carbonconscious

Carbon Capture Program™

Overview

Carbon Conscious is an Australian company producing carbon credits through 'carbon farming' - the planting of Mallee Eucalypt trees in Western 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 business 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.

The international carbon trading industry is already assessed at $64 billion and is set to rise substantially with Governments and industry looking to reduce their emissions impact.

The company's objective is to be 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.

Carbon Conscious Limited is an ASX listed company (ASX code CCF).

Carbon Industry

The international carbon trading industry in 2007 was assessed at $64 billion and is set to rise substantially with Governments and industry looking to reduce their emissions impact.

Governments around the world are setting target emissions for large emitters. Where the target is exceeded, penalties occur unless the emitter can purchase carbon credits to offset their emissions. Carbon credits can be generated when emissions are below target, when using energy from a renewable source or when trees sequester (capture) carbon creating a carbon sink that can be measured reliably and converted to carbon credits.

These credits are traded to large industrial emitters to offset their emissions and reduce their carbon footprint. Increasingly, households and consumers are looking to reduce their environmental impact by purchasing carbon credits or products that are carbon neutral. Carbon credits are measured in tonnes of CO_2. For example one carbon credit equals one tonne of CO_2-e (Carbon Dioxide Equivalent).

Once the proposed Australian Carbon Pollution Reduction Scheme is introduced in 2010, the price for carbon to be traded in Australia will become clear.

Growing Mallees for Carbon Capture

Mallees can be grown in 'belts' across cropping paddocks to reduce the effects of drying or eroding winds. Farming continues in the alleys between the belts of mallees. Strategically positioned mallee plantations, whilst occupying around 10% of the landscape, generally do not reduce farm produce from the paddock.

Plantations can also be grown in 'blocks' at a lower planting density. Planting of entire sandy soil paddocks, which are less suitable for agriculture (eg wodgil soils), is possible.

As a general rule, in wheatbelt regions and depending on the soil types and available moisture supply, a tonne of CO_2-e can be captured by 5-8 mallees over a 30 year period.

Mallee planting density can range from 800 mallees per hectare for block plantings on poorer quality sands to 1500 mallees per hectare on belt plantings in the wheatbelt.

Mallees grow well on sandy and loamy soils. Maximum growth is achieved when they are planted where moisture accumulates or where moisture streams occur below the ground.

Carbon Conscious avoids planting on areas showing signs of salinity, on rocky areas, or on gravel ridges as we believe the ability of the mallee tree to achieve and sustain high levels of carbon production will be compromised in these soil types.

The sale of carbon credits sequestered by mallees obligates Carbon Conscious to preserve the carbon for 70 years. Contracts will define the rights and obligations of both the farmer and Carbon Conscious and will reflect permanency requirements.

Why Plant Mallee Eucalypts?

Carbon in the atmosphere is sequestered (meaning absorbed and stored during photosynthesis) by trees in their stems, leaves, twigs and roots.

Mallees (various eucalypt species) have developed over thousands of years to survive Australia's unique and harsh environment, especially in wheatbelt regions.

Mallees are ideal for carbon farming because the chosen species:

- are deep rooted and use moisture which is below the root zone of grain crops and pastures;
- live for 100+ years;
- regrow after fire - a natural adaptation over thousands of years;
- integrate easily into wheat and sheep enterprises without the need for expensive fencing;
- are drought resistant - growth may slow down in a drought but the mallees survive - a natural adaptation;
- respond to moisture supplies so that strategic placement of mallees can enhance carbon production; and
- have been screened in their native environment and subsequently selected for vigorous growth and eucalyptus oil content - a potential deterrent to grazing animals and pests.

When mallees are planted across farm paddocks they help to:

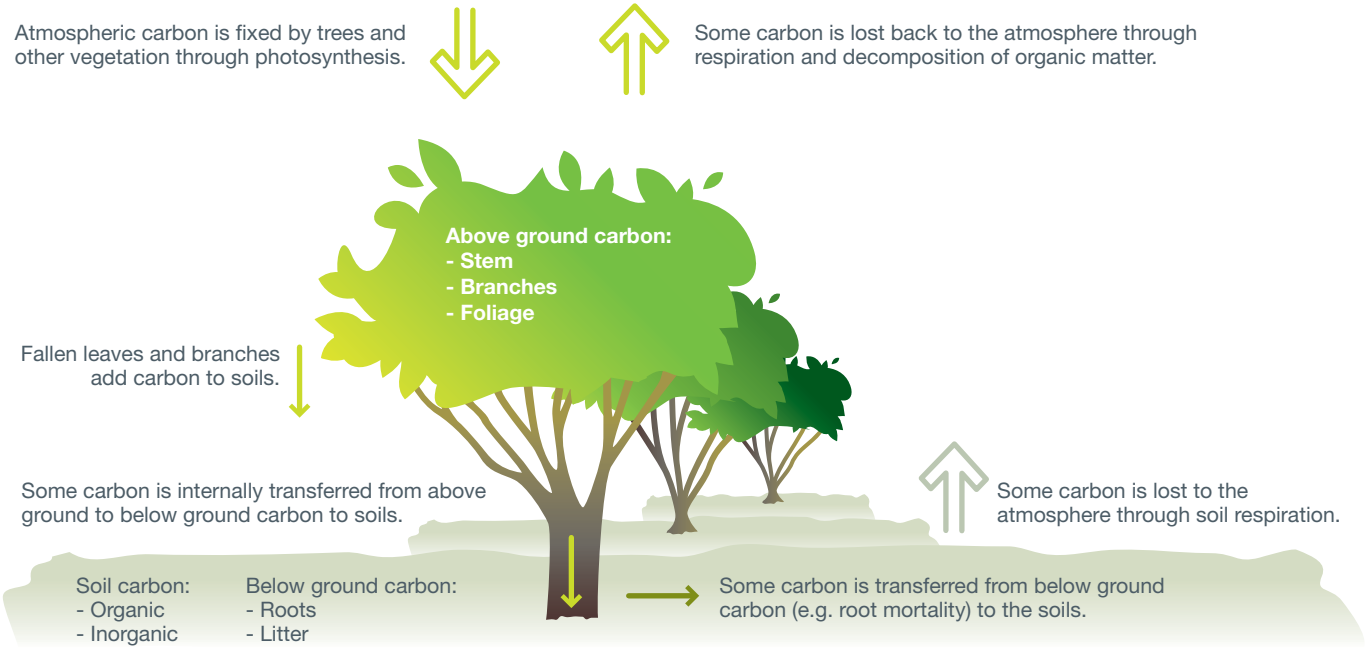
- reduce build up in sub-soil moisture and slow down the advance of salinity;
- reduce effects of wind and water erosion;
- reduce drying or chilling effects of wind and help lift grain yields and lambing percentages;
- create wildlife corridors for native fauna; and
- improve the aesthetics and amenity of the farm.

Participation Options

Carbon Conscious offers farmers a choice of several participation options:

1. up-front capital payment for carbon rights on the land committed for carbon farming along with a small share in the accumulating carbon value;
2. farmer funds all and secures the majority of the accumulating carbon value; and
3. shared equity commitment and shared accumulating carbon value – long term and short term options.

Capturing Carbon Via Trees



Process

Carbon Conscious and Australian Agricultural Contracts Limited (AACL) will work together to establish carbon plantations.

Expression of Interest (EOI)

An AACL Farmer Contract Manager can explain the carbon farming concept to you and help with completion of an EOI form.

Initial Farm Inspection

A representative from Carbon Conscious will inspect your farm with you and outline the establishment and management requirements of a carbon plantation. An indicative layout of the mallee plantings will be provided along with recommended species selection. With farmer approval, this information, along with details relating to the chosen 'participation option' will be incorporated into an Option Agreement for farmer formal approval.

Option Agreement (OA)

There are two steps to complete the Option Agreement:

1. A Letter of Offer to enter into a Carbon Farming Option Agreement is prepared for the land owner's consideration and acceptance.
2. When the land owner accepts the offer, a formal Option Agreement is prepared. This outlines the mallee planting arrangements accepted in the Letter of Offer. Templates of the formal agreements that will subsequently be produced are also provided to the land owner. These are a Carbon Right, a Carbon Covenant and a Tree Plantation Agreement.

Your AACL Farmer Contract Manager will return the Option Agreement to you and discuss the contents. Once the OA is signed:

- the land owner seeks mortgagee consent to the Option Agreement which will include the lodgment of a Carbon Covenant;
- formal Agreements are prepared for signing by both parties;
- Carbon Conscious will exercise its Option to commence planting and advise the land owner accordingly; then
- Carbon Conscious will spend time and resources doing site verification work, including drilling where necessary to determine soil depth, digitising the proposed planting area and confirm that alleys accommodate agreed machinery widths.

Carbon Capture Contract

The Carbon Capture contract consists of a Carbon Rights Agreement, a Carbon Covenant Agreement and a Tree Plantation Agreement.

Carbon Rights

Carbon Conscious will own the rights and obligations to the carbon stored by the mallees. At regular intervals the carbon stored will be assessed by Carbon Conscious and verified by an independent auditor. The verified carbon content can be converted to Greenhouse Friendly™ Abatement Certificates. One Greenhouse Friendly™ Abatement Certificate is equivalent to one carbon credit or one tonne of stored CO_2-e. The Abatement Certificates will be issued in accordance with the sharing arrangements detailed in the Carbon Capture Contract. Abatement Certificates can be held or sold. Carbon Conscious will actively trade in Abatement Certificates (Carbon Credits).

Carbon Conscious anticipates that carbon credits generated in this manner will be accepted into the Carbon Pollution Reduction Scheme proposed to commence in July 2010.

Carbon Covenant

Carbon Conscious will register a Carbon Covenant on the title of the land where mallees are grown. The Carbon Covenant is like a caveat, but it also explains the conditions relating to the ownership and management of the mallees. The Carbon Covenant will stay on the title for 70 years.

Tree Plantation Agreement

Under the Tree Plantation Agreement, Carbon Conscious retains the rights to the saleable products from the plantation which includes the carbon sequestered by the mallees, as well as the timber, biomass and seed.

What are my options?

Carbon Conscious understands that farmers' situations differ considerably from farm to farm and as a result we offer a range of flexible opportunities to participate in the Carbon Capture Program™. If you have 50 hectares or more of suitable land or wish to find out if our program is right for your business, please contact us.

Carbon Conscious aims to develop and maintain mutually beneficial relationships with our farmers.

Our program is specifically designed to:

- accommodate a range of farming practices while meeting standards for the appropriate accreditation
- contribute to achieving a range of environmental and economic benefits for the farmer.



The production chain dynamics

Seed collection and cleaning
January – March (Year 1)

Identification of land
Ongoing but completed in (Year 1)
June the year prior to planting

Seed germination
November (Year 1)

Seedling development
November – April (Year 1 up to 2)

Land preparation
April – May

Planting
May – September

Ongoing management
Farmer covenants, fire breaks, livestock, weed control in early years and general monitoring of the health of the plantation.

How are carbon credits generated?

Carbon Conscious undertakes a rigorous and detailed process to generate each carbon credit. This process is summarised below:

- Identify suitable land and negotiate terms with land owner
- Prepare contract documentation and present to landholder
- Secure the Carbon Rights and lodge Carbon Covenant
- Undertake infield land assessment and initial suitability analysis paying particular attention to growth/risk factors such as soil types, potential weed burden and salinity
- Prepare a planting program plan
- Prepare Kyoto compliant planting design schematics
- Digitally map the relevant paddocks and overlay planting design
- Prepare the site
- Spray for weeds
- Provide quality seedlings with identified traits
- Plant the seedlings
- Replant where required (expected to be minimal)
- Insure the carbon plantations
- Complete specific project monitoring and survival plan
- Carry out ongoing monitoring / assessment
- Measure the carbon inventory
- Register the carbon credits
- Arrange regular audits of carbon inventory
- Ensure the continuance of the plantation and enforce the Carbon Rights
- Generate and transfer Greenhouse Gas Abatement Certificates

Carbon Conscious Ltd

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