

29 October 2010

Company Announcements Office
Australian Securities Exchange
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ANNOUNCEMENT NUMBER 107

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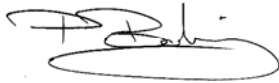
ASX Code: CCF

Dear Sir

**ASX Announcement No. 107 – Quarterly Report for the Period ending 30 September 2010
(Appendix 4C)**

Please find attached the Quarterly Report for the activities of Carbon Conscious Limited for the period ending 30 September 2010 as required under ASX Listing Rule 4.7B.

Yours faithfully



Peter Balsarini
CEO & Executive Director
Carbon Conscious

encl.

CARBON CONSCIOUS LIMITED QUARTERLY REPORT – PERIOD ENDING 30 SEPTEMBER 2010

1. COMPANY OVERVIEW

Carbon Conscious Limited (ASX: CCF) 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.

These benefits include an offset of carbon emissions for businesses and significant environmental benefits to farmers and landholders through the reduction of the effects of salinity on their land.

Carbon Conscious combines its extensive experience in the Mallee Eucalypt, 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 recent Federal Election has seen a minority Gillard Labor Government elected with the support of the Greens Adam Brandt, Independents Rob Oakeshott, Tony Winsor and Andrew Wilkie who are all broadly supportive of action on climate change and on pricing carbon in Australia.
 - The Greens will hold the balance of power in the Senate from 1 July 2011 and support strong cuts to Australia’s carbon emissions and the introduction of a price on carbon.
 - The Government has established a Climate Change Committee with representatives from Labor, the Greens and key independents are scheduled to report on the best mechanism for pricing carbon by the end of 2011.
 - In addition, the Government have established a business advisory board with a number of CEOs represented on to advise the Government on the best way forward.
- In particular, the stationary electricity industry continues to express the need for a solution to carbon pricing uncertainty given the lack of investment in the industry.
 - During the election campaign, Prime Minister Gillard announced their Carbon Farming Initiative designed to provide internationally recognised carbon credits from carbon sequestering activities in Australian agriculture.
 - The new Climate Change Minister released details of the advisory committee to advise the government on the development of the Carbon Farming Initiative. The Minister made note of Carbon Conscious agreement with Perenia (see later discussion) in question time on 27 October 2010.
 - There would now appear to be greater momentum toward the adoption of carbon pricing mechanism within the economy in the term of this parliament. The mechanics of how such an arrangement may work including method, price and coverage remain uncertain.

3. CORPORATE UPDATE

3.1 Company Position

- The Company announced its maiden profit result in the 2010 financial year, reporting a \$317,000 profit.
- The undertaking of a large (6,000 hectares) planting program for customers underpin the results of the Company.
- Importantly, the Company generates a long term revenue stream from the planting activity.
- The Company raised additional equity (\$1.52M) in the quarter just completed. The raising was a finalisation of the shortfall amount under the entitlements issue dated 20 May 2010.

3.2 Cash Position

- Cash reserves at the end of the March quarter were \$0.32M.
- The quarter ended September requires a large cash outlay for the Company to finalise all land and planting costs associated with the season planting program. Final receipts from customers for the planting program will be received in the 2nd quarter of 2011.

3.3 Plantation Estates

3.3.1 2009 Estate

- The plantings for 2009 of 1,250 hectares were completed in October 2009 and survival counts range from 91-97% of seedlings surviving post planting.
- Despite dry weather conditions in the winter of 2010, the 2009 plantings continue to perform strongly with evidence of vigorous growth.

3.3.2 2010 Estate

- The 2010 planting program commenced in late May 2010 and completed in mid September 2010.

- Approximately 5.5 million trees have been planted in the 2010 winter program which are expected to sequester over 1 million tonne of CO₂-e over their life time.
- Despite relatively dry weather conditions, careful site preparation and timely planting regimes ensured all sites were adequately moist at planting time.
- Higher than usual insect activity has required a level of monitoring. Internal processes and procedures developed to identify and deal with such issues have performed well.

3.4 New Business Opportunities – Regulated

- Carbon Conscious is continuing discussions with organisations likely to have carbon liabilities under an Australia carbon price regime and notes a significant upswing in engagement on the issue with major corporations. The recent Federal election, establishment of a Climate Change Committee and statements from industry leaders are adding to this positive sentiment.
- Potential clients have reiterated their desire to include forestry bio-sequestration in their carbon offset portfolios as a low cost abatement opportunity.
- On 12 October 2010, Carbon Conscious signed Australia's first international carbon trade under the planned Australian Government's Carbon Farming Initiative. Carbon Conscious will deliver 10,000 future Assigned Amount Units (AAU's) to Perenia Pty Ltd, a company owned by Mitsui, Pacific Hydro and SMEC.

3.5 New Business Opportunities – Voluntary

- Carbon Conscious announced on 5 October 2010 that it had signed an innovative deal with Wesfarmers Insurance to establish 26,000 mallee trees. As part of the deal, Wesfarmers also contributed to beneficial regional renewable energy projects under the Voluntary Carbon Standard (VCS).
- On 26 October 2010, Carbon Conscious announced that the City of Perth had chosen Carbon Conscious as its preferred supplier for 2010/2011 to offset approximately 15,600t of co₂-e resulting from the City's off street parking activities. Carbon Conscious will establish and manage approximately 85,000 trees under the arrangement.
- The Company continues to develop opportunities via strategic partnerships with relevant brands throughout Australia.

3.6 Industry Events

- Carbon Conscious joined other leading industry participants at The Carbon Expo on 11-13 October 2010 at the Melbourne Exhibition Centre, Southbank.
- The Conference Program was designed to provide further insight into Australian and International carbon industry developments with a focus on the impact of the recent election result and pathway towards a carbon price in Australia.

3.7 PR & Promotion

- Carbon Conscious continues to work with Perth 2011 in preparation for next year's major international sailing regatta, the qualifying event for the London Olympic Games. Carbon Conscious is proud to be the official carbon offset partner for Perth 2011, expected to be the largest event ever held in Western Australia.

- The Company continues its partnership with Sunset Events, including participation in the Southbound and Blues & Roots festivals.

4. INTERNATIONAL CARBON MARKET UPDATE

4.1 US Developments

- The House passed its cap-and-trade bill in June 2009. Limited progress has been observed in the Senate in the lead up to midterm elections due in November 2010.
- President Obama has re-confirmed his commitment to pricing carbon and the clean energy industry although the current legislative pathway is uncertain.
- The EPA's regulatory effort to control greenhouse gas (GHG) emissions will become the main battlefield of climate policy over the next two years – the new and upcoming GHG regulations could lead to significant emissions reductions.
- Backers of the revised energy and climate bill hope the threat of EPA regulation will put pressure on Congress to pass legislation.

4.2 New Zealand ETS commences

- On 1 July 2010, the New Zealand Government introduced an Emissions Trading Scheme (ETS) with an initial capped price of NZ \$25 / tco₂-e.
- Government has begun allocation of permits to pre-1990 forest-owners as well as energy-intensive industrials and fisheries, which is gradually assisting supply. Most permits have not been offered to the market.
- NZUs have remained largely unmoved for the past four weeks, with the spot contract trading at prices in the NZ\$19.80-20.10 region on estimated volumes of 70,000 New Zealand Units (NZU's).

- Reaction to the introduction of an ETS in NZ has generally been positive with limited negative “economic worst case” outcomes reported.

4.3 European Developments

- EU currently considering increasing 2020 emissions reduction target irrespective of international action from 20 to 30 per cent below 1990 levels.
- EU is expected to tighten the use of Certified Emission Reduction (CERs) from industrial gases and this is expected to significantly reduce supply.

4.4 Australia Lags its Trading Partners in Global Study

- The Climate Institute reveals that Australia’s major trading partners have higher direct and indirect carbon pricing in their electricity sectors in order to drive cleaner energy investments.
- Vivid Economics Report concludes that there is no risk of Australia leading the world in making businesses responsible for the pollution they cause.
- The report finds that a range of policies and regulations are already in place in key trading partners with an equivalent price tag on pollution in the electricity sector of up to 17 times that of Australia’s.
- Country rankings of implied carbon price in the electricity sector shows that Australia is the second lowest of the 7 regions studied:
 - UK: USD\$29.30
 - China: USD\$14.20
 - North East USA: USD\$9.50;
 - US Overall: USD\$5.10
 - Japan: USD\$3.10
 - Australia: USD\$1.70
 - South Korea: US\$0.70

Appendix 4C

Quarterly report

for entities admitted

on the basis of commitments

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

Name of entity

CARBON CONSCIOUS LIMITED

ABN

20 129 035 221

Quarter ended ("current quarter")

30 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	1,320	1,320
1.2 Payments for		
(a) staff costs	(270)	(270)
(b) advertising and marketing	(23)	(23)
(c) research and development	0	0
(d) leased assets	0	0
(e) other working capital	(462)	(462)
(f) cost of sales	(1,355)	(1,355)
(g) other - carbon rights		
(h) other - inventories for 2009 plantings		
(i) other - deposits for 2010 plantings		

+ See chapter 19 for defined terms.

Quarterly report for entities

admitted on the basis of commitments

1.3	Dividends received	0	0
1.4	Interest and other items of a similar nature received	4	4
1.5	Interest and other costs of finance paid	(30)	(30)
1.6	Income taxes paid	0	0
1.7	Other Revenue (insurance refund)	50	50
	Net operating cash flows	(766)	(766)
		Current quarter \$A'000	Year to date (3 months) \$A'000
1.8	Net operating cash flows (carried forward)	(766)	(766)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	0	0
	(b) equity investments	0	0
	(c) intellectual property	0	0
	(d) physical non-current assets	(1,637)	(1,637)
	(e) other non-current assets	0	0
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	0	0
	(b) equity investments	0	0
	(c) intellectual property	0	0
	(d) physical non-current assets	0	0
	(e) other non-current assets	0	0
1.11	Loans to other entities	0	0
1.12	Loans repaid by other entities	0	0
1.13	Other (provide details if material)	0	0
	Net investing cash flows	(1,637)	(1,637)
1.14	Total operating and investing cash flows	(2,403)	(2,403)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	1,530	1,530
1.16	Proceeds from sale of forfeited shares	0	0
1.17	Proceeds from borrowings	1,500	1,500
1.18	Repayment of borrowings	(508)	(508)
1.19	Costs associated with capital raising	(11)	(11)
1.20	Other	0	0
	Net financing cash flows	2,511	2,511

+ See chapter 19 for defined terms.

Quarterly report for entities

admitted on the basis of commitments

	Net increase (decrease) in cash held	108	108
1.21	Cash at beginning of quarter/year to date	272	272
1.22	Exchange rate adjustments to item 1.20	0	0
1.23	Cash at end of quarter	380	380

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	29
1.25	Aggregate amount of loans to the parties included in item 1.11	0

1.26 Explanation necessary for an understanding of the transactions

In the quarter reported the Company has been undertaking its 2010 native tree planting project. Final revenue receipts from the project will be received in the quarter ended December 2010.

The Company raised \$1.52M in additional new equity in August and September 2010 under the Entitlement Issue Prospectus dated 20 May 2010 and the associated shortfall provisions.

The Company drew down on convertible note facilities to a net amount of \$1M in the quarter under review.

+ See chapter 19 for defined terms.

**Quarterly report for entities
admitted on the basis of commitments**

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

Nil

- 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

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	2,500,000	2,000,000
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	308	272
4.2 Deposits at call	0	0
4.3 Bank overdraft	0	0
4.4 Other (provide details)	0	0
Total: cash at end of quarter (item 1.23)	308	272

+ See chapter 19 for defined terms.

Quarterly report for entities

admitted on the basis of commitments

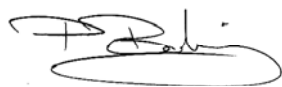
Acquisitions and disposals of business entities

	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		

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:



(Director)

Date: 29 October 2010

Print name:

Peter Balsarini

+ See chapter 19 for defined terms.