

31 August 2010

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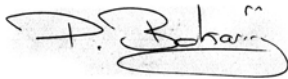
**ASX Code: CCF**

Dear Sir,

**ASX Announcement No 96 – Preliminary Final Report for the Period ending 30 June 2010 (Appendix 4E)**

Please find attached the Preliminary Final Report for the activities of Carbon Conscious Limited for the period ending 30 June 2010 as required under ASX Listing Rule 4.3A.

**Yours faithfully**



**Peter Balsarini**  
**CEO & Executive Director**  
**Carbon Conscious**

encl.



# **CARBON CONSCIOUS LIMITED**

ABN 20 129 035 221

ASX Preliminary Final Report  
Appendix 4E

30 June 2010

Lodged with the ASX under Listing Rule 4.3A



**Results for Announcement to the Market**

		<b>Consolidated</b>	
		<b>2010 \$'000</b>	<b>2009 \$'000</b>
Revenue from ordinary activities	Up 2,482%	6,920	268
Profit/(Loss) before income tax	Up 115%	347	(2,368)
Total comprehensive income for the year	Up 113%	317	(2,368)

In the 2010 financial year, the Company received revenue and incurred expenses associated with contracts to plant trees for carbon sequestration with clients. The revenue and resultant profit for the year reflects this activity. In the previous financial year, the Company had yet to establish substantive contracts.

**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 wheat belt 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.

In the financial year ended 30 June 2010, the Company reported its first profit since its establishment in early 2008.

Key milestones of the business in the 2010 financial year include:

- In July 2009, announcing the completion of an agreement with Origin Energy for a large scale native Mallee Eucalypt tree planting in the wheat belt area of Australia for up to 35 million trees.
- The completion of a 1,300 hectare representing 1.3 million trees planted in the winter of 2009.
- In October 2009, announcing the completion of an agreement with BP (Singapore) for a native tree planting in the wheat belt region of Western Australia.
- In February 2010, the Company announced the exercise of an option by Origin Energy under its contract for the 2011 planting season.
- The commencement and majority completion of a 6,000 hectare representing 6million trees planting program in the winter of 2010.

In the 2010 year, the Company benefitted from the commencement of long term revenue streams associated with the ongoing managing and monitoring of the tree crops planted under contract.



Together with an increased activity in the voluntary carbon market, the Company saw the development of innovative product structures.

The continued political debate and uncertainty surrounding the introduction of a carbon price in the Australian economy together with the Conference of the Parties (COP15) in Copenhagen in December 2009 failed to deliver a comprehensive international treaty on measures to reduce the impacts of climate change weighed on the Company's operations.

The establishment of a long term carbon pricing mechanism that allows carbon sequestered via bio sequestration to offset third parties' carbon liability will provide a major stimulus for the Company's planting activities into the future.

The Company continues to work with clients in a variety of matters, whether it is potential carbon liability, voluntary carbon action or actions under other regulated requirements such as environmental protection authority approvals. In addition, the Company is exploring new opportunities in related markets including the now legislated New Zealand carbon market which provides avenues for bio sequestration on behalf of clients.

The Company continues to invest and develop in its intellectual property, operating systems, human resource capability and field equipment to meet the expected demand for tree planting in a carbon constrained environment.

**Preliminary Statement of Comprehensive Income  
For the Year Ended 30 June 2010**

	Note	2010 \$	2009 \$
Revenue	4	6,919,872	268,170
Administrative expenses	5	(568,855)	(463,316)
Compliance and regulatory expenses		(129,716)	(54,031)
Consultancy expenses		(183,466)	(301,640)
Depreciation and amortisation expenses		(174,698)	(47,199)
Directors' benefit expense		(227,152)	(558,905)
Employee benefits expense		(911,395)	(523,373)
Finance expenses		(20,620)	(2,479)
Marketing expenses		(304,510)	(183,070)
Occupancy expenses		(103,865)	(110,678)
Operating expenses	5	(3,592,396)	(25,665)
Travel expenses		(144,678)	(263,307)
Share-based payment		(211,491)	(102,182)
Profit/(Loss) before income tax		347,030	(2,367,675)
Income tax benefit		-	-
<b>Net Profit/(Loss) attributable to members</b>		<b>347,030</b>	<b>(2,367,675)</b>
<b>Other comprehensive income</b>			
Net change in fair value of financial assets		(29,700)	-
Total other comprehensive income, net of tax		(29,700)	-
<b>Total other comprehensive income for the year</b>		<b>317,330</b>	<b>(2,367,675)</b>
Basic profit/(loss) per share (cents per share)	6	0.85	(6.33)
Diluted profit/(loss) per share (cents per share)	6	0.65	(6.33)

The accompanying notes form part of these financial statements.

**Preliminary Consolidated Balance Sheet  
As at 30 June 2010**

	Note	2010 \$	2009 \$
<b>Current Assets</b>			
Cash and cash equivalents	10	271,919	2,854,109
Trade and other receivables		1,554,750	148,881
Inventories		282,857	48,209
Other assets		207,204	250,331
Other financial assets		19,800	-
<b>Total Current Assets</b>		<b>2,336,530</b>	<b>3,301,530</b>
<b>Non-Current Assets</b>			
Carbon development expenditure		360,866	562,469
Plant and equipment		6,243,597	1,105,855
<b>Total Non-Current Assets</b>		<b>6,604,463</b>	<b>1,668,324</b>
<b>TOTAL ASSETS</b>		<b>8,940,993</b>	<b>4,969,854</b>
<b>Current Liabilities</b>			
Trade and other payables		2,783,324	609,696
Provisions		114,307	101,897
Interest-bearing liabilities		1,024,995	24,667
<b>Total Current Liabilities</b>		<b>3,922,626</b>	<b>736,260</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities		59,535	-
<b>Total Non-Current Liabilities</b>		<b>59,535</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>3,982,161</b>	<b>736,260</b>
<b>NET ASSETS</b>		<b>368,250</b>	<b>4,233,594</b>
<b>Equity</b>			
Issued capital	9	7,512,431	7,316,014
Reserves		626,678	415,187
Accumulated losses		(3,180,277)	(3,497,607)
<b>TOTAL EQUITY</b>		<b>4,958,832</b>	<b>4,233,594</b>

The accompanying notes form part of these financial statements.



**Preliminary Consolidated Statement of Changes in Equity  
For the Year ended 30 June 2010**

	<b>Issued Capital</b>	<b>Retained Earnings</b>	<b>Option Reserve</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 30 June 2008	7,316,014	(1,129,932)	313,006	6,499,088
Loss attributable to members	-	(2,367,675)	-	(2,367,675)
<b>Total comprehensive income for the year</b>	-	(2,367,675)	-	(2,367,675)
Share based payments	-	-	102,181	102,181
<b>Balance at 30 June 2009</b>	<b>7,316,014</b>	<b>(3,497,607)</b>	<b>415,187</b>	<b>4,233,594</b>
Profit attributable to members	-	347,030	-	347,030
Other comprehensive income	-	(29,700)	-	(29,700)
<b>Total comprehensive income for the year</b>	-	317,330	-	317,330
Share based payments	-	-	211,491	211,491
Shares issued during the year	232,217	-	-	232,217
Transaction costs on shares issued during the year	(35,800)	-	-	(35,800)
<b>Balance at 30 June 2010</b>	<b>7,512,431</b>	<b>(3,180,277)</b>	<b>626,678</b>	<b>4,958,832</b>

The accompanying notes form part of these financial statements.

**Preliminary Consolidated Cash Flow Statement  
For the Year ended 30 June 2010**

	Note	2010 \$	2009 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		5,614,683	-
Payments to suppliers and employees		(6,151,094)	(3,404,866)
Interest received		81,745	276,746
Interest paid		(10,620)	(2,835)
Other revenue		56,216	6,061
<b>Net cash flows used in operating activities</b>	10	<b>(409,070)</b>	<b>(3,124,894)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment		(3,348,176)	(661,882)
Proceeds from the sale of plant and equipment		26,500	-
Purchase of available-for-sale investments		(49,500)	-
<b>Net cash flows used in investing activities</b>		<b>(3,371,176)</b>	<b>(661,882)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from the issue of shares		232,217	-
Costs on the issue of shares		(10,800)	-
Proceeds from convertible note		1,000,000	-
Repayment of finance leases		(23,361)	(8,218)
<b>Net cash flows provided by/(used in) financing activities</b>		<b>1,198,056</b>	<b>(8,218)</b>
<b>Net decrease in cash held</b>		<b>(2,582,190)</b>	<b>(3,794,994)</b>
Cash at the beginning of the financial year		2,854,109	6,649,103
<b>Cash at the end of the financial year</b>	10	<b>271,919</b>	<b>2,854,109</b>

The accompanying notes form part of these financial statements.



**Notes to the Preliminary Consolidated Financial Statements  
Year ended 30 June 2010**

**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 2010 of \$Nil (\$2009: Nil).

**3. DIVIDENDS**

The directors recommend that no dividend be paid for the year ended 30 June 2010, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

**4. REVENUE**

	<b>2010</b>	<b>2009</b>
	\$	\$
Operating activities		
Interest received	76,017	259,497
Planting income	6,479,688	7,998
Voluntary carbon sales	270,451	-
Licence / management fees	37,500	-
Other income	56,216	675
Total revenue	<u>6,919,872</u>	<u>268,170</u>

**Notes to the Preliminary Consolidated Financial Statements  
Year ended 30 June 2010**

<b>5. EXPENSES</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Operating expenses		
- Cost of sales	3,592,396	16,264
- Plantation management fees	-	1,666
- Landgate fees	-	7,735
Total operating expenses	3,592,396	25,665
Administrative expenses		
- Administration charge	154,681	168,075
- Legal expenses	287,792	129,263
- Insurance expenses	50,022	20,527
- Computer and system expenses	20,159	55,643
- Motor vehicle expenses	-	58,787
- Other	56,201	31,021
Total administrative expenses	568,855	463,316
<b>6. EARNINGS PER SHARE (EPS)</b>	<b>2010</b>	<b>2009</b>
	<b>¢</b>	<b>¢</b>
Basic earnings/(loss) per share (cents per share)	0.85	(6.33)
Dilutive earnings/(loss) per share (cents per share)	0.65	(6.33)
	<b>\$</b>	<b>\$</b>
Profit/(Loss)	317,330	(2,367,675)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the calculation of basic EPS	37,419,535	37,375,000
Weighted average number of dilutive options outstanding	11,372,260	-
	48,791,795	37,735,000

**7. SEGMENT REPORTING**

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

**Notes to the Preliminary Consolidated Financial Statements  
Year ended 30 June 2010**

<b>8. NTA Backing</b>	<b>2010</b>	<b>2009</b>
	¢	¢
Net tangible asset backing per ordinary share	0.13	0.11

<b>9. ISSUED &amp; PAID UP CAPITAL</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	No.	\$	No.	\$
Ordinary shares fully paid				
At beginning of the financial period	37,375,000	7,316,014	37,375,000	7,316,014
Shares issued on 23 June 2010	2,322,172	232,217	-	-
Share issue costs	-	(35,800)	-	-
At 30 June	39,697,172	7,512,431	37,375,000	7,316,014

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

Reconciliation of cash flow from operations with profit/(loss) after income tax:	<b>2010</b>	<b>2009</b>
	\$	\$
<b>Profit/(Loss) after income tax</b>	317,330	(2,367,675)
<b>Non cash-flows in loss</b>		
Equity settled transactions	211,491	102,181
Employee entitlement provision	12,410	30,525
Depreciation and amortisation expense	174,698	47,199
Loss on revaluation of available-for-sale investments	29,700	-
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in stock on hand	(234,648)	(48,209)
(Increase)/decrease in trade and other receivables	(1,397,118)	(14,883)
Increase/(decrease) in trade payables and accruals	353,615	(92,202)
(Increase)/decrease in other assets	123,452	(781,830)
<b>Net cash flow used in operating activities</b>	(409,070)	(3,124,894)
<b>Reconciliation of Cash</b>		
Cash at bank and in hand	271,919	79,109
Short-term bank deposits	-	2,775,000
	271,919	2,854,109



**Notes to the Preliminary Consolidated Financial Statements  
Year ended 30 June 2010**

**11. EVENTS SUBSEQUENT TO REPORTING DATE**

On 20 May 2010, the Company issued a prospectus for a non-renounceable entitlements issue (Prospectus) on the basis of one (1) ordinary fully paid share for every two (2) shares held at the record date of 28 May 2010. The entitlements issue closed on Tuesday 15 June 2010 leaving a shortfall of \$1,636,532.80 in terms of the total amount being sought in the Prospectus.

On 20 July 2010, the Company placed an amount of \$500,000 (5 million Ordinary Shares) to an investor party under the terms of the Entitlement Issue Prospectus.

The Company notes that it continues to seek further shortfall placement under the terms of the prospectus.

On 20 July 2010, the Company raised \$500,000 by way of an issue of Convertible Notes to wholesale clients 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 16 July 2010 until 30 June 2011 (**Funding Term**).
- (b) The notes will each have a face value of \$100,000.
- (c) 5 notes will be issued to raise \$500,000 at the commencement of the Funding Term. The Company may repay and redeem the notes at their election during the Funding Term.
- (d) A coupon rate of 11% per annum will be paid quarterly in arrears on the outstanding amounts of the Notes.
- (e) 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.
    - \$0.10 per Share.
- (f) 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.
- (g) If the conversion price calculated above is \$0.10 or less, the Company can elect to redeem the notes at their face value.



Notes to the Preliminary Consolidated Financial Statements  
Year ended 30 June 2010

12. CONTROLLED ENTITIES

	Country of Origin	Class of Share	Percentage Owned % 2010	2009
Carbon Fund Australia Pty Ltd	Australia	Ord	100	100
Carbon Management Pty Ltd	Australia	Ord	100	-

13. COMPLIANCE STATEMENT

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

The financial statements have been audited.

The financial statements have been supplied to review.

The financial statements are in the process of being audited or subject to review.

The financial statements have not yet been audited or reviewed.

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

Date: 31 August 2010