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29 January 2010

Company Announcements Office  
Australian Securities Exchange  
10<sup>th</sup> Floor  
20 Bond Street  
SYDNEY NSW 2000

**ANNOUNCEMENT NUMBER 65**

**Via: ASX Online**

**Number of Pages: 10** (including this page)

**ASX Code: CCF**

Dear Sir,

**ASX Announcement No 65 – Quarterly Report for the Period ending 31 December 2009 (Appendix 4C)**

Please find attached the Quarterly Report for the activities of Carbon Conscious Limited for the period ending 31 December 2009 as required under ASX Listing Rule 4.7B.

Yours sincerely



**Tim Jones**  
Company Secretary

encl.

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## **CARBON CONSCIOUS LIMITED QUARTERLY REPORT – PERIOD ENDING 31 DECEMBER 2009**

### **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.

Our 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.

### **2. QUARTERLY UPDATE**

#### **2.1 CPRS Update**

- December 2009 was a tumultuous month for the proposed Carbon Pollution Reduction Scheme (CPRS) and in turn political backers of the scheme.
- The Labour Government negotiated significant amendments to the previously proposed scheme with the then Liberal leadership in an effort to pass the legislation with the support of the opposition in the Senate.
- Over a protracted period members of the Liberal party moved spill motions against leader Malcolm Turnbull based on his decision to support the Bill.
- The Liberal party determined by a margin of 1 vote removed Turnbull as leader and installed Toby Abbott as leader.
- Mr Abbott is committed to rejecting the proposed CPRS and dealing with the issue of carbon emissions via alternative policies. From public comments it would appear that the Liberal party support the development of a vibrant offset industry with bio sequestration (including

forestry) being a major part of such scheme.

- In December 2009 the Senate voted down for a second time legislation setting up the Federal Government’s CPRS.
- The Government will introduce the amended CPRS Bill when parliament resumes on Tuesday, 2 February 2010. If the legislation is voted down again, it will provide a trigger for a double-dissolution election which analysts predict to occur in August/September 2010.
- Federal Climate Change Minister, Penny Wong, recently revealed Australia's target for greenhouse gas emissions cuts by 2020 under the Copenhagen Accord would be an unconditional minimum of 5 per cent and a possible maximum of 25 per cent, with an emissions trading scheme using a market price for carbon in 2012.

#### **2.2 Appointment of Mr Tim Jones as COO and Company Secretary**

- Tim Jones joined Carbon Conscious in November 2009 as Chief Operating

Officer. He is a corporate lawyer by background with a number of years of law firm experience followed by almost 8 years of experience working in listed companies. His prior role was as a General Manager of an ASX listed company.

- Mr Jones has experience in strategy development, business development, in-house legal advice and corporate compliance and has been involved in projects relating to intellectual property enforcement, international acquisitions of technology companies, technology licensing, IP due diligence and corporate structuring, including public listings.
- Mr Jones' appointment is an asset to the Company and the directors and management are pleased to have Mr Jones on board.
- Effective 1 December 2009, Mrs Geraldine Holland was replaced by Mr Jones as the Company Secretary.
- Mrs Holland resigned as Company Secretary due to family commitments.

### **3. CORPORATE UPDATE**

#### **3.1 Cash Position**

- Cash reserves at the end of the December quarter were \$4.215M.
- For the quarter ended December the Company generated cash surplus of \$1.282M.
- Cash surplus reflects final payments for the finalisation of 2009 plantings together with deposits on 2010 planting activities.

#### **3.2 Plantation Estates**

##### **3.2.1 2008 Estate**

- The initial planting of 100,000 seedlings at Bonnie Rock in 2008 continues to show good growth with well over 90% survival.

- Carbon Conscious continues to be pleased with the progress of the plantation and expects good levels of carbon growth.
- A portion of the estate has now been allocated to voluntary offset customers.

##### **3.2.2 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.
- Significant portions of the 2009 estate have been allocated to emitter clients.

##### **3.2.3 2010 Estate**

- Preparation for the 2010 planting program is well progressed with suppliers and contractors engaged for the 2010 season.
- Approximately 6 million trees are due to be planted in the 2010 winter program.
- Nursery inspections indicate successful germinations and vigorous seedling growth.
- Plantings will take place in the western, northern, north-eastern and eastern parts of the Western Australian wheatbelt for the 2010 estate.

#### **3.3 New Business Opportunities – Regulated**

- Following the recent deal with BP and the announcement with Origin Energy in June, Carbon Conscious is continuing discussions with organisations likely to have carbon liabilities under the CPRS.
- Potential clients have expressed a desire to include forestry bio sequestration in their carbon offset portfolios.
- While continued uncertainty around CPRS legislation does translate to more conservative attitudes by some potential customers, the events of December and the inevitable nature of the carbon

market has encouraged some customers to re-engage in discussions.

### **3.4 New Business Opportunities – Voluntary**

- Momentum continues to grow in the voluntary market as Carbon Conscious develops opportunities via strategic partnerships with relevant brands throughout Australia.
- A number of opportunities were formalised in this period with several more in the final stages of negotiation.

### **3.5 Industry Events**

- Carbon Conscious was the official carbon offset partner for the 2009 WA State natural resource management conference, which was held in Geraldton (WA) in October 2009.
- Approximately 350 delegates attended the two day conference.
- Conference co-hosts the Northern Agricultural Catchments Council (NACC) and the City of Geraldton Greenough (CGG) partnered with Carbon Conscious to lighten the carbon footprint of the conference delegates by planting mallee eucalypt trees in the Western Australian wheatbelt.

### **3.6 PR & Promotion**

- Carbon Conscious continues to gain regular positive media coverage generated from both the regulated and voluntary carbon markets.
- **Some of the partnerships established in the last quarter included:**

#### **Sunset Events- WA**

- Sunset Events partnered with Carbon Conscious to plant Mallee Eucalypt trees to offset the carbon emissions resulting from Southbound 2010.

- Mr James Legge Director Operations & Finance said “We will conduct a carbon emissions assessment for the event and, based on the data gathered, we will plant sufficient Mallee Eucalypt trees in the Western Australian wheatbelt to offset the carbon emissions for a 12-month period. “

#### **Homeloans Ltd – Western Australia**

- In a bid to become more environmentally friendly, Homeloans Ltd has announced it will plant a tree for every newly settled loan.
- The green initiative is part of the non-bank lender’s new agreement with Carbon Conscious.
- The lender’s national marketing manager Will Keall advised it was important for the company to support green initiatives.

#### **Lux Events WA**

- As part of their commitment to the environment, Lux Events has partnered with Carbon Conscious Limited to offer customers the opportunity to make their events, ‘carbon conscious’.
- For every event they facilitate they will provide an option for customers to ‘lighten the carbon footprint’ by contributing to a tree planting program.

#### 4. INTERNATIONAL CARBON MARKET UPDATE<sup>1</sup>

- The COP 15 negotiations in Copenhagen ended without a legally binding treaty to reduce greenhouse gas emissions.
- Many observers saw this as a disappointing outcome given the high expectations of participants and the number of world leaders gathered.
- However, an agreement was reached that should cut greenhouse gases, set up an emissions verification system, and reduce deforestation. Given the complexity of the issue, this represents a step forward.

The following outlines the key milestones at COP 15:

- **Temperature** - a recognition that the increase in global temperature should be below two degrees. It should be noted that the accord does not identify what year carbon emissions should peak).
- **Emission Cuts** - Annex 1 (Developed) countries to determine emissions targets for 2020 before 1 February 2010. This commits developed nations to start work almost immediately on reaching their mid-term targets.
- For the US, this is a 14-17% reduction on 2005 levels; for the EU, a still-to-be-determined goal of 20-30% on 1990 levels; for Japan, 25% and Russia 15-25% on 1990 levels.
- **Forests** - substantial finance to prevent deforestation; adaptation, technology development and transfer and capacity.

- **Finance** - the collective commitment by developed countries is to provide new and additional resources amounting to US \$30b for 2010-12 to support mitigation and adaptation activities in developing nations
- Developed countries set a goal of mobilising jointly \$100b a year by 2020 to address needs of developing countries. This is to be conditional upon the transparency of implementing such action.

##### 4.1 US Developments<sup>2</sup>

- The House passed its cap-and-trade bill in June of 2009, and have been waiting for the Senate to complete its work.
- CEOs from 80 businesses – including Exelon, Virgin America, NRG Energy, eBay and PG&E – sent a letter to President Barack Obama and members of Congress calling on them to move quickly to enact a cap-and-trade bill.
- Meanwhile in December, the EPA said GHG emissions and their impact on global temperatures represent a threat to the public health and welfare and need to be reduced.
- The agency has said it will begin regulating emissions from sources that emit more than 25,000 tonnes of GHGs a year if Congress fails to pass carbon-capping legislation.
- EPA regulation of GHGs is widely viewed as an imperfect tool for limiting emissions, since it is unlikely to permit many of the market-based mechanisms that attract businesses to cap-and-trade.
- Democratic backers of cap-and-trade legislation hope the threat of EPA regulation will put pressure on Congress to pass legislation.

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<sup>1</sup> Source: What was agreed at Copenhagen – and what was left out , Copenhagen climate deal: Spectacular failure - or a few important steps?- [www.guardian.co.uk](http://www.guardian.co.uk)

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<sup>2</sup> Carbon Market North America - Vol 5 • Issue 3 • 22 January 2010

# 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")

31 December 2009

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	3,316	4,328
1.2 Payments for		
(a) staff costs	(303)	(481)
(b) advertising and marketing	(69)	(235)
(c) research and development	0	0
(d) leased assets	(3)	(3)
(e) other working capital	(150)	(157)
(f) cost of sales	(188)	(550)
(g) other - carbon rights	0	(182)
(h) other - inventories for 2009 plantings	(421)	(421)
(i) other - deposits for 2010 plantings	(705)	(705)

+ 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	18	41
1.5	Interest and other costs of finance paid	(1)	(2)
1.6	Income taxes paid	0	0
1.7	Other (provide details if material)	0	3
	<b>Net operating cash flows</b>	<b>1,494</b>	<b>1,636</b>
		Current quarter \$A'000	Year to date (6 months) \$A'000
1.8	Net operating cash flows (carried forward)	<b>1,494</b>	<b>1,636</b>
	<b>Cash flows related to investing activities</b>		
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	(296)	(356)
	(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	15	15
	(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
	<b>Net investing cash flows</b>	<b>(281)</b>	<b>(341)</b>
<b>1.14</b>	<b>Total operating and investing cash flows</b>	<b>1,213</b>	<b>1,295</b>
	<b>Cash flows related to financing activities</b>		
1.15	Proceeds from issues of shares, options, etc.	0	0
1.16	Proceeds from sale of forfeited shares	0	0
1.17	Proceeds from borrowings / hire purchase	72	72
1.18	Repayment of borrowings	(3)	(6)
1.19	Dividends paid	0	0
1.20	Other	0	0
	<b>Net financing cash flows</b>	<b>69</b>	<b>66</b>

+ See chapter 19 for defined terms.

## Quarterly report for entities

admitted on the basis of commitments

	<b>Net increase (decrease) in cash held</b>	1,282	1,361
1.21	Cash at beginning of quarter/year to date	2,933	2,854
1.22	Exchange rate adjustments to item 1.20	0	0
1.23	<b>Cash at end of quarter</b>	<b>4,215</b>	<b>4,215</b>

**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	63
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

+ 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
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- 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
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**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	nil	nil
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	715	683
4.2 Deposits at call	3,500	2,250
4.3 Bank overdraft	0	0
4.4 Other (provide details)	0	0
<b>Total: cash at end of quarter</b> (item 1.23)	<b>4,215</b>	<b>2,933</b>

+ See chapter 19 for defined terms.

## Quarterly report for entities

admitted on the basis of commitments

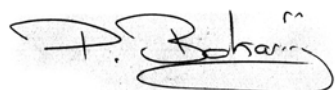
**Acquisitions and disposals of business entities**

	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: .....



Date: 29 January 2010 .....

(Director)

Print name: Peter Balsarini .....

+ See chapter 19 for defined terms.