows Australian credits to be traded offshore for the first time. This will allow the Company to pursue new international clients to gain additional revenue.

3. CORPORATE UPDATE

- On 11 November 2011, the Company announced that Origin Energy exercised their options under the current Plantation Agreement and brought forward contracted plantings from 2013 to 2012. This has resulted in an expanded program for 2012 to approximately 10 million trees.
- On 21 November 2011, the Company announced a Capital Raise of \$1M through a placement with Sophisticated Investors and plans to raise an additional \$2M through a 1 for 10 Renounceable Rights Issue.

- The Annual General Meeting was held on 30 November 2011 where all resolutions set out in the Notice of Meeting were passed, apart from Resolution 3 re-electing Dr. R Payne which was withdrawn due to the resignation of Dr. Payne as previously announced.
- On 9 December, the Company announced that it had issued in 3 tranches a total of 3,482,284 Ordinary Share to Sophisticated Investors as mentioned above.
- On 12 December 2011, the Company issued \$4,347,826 Ordinary Shares to Broadacre Asset Management Ltd under the Convertible Note Agreement following shareholder approval obtained at the AGM.
- On 28 December 2011, The Company announced the closure of the renounceable rights issue with a shortfall of 7,078,056 shares. The Directors have the ability to place the shortfall within 90 Calendar days of 21 December 2011.

Cash Position

- Cash reserves at the end of the December quarter were \$9.425M.

4. PLANTATION ESTATES

4.1 Existing Estates

- The plantings for 2009 of 1,250 hectares were completed in October 2009 and continue to develop well, with favorable growing conditions through 2011.
- The Plantings for 2010 of 5,500 hectares were established in September 2010. Minor infill was completed in September 2011 bringing the plantation survival above expectation.
- The 2011 planting program saw 2,000 hectares planted under excellent conditions. Early survival and growth reflects the good growing season.

In addition, approximately 500,000 pinus radiata trees were successfully planted on

the East Coast of the North Island of New Zealand.

4.2 2012 Planting Program

- Seedling orders have been placed to meet the 2012 planting program. Early seedling growth is good and production is on target for planting commencing in June 2012.
- Land has been identified and is in the process of being acquired to meet the 2012 demand.
- Site preparation operations including cleanup and deep ripping commence in January 2012.
- Planting machinery required for the establishment of 10 million seedlings is under construction and expected to be operable well ahead of the planting season.

4.3 New Business Opportunities

- Carbon Conscious has received a substantial increase in new client enquiries from organisations that now face major carbon liabilities under the Clean Energy Act 2011, as well as New Zealand companies with liabilities under the New Zealand Emissions Trading Scheme (ETS). Carbon Conscious has fully engaged these opportunities and is confident of the prospect of further deal flow.
- Potential clients have reiterated their desire to include carbon forestry in their carbon offset portfolios as a low cost abatement opportunity.

4.4 PR & Promotion

- Following the passage of the Clean Energy Bill in the House of Representatives, Carbon Conscious has received positive PR coverage in a large range of newspapers, TV and radio as one of the companies likely to benefit strongly from the introduction of a carbon price.

5. INTERNATIONAL CARBON MARKET UPDATE

5.1 North American Developments

- The sale of CO₂ allowances to manufacturers and oil refineries will generate \$1 billion during the first year of California's cap-and-trade program, according to Governor Jerry Brown's proposed 2012-13 budget.
- Californian auctions will generate substantially more fees in future years as the program phases in other major GHG emitters.
- About 350 companies representing 600 Californian factories and oil refineries must begin complying with the program's carbon caps in 2013.
- Trading volumes of California carbon allowances (CCAs) for delivery in 2013 set a new daily record as prices fell \$1.10/t from the previous week's settlement price to close at \$15.40/t.
- California Carbon Allowances (CCAs) will trade around \$14/t during the market's first compliance period, rising to \$26/t in 2015-2017 and \$68/t in 2018-2020, Barclays Capital said in a recent note.
- American Airlines and US Airways Group have joined other big U.S. carriers in adding surcharges to flights in the wake of a disputed European law requiring airlines to pay for aircraft emissions.

5.2 New Zealand ETS

- Spot prices for domestic CO₂ permits in New Zealand's emissions trading scheme closed at NZ\$6.80, its lowest ever levels as weak European carbon prices impacted the market.
- The New Zealand government has announced it will ban the use of U.N.-issued carbon credits from industrial gas projects in its emissions trading scheme in a bid to bolster weak prices.

5.3 European Developments

- A European Parliament vote on a proposal backing intervention to prop up the EU's Emissions Trading Scheme will take place on Feb 28
- Eastern EU countries may be allowed to keep hundreds of millions more Kyoto carbon permits if they agree to a deeper collective EU emission reduction goal, according to a draft proposal seen by Point Carbon News.
- China has voiced its deep concern and opposition to a European Union plan to counter airline emissions and called for talks to resolve the issue a day after China's major airlines refused to pay any carbon costs under the new law.
- Exchange-traded volumes in Europe's emissions market rose 24.5% in 2011, despite EU carbon prices halving in the past 12 months.
- An Australian government proposal to charge companies for using cheap foreign offsets (such as CER's) could cut near-term demand for the credits as well as increase costs for Australian emitters and limit investment in carbon projects abroad.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005 17/12/2010.

Name of entity

CARBON CONSCIOUS LIMITED

ABN

20 129 035 221

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	9,042	12,893
1.2 Payments for		
(a) staff costs	(652)	(1,083)
(b) advertising and marketing	(48)	(98)
(c) research and development	-	(1)
(d) leased assets	-	-
(e) other working capital	(742)	(1,271)
(f) cost of sales	(747)	(2,334)
(g) other - carbon rights	-	-
(h) other – Deposits for plantings	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	33
1.5 Interest and other costs of finance paid	(95)	(225)
1.6 Income tax refund / (paid)	-	281
1.7 Other Revenue	4	6
Net operating cash flows	6,770	8,201

+ See chapter 19 for defined terms.

Quarterly report for entities

Admitted on the basis of commitments

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	6,770	8,201
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets (P & E' ment)	(174)	(219)
(e) other non-current assets (Land)	(491)	(568)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	22
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(665)	(765)
1.14 Total operating and investing cash flows	6,105	7,436
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	1,475	1,475
1.16 Proceeds from rights issue pending issue of shares	85	85
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(615)	(751)
1.19 Dividends paid	-	-
1.20 Costs associated with capital raising	(44)	(74)
Net financing cash flows	901	735
Net increase (decrease) in cash held	7,006	8,171
1.21 Cash at beginning of quarter/year to date	2,419	1,254
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	9,425	9,425

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	128
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	

Shares issued to Sophisticated investors as announced to the Market on 21 November 2011 of 3,482,284 ordinary shares at \$0.28 each.

On 8 December 2011, following shareholder approval at the AGM in November 2011, 4,347,826 ordinary shares were issued to Broadacre Asset Management Pty Ltd under the terms of the Broadacre Asset Management Convertible Note.

Shares issued to existing shareholders under the renounceable rights issue of 333,206 ordinary shares at \$0.28 each.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

The Company has entered into Contracts for the acquisition of land to be settled in the 3rd quarter of 2012 to the value of \$8.1M. The Company is currently negotiating an extension of the senior debt facility. The land is to be used for contract plantings in the 2012 planting season.

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Quarterly report for entities

Admitted on the basis of commitments

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	3,950,000	3,950,000
3.2 Credit standby arrangements	Nil	Nil

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	9,425	2,419
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	9,425	2,419

+ See chapter 19 for defined terms.

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Nil	Nil
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

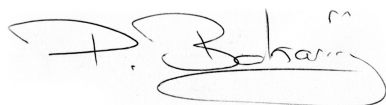
+ See chapter 19 for defined terms.

Quarterly report for entities

Admitted on the basis of commitments

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 10 January 2012
 (Director)

Print name: Peter Balsarini

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.