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Welcome to the 1st issue of the Carbon Conscious UPDATE

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Message From The Chairman

I would like to take this opportunity to welcome all shareholders, stakeholders and newsletter subscribers to the 1st edition of our quarterly update. The carbon market is evolving rapidly and we believe it is important to provide an overview of both the Carbon Conscious business and the overall market.



Having successfully listed on the ASX in May this year, Carbon Conscious is now actively pursuing opportunities in the industrial sector to assist large emitters to offset their carbon emissions.

The Federal Government recently released their "Green Paper" on Australia's new "Carbon Pollution Reduction Scheme" (CPRS) and Forestry companies such as ours were the big winners with news that forestry generated carbon permits could play a role in the new scheme.

According to the Federal Government, in 2010 up to 1000 large Australian companies will be required by law to buy permits for either all or part of their annual carbon emissions.

What isn't in dispute is that this new system will have a collective cost of hundreds of millions or even billions of dollars to industry.

Carbon Conscious aims to provide an environmentally effective solution for those companies who will be caught up in the new scheme by planting large scale tree plantations to offset the carbon emissions of individual companies.

We believe that a significant "early mover" advantage is available for those companies who are seeking a hedge against future carbon price increases by creating their very own stream of carbon permits via Carbon Conscious sponsored large scale tree plantations.

Tree plantations are also a good way of ensuring ongoing access to carbon permits in an environment that will inevitably see Government issued Carbon Pollution Permits reduce every year.

Carbon Conscious are now attending second round meetings with a number of major Australian emitters to present the business case

and to date we have been very encouraged by the response from these emitters who are taking their upcoming obligations under the new Carbon Pollution Reduction Scheme very seriously.

The nature of the potential deals in this space are necessarily very large in order to achieve the sort of scale that big emitters are looking for and we are confident that our company presents as a credible partner for business in dealing with what is undoubtedly one of the biggest challenges faced by Australian businesses in modern history.

As Chairman of the business I will continue to ensure we look at every opportunity to develop the business in this extremely exciting industry.

Matt Birney

Non Executive Chairman

Nursery Agreement Finalised

Carbon Conscious Ltd signed a seedling supply agreement on 2 July 2008 with Benara Nurseries, Australia's largest wholesale nursery, to supply a variety of Mallee Eucalypt seedlings and mini plugs for an initial 5 year period.



These seedlings will be utilised in large scale Mallee Eucalypt plantings in the Western Australian wheatbelt for the purpose of carbon sequestration.

The nursery agreement allows Carbon Conscious to order up to 44 million seedlings and or mini plugs over the 5 year period at agreed prices and facilitates carbon sink plantings in the order of 30,000 hectares over the same period.

The agreement formalises the Heads of Agreement outlined in the Company's prospectus dated 6 March 2008.

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Accreditation Application Lodged

On 3 July 2008, Carbon Conscious announced to the market it had submitted its application for accreditation under the Federal Government's Greenhouse Friendly™ Program.



The Carbon Conscious Greenhouse Friendly™ Program application

was prepared over a six-month period and involved extensive sampling and data analysis of the four selected Mallee Eucalypt species for establishment under the Company's Carbon Capture Program™. URS Forestry were engaged to assist with the application.

The research included measuring rates of carbon sequestration in Mallee Eucalypts established in plantations to ensure forecast growth projections are accurate and reliable. Reliable forecasts are critical to provide potential emitter clients with a high degree of confidence with their investment decisions.

The Greenhouse Friendly™ Program complies with the Kyoto Protocol standards and as such provides a strong foundation for the Company. Although yet to be confirmed by the Government, the Company expects that the Greenhouse Friendly™ standards will be adopted under the Government's proposed Carbon Pollution Reduction Scheme anticipated to be introduced in 2010.

Carbon Conscious is awaiting final verification processes from the Greenhouse Office and will advise in due course on the success of the application.

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Initial Planting Completed

Carbon Conscious recently planted 100,000 Mallee Eucalypt trees as part of the Company's 2008 Carbon Capture Program™.

The planting took place 4 hours north-east of Perth.



The site and variety of Mallee Eucalypt were carefully selected. The good rainfall in the Western Australian wheatbelt ensured that the planting was completed effectively and efficiently.

The mallee plantation was established on land owned by a farmer who has been working with Carbon Conscious' largest shareholder, Broadacre Asset Management (BAM) over a number of years in their Grain Co-Production Projects.

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Overview on Australian Carbon Market

Garnaut Report

Professor Garnaut released his Draft Report which included key recommendations for the design of an Emissions Trading Scheme on 4 July 2008.

The Draft Report considers the potential impacts that climate change may have on Australia's environment and economy, and recommends a number of key design features for an Australian Emissions Trading Scheme (AETS).

The release of the Federal Government's Green Paper on 16 July 2008 confirmed the extent to which the Government will adopt the findings of the final Garnaut Report.

[Read Full Report](#)

Green Paper

The release of the Government's Green Paper on 16 July 2008 on an Australia emission trading scheme provided affirmation of the Carbon Conscious business model. Broadly, the Green Paper confirmed reforestation projects as that to be undertaken by Carbon Conscious will be able to generate carbon pollution permits tradable under the scheme.

[Read Full Report](#)

Tax Deductions for Carbon Sink Forests

Legislation which received royal assent on 24 June 2008 will enable taxpayers to claim a tax deduction for the expense of establishing trees in a carbon sink forest under Subdivision 40-J of the Income Tax Assessment Act 1997. The introduction of this deduction is intended to encourage the establishment of forests for the dedicated purpose of absorbing carbon dioxide from the atmosphere.

This new legislation clarifies expectation based on an announcement made by the previous Federal Government and provides further incentive for investment into forestry carbon sink projects in Australia. There continues to be ongoing debate regarding the exact operations and conditions under which the new tax laws will operate. The issue was sent to the Rural and Regional Affairs and Transport Senate Committee which will report back to the Senate on 22 August this year.

As part of ongoing industry engagement Carbon Conscious Executive Director Peter Balsarini and Non-Executive Director Michael Shields made a presentation to this Senate committee on the positive benefits associated with the carbon sink plantings.

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Public Relations and Promotions Update

Carbon Conscious has been successful in identifying opportunities within the market to gain exposure and educate the public both on the carbon industry and the Carbon Conscious business model. A crucial element of this overall communications strategy is to continue to build relationships with the media Australia wide.



In a short period the business has been successful in gaining significant media exposure in local and national press, radio, online news and television media channels.

Dowerin GWN Machinery Field Days Activates Carbon Conscious Program

Carbon Conscious has entered into a partnership with the 2008 GWN Dowerin Machinery Field Days. The Field Day program has been established with the aim to offset carbon output of elements of the event and will be achieved by planting Mallee Eucalypt Trees in the Western Australian wheatbelt.

The Dowerin GWN Machinery Field Days are held on 27 and August 2008 and expect to attract more than 17,000 people over the two days. In addition to the benefit of brand recognition the Company believes it is important to actively position the company with farmers and other agricultural participants to ensure ability to deliver long term plans.

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New Office

Carbon Conscious recently moved into their new premises and can now be found at Level 1, 1 Outridge Crescent Subiaco.