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Carbon Conscious Limited ABN 20 129 035 221

28 October 2008

Company Announcements Office
Australian Securities Exchange
10th Floor
20 Bond Street
SYDNEY NSW 2000

ANNOUNCEMENT NUMBER 15

Via: ASX Online

Number of Pages: 55 (including this page)

ASX Code: CCF

Dear Sir,

ASX Announcement No 15 – Notice of Annual General Meeting/Proxy Form/Annual Report

Please find attached Carbon Conscious Limited's Notice of Annual General Meeting including the Proxy Form and 2008 Annual Report.

Yours sincerely

Carbon Conscious Limited

Peter Balsarini
Chief Executive Officer and Company Secretary

encl.



carbonconscious

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Level 1, 1 Outridge Crescent Subiaco WA 6008

Carbon Conscious Limited ABN 20 129 035 221

28 October 2008

Name of investor
Address Line 1
Address Line 2
Suburb State Postcode

Dear Shareholder

CARBON CONSCIOUS LIMITED – ANNUAL GENERAL MEETING 2008

In accordance with Section 249HA and 250N of the Corporations Act 2001, notice is hereby given that the Annual General Meeting of Shareholders of Carbon Conscious Limited will be held at The Terrace Room (Ground Floor), Somerset Hotel (formerly The Chifley), 185 St Georges Terrace, Perth, Western Australia on Tuesday, 25 November 2008 at 9.00am (Perth time).

Please find enclosed the following for your perusal and action:

- Notice of Annual General Meeting containing information on the venue, meeting agenda and explanatory statement;
- Annual Report for Carbon Conscious Limited for the year ended 30 June 2008;
- Instructions for completing "Appointment of Proxy" form; and
- Appointment of Proxy form (*to be completed and returned to Carbon Conscious*)

If you have previously opted-in to receive the Notice of Annual General Meeting and Annual Report via electronic means, you will receive an electronic mail advising you on how to download the reports. A hardcopy of the Proxy Form is enclosed for your convenience.

As stated under Section 250RA of the Corporations Act 2001, the Auditors of Carbon Conscious Limited or their nominated representatives will be attending the meeting.

It is important that we receive your vote no later than Friday, 21 November 2008 so that voting results received by proxies can be tallied.

Thank you for your continued support in Carbon Conscious Limited.

Yours sincerely

Carbon Conscious Limited

Matthew Birney
Chairman



carbonconscious

ABN 20 129 035 221

NOTICE OF ANNUAL GENERAL MEETING 2008

TIME: 9.00am WST

DATE: TUESDAY, 25 NOVEMBER 2008

**PLACE: THE TERRACE ROOM (GROUND FLOOR), SOMERSET HOTEL
(formerly THE CHIFLEY), 185 ST GEORGES TERRACE, PERTH,
WESTERN AUSTRALIA**

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 9286 5999.

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Carbon Conscious Limited ('Company') which this Notice of Meeting relates to will be held at 9.00am WST on Tuesday, 25 November 2008 at The Terrace Room (Ground Floor), Somerset Hotel (formerly The Chifley), 185 St Georges Terrace, Perth, Western Australia.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above and bring the enclosed proxy form with you.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and either:

- send the proxy form by post to Carbon Conscious Limited, PO Box 1338, Subiaco, Western Australia 6904; or
- send the proxy form by facsimile to the Company on facsimile number (08) 9286 5918.

so that it is received not later than 9.00am WST on Friday, 21 November 2008.

Proxy forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Carbon Conscious Limited will be held at The Terrace Room (Ground Floor), Somerset Hotel (formerly The Chifley), 185 St Georges Terrace, Perth, Western Australia at 9.00am WST on Tuesday, 25 November 2008.

The Explanatory Statement annexed to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at the close of business on Friday, 21 November 2008.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

Reports and Accounts

To receive the financial report of the Company for the year ended 30 June 2008, together with the Directors' report and the Auditor's report.

Resolution 1 – Adoption of Remuneration Report (Non-binding)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **advisory only resolution**:

"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Company adopts the Remuneration Report."

Short Explanation: The Corporations Act provides that a resolution that the remuneration report be adopted must be put to vote at a listed company's annual general meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

Resolution 2 – Re-election of Directors

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

- "That, Mr Matthew Birney, being a Director, retires in accordance with clause 11.12 of the Constitution and being eligible for re-election, is hereby re-elected as a Director."
- "That, Mr Peter Balsarini, being a Director, retires in accordance with clause 11.12 of the Constitution and being eligible for re-election, is hereby re-elected as a Director."
- "That, Mr Daniel Stevens, being a Director, retires in accordance with clause 11.12 of the Constitution and being eligible for re-election, is hereby re-elected as a Director."
- "That, Mr Richard Collins, being a Director, retires in accordance with clause 11.12 of the Constitution and being eligible for re-election, is hereby re-elected as a Director."

- "That, Mr Michael Shields, being a Director, retires in accordance with clause 11.12 of the Constitution and being eligible for re-election, is hereby re-elected as a Director."
- "That, Mr Nadaisan Logaraj, being a Director, retires in accordance with clause 11.12 of the Constitution and being eligible for re-election, is hereby re-elected as a Director."

Resolution 3 – Issue of Director Options to Mr Peter Balsarini

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolution 2(b), for the purposes of Listing Rule 10.11 of the ASX Listing Rules, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue 500,000 Director Options at \$0.60 exercisable on or before 8 August 2013 but shall not be vested before 8 August 2011 to Mr Peter Balsarini (or his nominee) on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: For the purposes of ASX Listing Rule 10.11 and section 224 of the Corporations Act, the Company will disregard any votes cast on Resolution 3 by Mr Peter Balsarini and any of his associates. However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 – Appointment of Auditor

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 327B of the Corporations Act and for all other purposes, HLB Mann Judd having been nominated and having consented in writing to act as auditor of the Company, be appointed as auditor of the Company."

DATED: 28 OCTOBER 2008

BY ORDER OF THE BOARD



**PETER BALSARINI
COMPANY SECRETARY
CARBON CONSCIOUS LIMITED**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting of Carbon Conscious Limited to be held at The Terrace Room, Somerset Hotel (formerly The Chifley), 185 St Georges Terrace (Ground Floor), Perth, Western Australia at 9.00am WST on Tuesday, 25 November 2008.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting (of which this Explanatory Statement forms a part).

RESOLUTION 1 – REMUNERATION REPORT (NON-BINDING RESOLUTION)

In accordance with Section 250R(2) of the Corporations Act, the Company must put a resolution that the Remuneration Report be adopted to vote at the Annual General Meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

The Remuneration Report includes all of the information required by Section 300A of the Corporations Act, including:

- board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of Directors, secretaries and senior managers of the Company;
- discussion of the relationship between such policy and the Company's performance; and
- the prescribed details in relation to the remuneration of each Director and certain executives.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

RESOLUTION 2 – RE-ELECTION OF DIRECTORS

Clause 11.12 of the Constitution provides that any Director appointed under clause 11.11 of the Constitution holds office until the next annual general meeting of the Company and is then eligible for re-election.

- (a) Mr Matthew Birney seeks re-election as a Director in accordance with clause 11.12 of the Constitution.
- (b) Mr Peter Balsarini seeks re-election as a Director in accordance with clause 11.12 of the Constitution.
- (c) Mr Daniel Stevens seeks re-election as a Director in accordance with clause 11.12 of the Constitution.
- (d) Mr Richard Collins seeks re-election as a Director in accordance with clause 11.12 of the Constitution.
- (e) Mr Michael Shields seeks re-election as a Director in accordance with clause 11.12 of the Constitution.
- (f) Mr Nadaisan Logaraj seeks re-election as a Director in accordance with clause 11.12 of the Constitution.

Details regarding each director are set out in the 2008 Annual Report.

The Directors recommend that Shareholders vote in favour of Resolution 2(a) to (f) in relation to their re-election.

RESOLUTION 3 – ISSUE OF DIRECTOR OPTIONS TO MR PETER BALSARINI

3.1 BACKGROUND

Resolution 3 seeks Shareholder approval for the issue of 500,000 Director Options at \$0.60 exercisable on or before 8 August 2013 but shall not be vested before 8 August 2011 to Mr Peter Balsarini (or his nominee). Mr Peter Balsarini is the Chief Executive Officer and Company Secretary of the Company.

The ASX Listing Rules and the Corporations Act set out a number of regulatory requirements which must be satisfied.

These are summarised on the next section.

3.2 ASX LISTING RULE 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party of the company.

If Resolution 3 is passed, Director Options will be issued to Mr Peter Balsarini, who is a related party of the Company. Accordingly, approval for the issue of Director Options is required pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to Mr Peter Balsarini as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of options to Mr Peter Balsarini will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 3:

- (a) the maximum number of Director Options to be issued by the Company is 500,000 to Mr Peter Balsarini;
- (b) the Director Options will be issued not later than one month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on one date;
- (c) the Director Options will be issued for no cash consideration;
- (d) the Director Options will be issued on the terms and conditions set out in Section 3.5; and
- (e) no funds will be raised from the issue of the Director Options as the purpose of the issue is to give Mr Peter Balsarini an incentive to provide dedicated and ongoing services to the Company.

3.3 SECTION 208 OF THE CORPORATIONS ACT

Under Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

In the current circumstances, the issue of the Director Options to Mr Peter Balsarini constitutes a "financial benefit" as defined in the Corporations Act. Further, Mr Peter Balsarini is a "related party" of the Company as defined under the Corporations Act. Accordingly, the proposed issue of Director Options to Mr Peter Balsarini will

constitute the provision of a financial benefit to a related party of the Company.

It is the view of the Directors that the exceptions under the Corporations Act to the provision of a financial benefit to a related party may not apply in the current circumstances. The Directors have determined to seek Shareholder approval under Section 208 of the Corporations Act to permit the issue of the Director Options to Mr Peter Balsarini.

3.4 SECTIONS 217 TO 227 OF THE CORPORATIONS ACT

Pursuant to Sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the proposed financial benefit to be given to Mr Peter Balsarini:

- (a) the related party to whom the financial benefit will be given is Mr Peter Balsarini;
- (b) the maximum number of Director Options (being the nature of the financial benefit to be provided) to be issued is 500,000;
- (c) the Directors (other than Mr Peter Balsarini), who do not have a material personal interest in the outcome of Resolution 3, recommend that Shareholders vote in favour of Resolution 3 as they are of the view that the issue of 500,000 Director Options to Mr Peter Balsarini is an appropriate form of remuneration to provide him with an incentive to maximise returns to Shareholders. The Directors (other than Mr Peter Balsarini) considered Mr Peter Balsarini's experience, the market price of the Shares when the resolution was passed by the Board and current market practice when determining the number and exercise price of the Director Options to be issued to Mr Peter Balsarini. Mr Peter Balsarini declined to make a recommendation in relation to Resolution 3 due to the fact that he has a material personal interest in its outcome;
- (d) Mr Peter Balsarini is currently paid \$150,000 (plus statutory superannuation) per annum for his services to the Company;
- (e) Mr Peter Balsarini currently has a interest in 161,250 Shares and 400,000 options to acquire shares at \$0.60 exercisable on or before 31 December 2010;
- (f) if Shareholders approve the issue of Director Options to Mr Peter Balsarini, and all of the Director Options are exercised, the effect will be to dilute the shareholding of existing Shareholders by approximately 1.32% on an undiluted basis and based on the number of Shares on issue as at the date of this Notice. The market price for Shares during the term of the Director Options would normally determine whether or not Mr Peter Balsarini exercises the Director Options. If, at the time any of the Director Options are exercised, the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company. The highest, lowest and last trading price of Shares on ASX during the period from the commencement of official quotation on 16 May 2008 and the date of this Notice are as set out below:

	Date	Price
Highest	16 May 2008	\$0.48
Lowest	6 September 2008	\$0.20
Last	8 October 2008	\$0.25

- (g) the ASIC in reviewing documents lodged under section 218 relating to the giving of financial benefits to related parties of public companies requires explanatory information regarding the value of the options proposed to be granted. The value of the Director Options has been calculated using the Black & Scholes pricing model and is set out below; and
- (h) additional information in relation to Resolution 3 is set out throughout this Explanatory Statement. Shareholders should therefore read the Notice and Explanatory Statement in its entirety before making a decision as to how to vote on Resolution 3.

3.5 VALUATION OF THE DIRECTOR OPTIONS

The Director Options have been valued using the Black & Scholes pricing model and based upon the following assumptions:

- (a) the Director Options expire on 8 August 2013 and are exercisable at \$0.60 each;
- (b) a volatility factor of 99.8% based on the historical volatility of alike company's share price;
- (c) a risk free interest rate of 5.65% based on the Commonwealth Government Securities rate as at 29 August 2008;
- (d) the valuation date for the Director Options was 8 October 2008 and the Share price on that date was \$0.25; and

(e) a 30% discount for the lack of negotiability in view of the options not being quoted on the ASX – refer Annexure “A”.

Based on the above, the 500,000 Director Options proposed to be issued to Mr Peter Balsarini pursuant to Resolution 3 have been valued at \$55,960 in aggregate.

3.6 TERMS AND CONDITIONS OF DIRECTOR OPTIONS

Subject to Shareholder approval, the Options will be granted on the terms and conditions set out in Annexure “A” to this Explanatory Statement.

RESOLUTION 9 – APPOINTMENT OF AUDITOR

Under the Corporations Act, the Directors of the Company were required to appoint an auditor at the time of incorporation of the Company. Pursuant to the Corporations Act, the auditor so appointed holds office only until the first annual general meeting of the Company.

The Directors have considered this matter and now recommend that HLB Mann Judd be appointed as auditor of the Company and that Shareholders consider this resolution at the Company's first Annual General Meeting. The Company acknowledges that HLB Mann Judd has consented in writing to being appointed as the Company's auditor.

In accordance with the Corporations Act, Mr Peter Balsarini, a Shareholder and Company Secretary, has nominated HLB Mann Judd to be appointed auditor of the Company. A copy of that nomination is attached to the Notice of Annual General Meeting (Annexure “B”).

GLOSSARY

2008 Annual Report means the Company's annual report including the reports of the Directors and auditor and the financial statements of the Company for the year ended 30 June 2008, which can be downloaded from the Company's website at www.carbonconscious.com.au.

Annual General Meeting means the annual general meeting of the Company to be held on The Terrace Room (Ground Floor), Somerset Hotel (formerly The Chifley), 185 St Georges Terrace, Perth, Western Australia on Tuesday, 25 November 2008.

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Securities Exchange Limited (ASX 008 624 691).

ASX Listing Rules or **Listing Rules** means the Listing Rules of the ASX and any other rules of the ASX which are applicable while the entity is admitted to the Official List of the ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Board means the board of Directors.

Company or **Carbon Conscious** means Carbon Conscious Limited (ABN 20 129 035 221).

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Director Option means an option to acquire a Share at an exercise price of \$0.60 cents per Share on or before 8 August 2013 but shall not be vested before 8 August 2011, and otherwise on the terms and conditions set out in Annexure “A” of this Explanatory Statement.

Notice means the Notice of Meeting attached to this Explanatory Statement.

Option means an option to acquire a Share on the terms and conditions set out in Annexure “A” of this Explanatory Statement.

Remuneration Report means that section of the Directors' Report under the heading “Remuneration Report” set out in the 2008 Annual Report.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a shareholder of the Company.

WST means Western Standard Time.

ANNEXURE “A”

TERMS AND CONDITIONS OF OPTIONS

The terms and conditions of the Options proposed to be allotted and issued and the subject of proposed Resolutions 2(b) and 3 are as follows:

- (a) Each Option entitles the holder to subscribe for one Share in the capital of the Company at the exercise price of \$0.60 cents per Share.
- (b) Subject to paragraph (c) below, the Options are exercisable at any time after 8 August 2011 and before 5.00pm Perth time 8 August 2013 by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company. Any Options not exercised by that time will lapse.
- (c) For options to vest, Mr Peter Balsarini must be continuously employed until the earliest vesting date set out above.
- (d) An Option Holder may exercise some only of that person's Options, which does not affect that holder's right to exercise the remainder of their Options by the deadline in paragraph (b) above. Options must be exercised in multiples of 100 at a time, unless the Option Holder exercises all Options able to be exercised at that time.
- (e) Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Options are freely transferable. Application will not be made to ASX for official quotation of the Options.
- (f) All Shares issued upon exercise of the Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.
- (g) Option Holders cannot participate in new issues of capital offered to Shareholders of the Company during the currency of the Options without exercising the Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 10 business days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (h) Subject to paragraph (h), if the Company makes a bonus share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per Option or any other terms of those Options.
- (i) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to 8 August 2013 the rights of Option Holders, including the number of Options or the exercise price of the Options or both will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (j) Option Holders will be sent all communications sent to Shareholders of the Company, but Options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to Option holders in the manner provided by the Company's Constitution for the giving of notices to Shareholders, and the relevant provisions of the Company's Constitution apply with all necessary modification to notices to Option holders.

ANNEXURE “B”

AUDITOR NOMINATION

28 October 2008

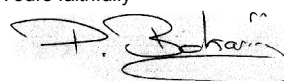
The Directors
Carbon Conscious Limited
1 Outridge Crescent
SUBIACO WA 6008

Dear Sirs

NOMINATION OF AUDITOR

In accordance with the provisions of section 328B of the Corporations Act, I, Peter Balsarini, being a member of Carbon Conscious Limited, hereby nominate HLB Mann Judd for appointment as auditor of Carbon Conscious Limited.

Yours faithfully



Peter Balsarini



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ABN 20 129 035 221

INSTRUCTIONS FOR COMPLETING "APPOINTMENT OF PROXY" FORM

1. A Shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. Where more than one proxy is to be appointed or voting intentions cannot be adequately expressed using this form an additional form of proxy is available from the Company or you may copy this form.
2. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For a company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form enclosed and either:
 - (a) send the proxy form by post to Carbon Conscious Limited, PO Box 1338, Subiaco, Western Australia 6904; or
 - (b) send the proxy form by facsimile to the Company on facsimile number (08) 9286 5918,so that it is received not later than 9.00am WST on Friday, 21 November 2008.

Proxy forms received later than this time will be invalid.

NOTES FOR VOTING

Quorum

The Constitution of the Company provides that 2 members present personally or by representative, attorney or proxy shall be a quorum for a general meeting of the Company.

Resolutions

Each of the ordinary resolutions in the Notice of Meeting would not be passed unless more than 50% of the votes cast by Shareholders entitled to vote on the resolutions are in favour of the resolutions.

Voting

The Directors of the Company have determined that, for the purpose of the meeting, shares will be taken to be held by the persons who are registered as holders as at 5.00pm (Perth time) on Friday, 21 November 2008. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the meeting.



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ABN 20 129 035 221

APPOINTMENT OF PROXY FORM

The Directors
Carbon Conscious Limited
ABN 20 129 035 221

I/We [insert full name of Shareholder]

SRN/HIN: [insert number]

of [insert address]

Shares Held: [insert number]

being a Shareholder of Carbon Conscious Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

(insert name of Proxy or office held by Proxy)

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting or the Chair's nominee, as my/our proxy to act generally for me/us and to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Annual General Meeting to be held at The Terrace Room (Ground Floor), Somerset Hotel (formerly The Chifley), 185 St Georges Terrace, Perth, Western Australia at 9.00am WST on Tuesday, 25 November 2008 and at any adjournment thereof.

If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do not wish to direct your proxy how to vote as your proxy in respect of a Resolution, please place a mark in the box below. By marking this box, you acknowledge that the Chair may exercise your proxy even if he/she has an interest in the outcome of the Resolutions and that votes cast by the Chair of the meeting for those Resolutions other than as proxy holder will be disregarded because of that interest. Proxies appointing the Chair which do not specify the way in which the proxy is to vote on a particular Resolution will be recorded as voting in favour of the Resolution. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the Resolution and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.

VOTING ON BUSINESS OF THE ANNUAL GENERAL MEETING

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2(a)	Re-election of Mr Matthew Birney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2(b)	Re-election of Mr Peter Balsarini	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2(c)	Re-election of Mr Daniel Stevens	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2(d)	Re-election of Mr Richard Collins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2(e)	Re-election of Mr Michael Shields	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2(f)	Re-election of Mr Nadaisan Logaraj	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Director Options to Mr Peter Balsarini	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

Signed and dated (*within the box where applicable*):

INDIVIDUAL / JOINT HOLDER 1

JOINT HOLDER 2

JOINT HOLDER 3

DIRECTOR 1

DIRECTOR 2 / COMPANY
SECRETARY

SOLE DIRECTOR & SOLE COMPANY
SECRETARY

DATE



carbonconscious

ABN 20 129 035 221

Annual Financial Report

For the period 2 January 2008 to 30 June 2008

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CORPORATE INFORMATION

ABN 20 129 035 221

Directors

MATTHEW BIRNEY, Non-Executive Chairman
PETER BALSARINI, Chief Executive Officer
DANIEL STEVENS, Executive Director
RICHARD COLLINS, Executive Director
NADAISAN LOGARAJ, Non-Executive Director
MICHAEL SHIELDS, Non-Executive Director

Company secretary

PETER BALSARINI

Registered office

LEVEL 1, 1 OUTRIDGE CRESCENT, SUBIACO WA 6008

Principal place of business

LEVEL 1, 1 OUTRIDGE CRESCENT, SUBIACO WA 6008

Share register

ADVANCED SHARE REGISTRY SERVICES
150 STIRLING HIGHWAY, NEDLANDS WA 6009

Solicitors

PRICE SIERAKOWSKI
LEVEL 24, 44 ST GEORGES TERRACE, PERTH WA 6000

Bankers

NATIONAL AUSTRALIA BANK
150 ST GEORGES TERRACE, PERTH WA 6000

Auditors

HLB MANN JUDD
LEVEL 2, 15 RHEOLA STREET, WEST PERTH WA 6005

DIRECTORS' REPORT

Your directors submit the annual financial report of the Company for the financial period ended 30 June 2008. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

The names of directors who held office during or since the end of the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

MATTHEW BIRNEY, 39 (Chairman)

Matthew Birney is the former Leader of the Opposition in Western Australia and is the only Liberal Member of Parliament ever to win the State seat of Kalgoorlie in its 100 year history.

Since 2001 Mr Birney has also held the positions of Shadow State Treasurer for Western Australia, Shadow Minister for Commerce and International Trade, Shadow Minister for Communications and Police.

Mr Birney is also a former deputy chairman of the West Australian Government's Corruption and Crime Commission.

Mr Birney is also a successful businessman of some 16 years standing and the recipient of a number of business awards from industry peak bodies and other organisations.

His business interests both past and present include automotive, marine, retail import/wholesale and commercial property development.

PETER BALSARINI, 40, BEc, M.Bus, CPA (Chief Executive Officer)

Mr Balsarini holds a Bachelor of Economics Degree, is a CPA and has a Masters Degree in Business. He has over 17 years experience in the financial services industry having spent considerable time both as a public practising accountant and Chief Financial Officer of a major Funds Management business. Mr Balsarini's experience spans project feasibility, investment case analysis, implementation of financial control systems, staff management, taxation, product development and distribution amongst others. He has significant experience in the development and ongoing operation of Managed Investment Schemes, including regulatory and compliance requirements.

DANIEL STEVENS, 32, BBus (Executive Director, Business Development)

Mr Stevens joined AACL in 2004 and has been AACL's General Manager since 2006. Mr Stevens was instrumental in developing AACL during that time. Mr Stevens holds a Bachelor of Business (Marketing and Human Resource Management) and has previously held senior positions in marketing, sales and management across a number of businesses involved in various industries.

RICHARD COLLINS, 59, B.Sc, Grad Dip Bus, Grad Dip Marketing (Director, Carbon Estates)

Mr Collins will guide mallee tree establishment and research projects drawing from his experience in Western Australia's Mallee Tree industry gained in the 1990s, which established more than 8,000 hectares of Mallees in the wheatbelt.

He has a degree in agricultural science, post graduate qualifications in business and marketing and in the past two years has worked with AACL building farmer relationships.

MICHAEL SHIELDS 35, B.Com (Non-Executive Director)

Mr Shields is a leading Western Australian farmer with significant interests in a number of large scale agricultural enterprises. Mr Shields completed a Bachelor of Commerce degree at the University of Western Australia and then went on to work in the USA and Australia in the agricultural services divisions of a number of organisations including John Deere, Caterpillar and Westrac. Previously, Mr Shields was a director of Summit Fertilizers Pty Ltd and is currently a director of ASX listed company Marginbet Ltd.

During the last three years, Mr Shields has also served as a director of the following listed companies:

Fortuna Minerals Limited	12 November 2007 to present
(Formerly Margin Bet Limited)	

DIRECTORS' REPORT

NADAISAN LOGARAJ, 59, LL.B (Hons), LL. M., FAICD (Non-Executive Director)

Mr Logaraj has had a distinguished career in law and investment banking.

Currently, he advises several Asian and Australian corporations on their international investments. He is a Member of the NSW Government's Asia Business Council and a Member of The University of Sydney's Council dealing with Asia Pacific issues. He is a Fellow of the Australian Institute of Company Directors (since 1988) and National President of the Australia-Singapore Chamber of Commerce (since 1993).

Mr Logaraj is also a director of Australian Agricultural Contracts Ltd and Broadacre Asset Management Pty Ltd.

During the last three years, Mr Logaraj has also served as a director of the following listed companies:

Scimitar Resources Limited	13 December 2007 to present
Karmelsonix Limited	16 April 2008 to present

Company Secretary

PETER BALSARINI

Mr Balsarini was appointed Company Secretary on incorporation of the Company.

Interests in the shares and options of the company

During and since the end of the financial period a total of 1,355,000 shares and 8,437,500 options were issued to the following directors and related parties of the company:

	Number of options granted	Number of fully paid ordinary shares granted	Number of fully paid ordinary shares - other
Directors			
Matthew Birney	300,000	256,250	100,000 (i)
Peter Balsarini	400,000	161,250	5,000 (ii)
Daniel Stevens	400,000	156,250	-
Richard Collins	1,337,500	468,750	*
Michael Shields	300,000	156,250	100,000 (i) 35,000 (ii) 20,000 (iii)
Nadaisan Logaraj	300,000	156,250	49,525 (iii)
Related parties			
Broadacre Asset Management Pty Ltd	5,400,000		
(i) Seed capital shares purchased at an issue price of \$0.20			(ii) Shares purchased at IPO at an issue price of \$0.40
(iii) Shares purchased on-market			

Details of unissued ordinary shares under options are as follows:

Number of options	Exercise price	Expiry date
1,875,000	\$0.20	31 March 2011
7,500,000	\$0.60	31 December 2010

There were no ordinary shares issued during the financial period as a result of the exercise of an option.

Dividends

No dividends have been paid or declared since the start of the financial period. The directors do not recommend the payment of a dividend in respect of the financial period.

Principal Activities

The principal activities of the Entity during the financial period were environmental services being the establishment of carbon sinks for the purposes of sequestration of carbon from the atmosphere.

There have been no other significant changes in the nature of those activities during the period.

DIRECTORS' REPORT (continued)

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 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.

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.

Key highlights of the financial period include:

Successful IPO

Carbon Conscious listed on the ASX on 21 May 2008. The Company received strong support from several key stockbrokers and their clients. Solid support for the offer was also received from the retail public demonstrating the interest that positive environmental undertakings have at present.

In the IPO, the Company issued 18,125,000 ordinary shares at 40 cents per share raising \$7.25M. In total the Company has 37,375,000 ordinary shares on issue.

Lodgement of Accreditation

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™. The Company engaged URS Forestry 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.

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

Nursery Agreement Finalised

In late June 2008 Carbon Conscious signed a seedling supply agreement 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 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 a 5-year period at agreed prices and will facilitate 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.

Initial Planting

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.

The Company announced the successful completion of the planting to the market on 21 July 2008.

DIRECTORS' REPORT (continued)

Review of operations (continued)

Green Paper Release

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 such as that to be undertaken by Carbon Conscious will be able to generate carbon pollution permits tradable under the scheme.

Operating results for the period

The loss of the Company after providing for income tax amounted to \$1,129,932.

Review of financial conditions

The Company is well funded with approximately \$6.6M in the bank at the end of June 2008. The Company intends that the majority of its plantings will be paid from agreement with third party carbon clients.

Significant changes in the state of affairs

The company was incorporated on 2 January 2008.

On 3 January 2008 the Company issued 16,249,999 ordinary shares at \$0.0001 to promoters.

On 31 January 2008 the Company issued 3,000,000 ordinary shares at \$0.20 to seed capitalists to raise \$600,000

On 12 May 2008 the Company issued 18,125,000 shares at \$0.40 pursuant to the Prospectus dated 6 March 2008.

On 14 May 2008 the Company was admitted to the official list of the Australian Securities Exchange and commenced official quotation on 16 May 2008.

There have been no other significant changes in the state of affairs of the Company to the date of this report.

Significant events after balance date

There have been no matters or circumstances that have arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Company in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

Environmental legislation

The Company is not subject to any significant environmental legislation.

Indemnification and insurance of Directors and Officers

The company has agreed to indemnify all the directors and officers for any breach of laws and regulations arising from their role as directors and officers. Total amount of premiums paid was \$10,116

DIRECTORS' REPORT (continued)

Remuneration report

This report outlines the remuneration arrangements in place for directors of Carbon Conscious Limited (the "company").

The following persons acted as directors during or since the end of the financial period:

MATTHEW BIRNEY (Non Executive Chairman)
PETER BALSARINI (Chief Executive Officer)
DANIEL STEVENS (Executive Director, Business Development)
RICHARD COLLINS (Executive Director, Carbon Estates)
NADAISAN LOGARAJ (Non Executive Director)
MICHAEL SHIELDS (Non Executive Director)

Remuneration philosophy

The performance of the company depends upon the quality of the directors and executives. The philosophy of the company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration committee

The Company does not have a formally constituted remuneration committee as the board considers that the Company's size does not warrant such a committee. The board of directors oversees the functions normally carried out by an audit committee.

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the initial meeting of members held on 2 January 2008 when shareholders approved an aggregate maximum remuneration of \$300,000 per year. The current total remuneration for non-executive directors is \$150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the company. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

The remuneration of non-executive directors for the period ended 30 June 2008 is detailed in Table 1.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed periodically by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component of the most highly remunerated Company executives is detailed in Table 1.

DIRECTORS' REPORT (continued)

Variable Remuneration

The objective of the short term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentive available is set at a level so as to provide sufficient incentive to the senior management to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

The aggregate of annual payments available for executives across the Company is subject to the approval of the Board. Payments made are delivered as a cash bonus in the following reporting period.

The company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

Employment Contracts

The employment conditions of the Chief Executive Officer, Peter Balsarini are formalised in a contract of employment. Mr Balsarini is employed under a fixed one year contract, which commenced on 16 May 2008 and expires on 15 May 2009 and paid at a rate of \$120,000 per annum exclusive of superannuation.

The employment may be terminated by the Company or Mr Balsarini by giving the other one months notice in writing. Alternatively, the employment may be terminated by the Company providing compensation instead of the period of notice required. Termination payments due are one month's lieu of notice if the termination period is not worked out. Termination payments are not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

The employment conditions of the Executive Director, Daniel Stevens are formalised in a contract of employment. Mr Stevens is employed under a fixed one year contract, which commenced on 16 May 2008 and expires on 15 May 2009 and paid at a rate of \$120,000 per annum exclusive of superannuation.

The employment may be terminated by the Company or Mr Stevens by giving the other one months notice in writing. Alternatively, the employment may be terminated by the Company providing compensation instead of the period of notice required. Termination payments due are one month's lieu of notice if the termination period is not worked out. Termination payments are not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

The employment conditions of the Executive Director, Richard Collins are formalised in a contract of employment. Mr Collins is employed under a fixed one year contract, which commenced on 16 May 2008 and expires on 15 May 2009 and paid at a rate of \$120,000 per annum exclusive of superannuation.

The employment may be terminated by the Company or Mr Collins by giving the other one months notice in writing. Alternatively, the employment may be terminated by the Company providing compensation instead of the period of notice required. Termination payments due are one month's lieu of notice if the termination period is not worked out. Termination payments are not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

Remuneration of directors and named executives

Table 1: Directors' remuneration for the period ended 30 June 2008

	Primary benefits			Post employment		Equity	Other	Total	%
	Salary & Fees	Bonuses	Non Monetary Benefits	Superannuation	Prescribed benefits	Options			Performance related
Matthew Birney	27,250	-	-	-	-	6,045	-	33,295	-
Peter Balsarini (i)	60,000	-	-	900	-	4,030	-	64,930	-
Daniel Stevens (i)	43,125	-	-	3,881	-	4,030	-	51,036	-
Richard Collins(i)	22,500	-	-	2,025	-	14,846	-	39,371	-
Michael Shields	25,000	-	-	2,250	-	6,045	-	33,295	-
Nadaisan Logaraj	25,000	-	-	2,250	-	6,045	-	33,295	-

(i) Includes remuneration received between January 2nd 2008 and May 19th 2008 paid by the Company as a reimbursement on the date of listing.

Table 2: Options granted as part of remuneration

	Value of options granted at grant date	Value of options exercised at exercise date	Value of options lapsed at time of lapse	Total value of options granted, exercised and lapsed	Value of options lapsed during period	Value of options included in remuneration for the period	% remuneration consisting of options for the period
Matthew Birney	14,508	-	-	14,508	-	6,045	18.16
Peter Balsarini	19,344	-	-	19,344	-	4,030	6.21
Daniel Stevens	19,344	-	-	19,344	-	4,030	7.90
Richard Collins	97,221	-	-	97,221	-	14,846	37.71
Michael Shields	14,508	-	-	14,508	-	6,045	18.16
Nadaisan Logaraj	14,508	-	-	14,508	-	6,045	18.16

For details on the valuation of the options, including models and assumptions used, please refer to Note 10. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the period and the number of meetings attended by each director were as follows:

	Directors' Meetings	Due Diligence Committee
Number of meetings held:	3	3
Number of meetings attended:		
MATTHEW BIRNEY	3	n/a
PETER BALSARINI	3	3
DANIEL STEVENS	3	3
RICHARD COLLINS	3	1
RAJ LOGARAJ	3	n/a
MICHAEL SHIELDS	3	n/a

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company, for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 14 and forms part of this directors' report for the period ended 30 June 2008.

Non-Audit Services

The following non-audit services were provided by our auditors, HLB Mann Judd. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

HLB Mann Judd received or are due to receive the following amounts for the provision of non-audit services:

Independent Accountant's report for inclusion in the Prospectus dated 6 March 2008 \$ 10,000

Signed in accordance with a resolution of the directors.



Peter Balsarini
Director

Perth, 30 September 2008

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Carbon Conscious Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Carbon Conscious Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Carbon Conscious Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1.** Lay solid foundations for management and oversight
- Principle 2.** Structure the board to add value
- Principle 3.** Promote ethical and responsible decision making
- Principle 4.** Safeguard integrity in financial reporting
- Principle 5.** Make timely and balanced disclosure
- Principle 6.** Respect the rights of shareholders
- Principle 7.** Recognise and manage risk
- Principle 8.** Encourage enhanced performance
- Principle 9.** Remunerate fairly and responsibly
- Principle 10.** Recognise the legitimate interests of stakeholders

Carbon Conscious Limited's corporate governance practices were in place throughout the period ended 30 June 2008 and were fully compliant with the Council's best practice recommendations.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Carbon Conscious Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Carbon Conscious Limited are considered to be independent:

Name	Position
MATTHEW BIRNEY	Chairperson, Non-Executive
MICHAEL SHIELDS	Non-Executive Director

There are procedures in place, agreed by the Board, to enable directors in the furtherance of their duties to seek independent professional advice at the company's expense.

CORPORATE GOVERNANCE STATEMENT (continued)

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office	Name	Term in Office
MATTHEW BIRNEY	<1 year	PETER BALSARINI	<1 year
DANIEL STEVENS	<1 year	RICHARD COLLINS	<1 year
NADAISAN LOGARAJ	<1 year	MICHAEL SHIELDS	<1 year

Nomination Committee

The Company does not have a formally constituted nomination committee as the board considers that the Company's size does not warrant such a committee. The board of directors oversees the functions normally carried out by an audit committee.

Audit Committee

The Company does not have a formally constituted audit committee as the board considers that the Company's size does not warrant such a committee. The board of directors oversees the functions normally carried out by an audit committee.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Carbon Conscious Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

Remuneration

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the company; and
- performance incentives that allow executives to share the success of Carbon Conscious Limited.

For a full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the remuneration report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and executive team. The Board has not established a Remuneration Committee as the board considers that the Company's size does not warrant such a committee

Finance Committee

The Company does not have a formally constituted finance committee as the board considers that the Company's size does not warrant such a committee. The board of directors oversees the functions normally carried out by an audit committee.

Treasury Committee

The Company does not have a formally constituted treasury committee as the board considers that the Company's size does not warrant such a committee. The board of directors oversees the functions normally carried out by an audit committee.



Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Carbon Conscious Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Carbon Conscious Limited.

A handwritten signature in blue ink, appearing to read 'W M Clark'.

Perth, Western Australia
30 September 2008

W M CLARK
Partner, HLB Mann Judd

INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2008

	Note	2008 \$
Revenue	2	89,822
Administrative expense		(208,174)
Compliance and regulatory expenses		(11,828)
Consultancy expenses		(104,926)
Depreciation and amortisation expense		(3,448)
Directors' benefits expense		(202,875)
Employee benefits expense		(220,150)
Financing expenses		(1,392)
Marketing expenses		(73,317)
Occupancy expense		(47,217)
Operating expenses		(33,421)
Option expense		(313,006)
Loss before income tax expense		(1,129,932)
Income tax expense/(benefit)	3	-
Loss attributable to members		(1,129,932)
Basic and diluted earnings (loss) per share (cents per share)	5	(5.88)

The accompanying notes form part of these financial statements

BALANCE SHEET

FOR THE PERIOD ENDED 30 JUNE 2008

	Note	2008 \$
Current Assets		
Cash and cash equivalents	6	6,649,103
Trade and other receivables	7	133,998
Stock on hand	8	30,970
Total Current Assets		<u>6,814,071</u>
Non-Current Assets		
Plant and equipment	9	33,294
Total Non-Current Assets		<u>33,294</u>
Total Assets		<u>6,847,365</u>
Current Liabilities		
Trade and other payables	11	276,904
Provisions	12	71,373
Total Current Liabilities		<u>348,277</u>
Total Liabilities		<u>348,277</u>
Net Assets		<u><u>6,499,088</u></u>
Equity		
Issued capital	13	7,316,014
Reserves	13	313,006
Accumulated losses		(1,129,932)
Total Equity		<u><u>6,499,088</u></u>

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2008

	Inflows/ (Outflows)	
	2008	
	\$	Note
Cash flows from operating activities		
Payments to suppliers and employees	(697,014)	
Interest received	66,845	
Net cash provided by/(used in) operating activities	<u>(630,169)</u>	6(ii)
Cash flows from investing activities		
Purchase of non-current assets	<u>(36,742)</u>	
Net cash provided by/(used in) investing activities	<u>(36,742)</u>	
Cash flows from financing activities		
Proceeds from issue of shares	7,851,625	
Costs of issue of shares	<u>(535,612)</u>	
Net cash provided by/(used in) financing activities	<u>7,316,014</u>	
Net increase/(decrease) in cash and cash equivalents	6,649,103	
Cash and cash equivalents at 2 January 2008	-	
Cash and cash equivalents at 30 June 2008	<u><u>6,649,103</u></u>	6

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2008

	Note	Ordinary Shares	Accumulated Loss	Option Reserve	Total
		\$	\$	\$	\$
Balance at beginning of period		-	-	-	-
Shares issued during the period	13	7,851,626	-	-	7,851,626
Transaction costs	13	(535,612)	-	-	(535,612)
Option expense	13	-	-	313,006	313,006
Profit/(loss) attributable to members		-	(1,129,932)	-	(1,129,932)
Balance at 30 June 2008		7,316,014	(1,129,932)	313,006	6,499,088

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

The company is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activity is to produce large quantities of quality Carbon Credits utilising the process of Bio-Sequestration. This will be achieved by establishing Mallee Tree Carbon Sinks across various regions of Western Australia and other Australian wheatbelt areas.

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the period ended 30 June 2008, the Company has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2007. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Company has also adopted the following Standards as listed below which only impacted on the Company's financial statements with respect to disclosure:

AASB 101 'Presentation of Financial Instruments' (revised October 2006)

AASB 7 'Financial Instruments: Disclosures'

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 30 June 2008. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 30 September 2008.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Share-based payment transactions:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, using the assumptions detailed in Note 10.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised for the major business activities of the Company as follows:

- i) Sale of carbon credits – revenue from the sale of carbon credits is recognised when the Company has transferred to the buyer the significant risks and rewards of the ownership of the carbon credits.
- ii) Project revenue – where the company undertakes the development of carbon sinks for third parties, revenue is recognised in proportion to the percentage completion of the project. Management related income is recognised on an accrual basis in accordance with the substance of the relevant contract.
- iii) Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(f) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs - refer Note 1(f).

Finance leased assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****(i) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 7 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(j) Inventories

Inventories of carbon emission reductions are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses. The cost of inventory is based on the first-in first-out principle, determined on a weighted average cost basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition.

Cost comprises all production, acquisition and conversion costs and is aggregated on a weighted average basis. At the end of each period, inventory cost is evaluated based on the recoverable value and current market pricing to determine whether any write down is appropriate. To the extent that any impairment arises, losses are recognised in the period they occur. Additionally, the costs associated with producing inventories are charged to the Income Statement in the same period as the related revenues are recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 5 to 15 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Property, plant and equipment (continued)

(ii) Revaluations

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance sheet date.

(iii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(n) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial assets (continued)

(i) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(o) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(p) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(r) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date, They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(s) Share-based payment transactions

(i) Equity settled transactions:

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

To provide these benefits, the Company currently has in place an Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes option pricing model, further details of which are given in Note 10.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Carbon Conscious Limited (market conditions) if applicable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 5).

(ii) Cash settled transactions:

The Company also provides benefits to employees in its electronics segment in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Carbon Conscious Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted (see Note 10). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

(t) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Carbon development expenditure

Costs in relation to the development of carbon sinks, other than where the Company is developing carbon sinks for third parties, are initially accumulated as a non-current asset. It must be probable that the costs will generate sufficient future economic benefits to recover the carrying amount and that the costs are clearly identifiable and allocable to a specific project. Costs are reviewed annually for impairment.

After costs are capitalised, they are subsequently transferred to inventories in the proportion that saleable carbon credits are produced relative to the expected output from each specific project.

(w) Comparatives

Carbon Conscious Limited was incorporated on 2 January 2008, and therefore there are no comparatives presented in this report.

2008

\$

NOTE 2: REVENUES AND EXPENSES

(a) Revenue

Bank interest received	89,822
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NOTE 3: Income tax recognised in profit and loss

The prima facie tax benefit on the loss before income tax is reconciled to the income tax expense as follows:

Loss from continuing operations before income tax expense	(1,129,932)
Notional Income tax at the Australian corporate tax rate of 30%	338,980
Plus	
Tax effect of tax concessions associated with capital raising expenditure	10,551
Less	
Tax effect of permanent differences which are not deductible in calculating taxable income	(94,692)
Deferred tax asset in relation to timing differences which are non deductible in calculating taxable income	(32,242)
Deferred tax asset in relation to tax losses not recognised	(222,597)
Income tax benefit	-

Deferred tax asset not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(k) occurs.

254,839

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

NOTE 4: SEGMENT REPORTING

The company operated in the one geographical segment, being Western Australia and one business segment being bio sequestration.

NOTE 5: EARNINGS PER SHARE

	2008 \$ Cents per share
Basic earnings/(loss) per share	(5.88)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follow:

Earnings/(loss)	(1,129,932)
Weighted average number of ordinary shares for the purposes of basic earnings per share	19,186,804

Diluted earnings per share

The Company has options outstanding that are potential ordinary shares. They are not considered to be dilutive in nature as their conversion will not result in an increase in the basic loss per share.

There have been no share or option movements after 30 June 2008 which would materially impact on the calculations above.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

NOTE 6: CASH AND CASH EQUIVALENTS

	2008 \$
Cash at bank and on hand	361,346
Short-term deposits	6,287,757
	<u>6,649,103</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

(i) Reconciliation to Cash Flow Statement:

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents	<u>6,649,103</u>
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(ii) Reconciliation of loss for the period to net cash flows from operating activities

Loss for the period	(1,129,932)
Employee leave benefits	33,576
Depreciation expense	3,448
Equity settled transactions	313,006
(Increase)/decrease in stock on hand	(30,970)
(Increase)/decrease in receivables	(96,201)
Increase/(decrease) in trade and other payables:	276,904
	<u>(630,169)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

	2008
NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES	\$
Amount due by related entity	37,797
Interest accrued	22,977
GST recoverable	70,982
Other	2,242
	<u>133,998</u>

	2008
NOTE 8: INVENTORIES	\$
Carbon development expenditure	<u>30,970</u>

NOTE 9 : PLANT AND EQUIPMENT

	Leasehold improvements \$	Plant & Equipment \$	Total \$
Period ended 30 June 2008			
At 2 January 2008	-	-	-
Additions	4,522	32,220	36,742
Disposals	-	-	-
Depreciation charge for the period	-	(3,448)	(3,448)
At 30 June 2008, net of accumulated depreciation	<u>4,522</u>	<u>28,772</u>	<u>33,294</u>
At 30 June 2008			
Cost	4,522	32,220	36,742
Accumulated depreciation	-	(3,448)	(3,448)
Net carrying amount	<u>4,522</u>	<u>28,772</u>	<u>33,294</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 10 : SHARE BASED PAYMENTS

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 13.

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the period:

	2008 No.	2008 Weighted average exercise price
Outstanding at the beginning of the period	-	-
Granted during the period	9,375,000	\$0.52
Forfeited during the period	-	-
Exercised during the period	-	-
Expired during the period	-	-
Outstanding at the end of the period	<u>9,375,000</u>	<u>\$0.52</u>
Exercisable at the end of the period	9,375,000	\$0.52

The outstanding balance as at 30 June 2008 is represented by:

- 5,400,000 options over ordinary shares with an exercise price of \$0.60 each, exercisable immediately and until 31 December 2010;
- 2,100,000 options over ordinary shares with an exercise price of \$0.60 each, exercisable upon meeting various conditions and until 31 December 2010; and
- 1,875,000 options over ordinary shares with an exercise price of \$0.20 each, exercisable upon meeting various conditions and until 31 March 2011.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 2.6 years.

The range of exercise prices for options outstanding at the end of the period was \$0.20 - \$0.60.

The weighted average fair value of options granted during the period was \$0.055

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black and Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 10 : SHARE BASED PAYMENTS (continued)

The following table lists the inputs to the model used for the period ended 30 June 2008:

	2008
Volatility (%)	0.8806
Risk-free interest rate (%)	6.65
Expected life of option (years)	2.94
Exercise price (cents)	20 – 60
Weighted average share price at grant date (cents)	20
Discount for lack of marketability (%)	30

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value of the cash-settled options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and the cost of those services are recognised over the expected vesting period..

	2008 \$
NOTE 11: TRADE AND OTHER PAYABLES (CURRENT)	
Trade payables	195,968
Related party payables	<u>80,936</u>
	<u>276,904</u>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Information regarding the effective interest rate and credit risk of current payables is set out in Note 14.

NOTE 12: PROVISIONS

	2008 \$
<u>Employee benefits</u>	-
At 2 January 2008	-
Arising during the period	33,576
Acquired from related party	<u>37,797</u>
At 30 June 2008	<u><u>71,373</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

NOTE 13: ISSUED CAPITAL AND RESERVES

	2008 No.	
Ordinary shares issued and fully paid	<u>37,375,000</u>	
Fully paid ordinary shares carry one vote per share.		
	No.	2008 \$
<i>Movement in ordinary shares on issue</i>		
At 2 January 2008	-	-
Issued on 2 January 2008 on incorporation	1	1
Issued on 3 January 2008 to promoters	16,249,999	1,625
Issued on 31 January 2008 to seed capitalists	3,000,000	600,000
Issued on 12 May 2008 pursuant to the Prospectus	18,125,000	7,250,000
Share issue costs	-	(535,612)
At 30 June 2008	<u>37,375,000</u>	<u>7,316,014</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

NOTE 13: ISSUED CAPITAL (continued)

Reserves

	Option valuation reserve
	\$
At 2 January 2008	-
Issue of 2,100,000 \$0.60 31 December 2010 options to directors	30,226
Issue of 5,400,000 \$0.60 31 December 2010 options to related parties	261,148
Issue of 937,500 \$0.20 31 March 2011 options to directors	10,816
Issue of 937,500 \$0.20 31 March 2011 options to key executives	10,816
	<hr/>
At 30 June 2008	<u><u>313,006</u></u>

Nature and purpose of reserves

Option valuation reserve

This reserve is used to record the value of equity benefits provided to directors and key executives as part of their remuneration and to related parties in consideration for the establishment and ongoing promotion of the company's activities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 14: FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company's activities may expose it to a variety of risks: market risk, (including currency risk, interest rate risk and price risk) credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

	2008
	\$
(b) Categories of financial instruments	
Financial assets	
Loans and receivables	133,998
Cash and cash equivalents	6,649,103
Financial liabilities	
Trade payables	276,904

During the financial period no loans or receivables were revalued through profit or loss.

(c) Market Risk

The Company is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company currently does not operate internationally and is not exposed to foreign exchange risk.

The carbon market is a newly developing market and as such there are limited avenues to negate market risk in traditional manners. The Company focuses and monitoring and understanding movements within the market on a daily basis.

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses publicly available financial information and its own trading record to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparty is a bank with a high credit rating assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 14: FINANCIAL INSTRUMENTS (continued)

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest rate risk tables

The following table details the company's remaining contractual maturity for its financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

Company

	Weighted average effective interest rate	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
	%	\$'000	\$'000	\$'000	\$'000	\$'000
2008						
Non-interest bearing	-	276,904	-	-	-	-
		276,904	-	-	-	-

The following table details the company's expected maturity for its financial assets. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company anticipates that the cash flow will occur in a different period.

Company

	Weighted average effective interest rate	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
	%	\$'000	\$'000	\$'000	\$'000	\$'000
2008						
Non-interest bearing	-	111,021				
Interest receivable	-	22,977				
Cash and cash equivalents	7.25	6,649,103				
		6,783,101				

(f) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices

The fair value of other financial assets and liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008**

NOTE 14: FINANCIAL INSTRUMENTS (continued)

(f) Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate instruments at the reporting date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's:

- Net profit before tax would increase by \$33,245 and decrease by \$33,245. This is attributable to the Company's exposure to interest rates on its variable rate instruments.
- Total equity would increase by \$33,245 and decrease by \$33,245 attributable to the Company's exposure to interest rates on its variable rate instruments.

NOTE 15: COMMITMENTS

Operating lease commitments – Company as lessee

The Company is currently leasing premises in Subiaco. The term of the lease is to 1 February 2010.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2008 \$
Within one year	67,854
After one year but not more than five years	40,488
	<u>108,342</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 16: RELATED PARTY DISCLOSURE

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial period:

<i>Related party</i>	<i>Sales to related parties \$</i>	<i>Purchases From Related Parties \$</i>	<i>Amounts Owed by Related parties \$</i>	<i>Amounts Owed to Related parties \$</i>
Broadacre Asset Management Pty Ltd		229,305	37,797	80,936

Entity with significant influence over the Company

Broadacre Asset Management Pty Limited owns 38 % of the ordinary shares in Carbon Conscious Limited.

Terms and conditions of transactions with related parties

On the 22 of February 2008 the Company entered into a services agreement with Broadacre Asset Management Pty Ltd to provide administration, marketing and promotional services to Carbon Conscious Limited. An amount of \$60,000 is reflected in the related party purchases in the 2008 financial year.

During the period 2 January 2008 and 19 May 2008 Broadacre Asset Management Pty Ltd paid fees and expenses associated with the operation of the Company of \$166,305 that were reimbursed to Broadacre Asset Management Pty Ltd upon successful listing of the Company on the Australian Securities Exchange. The expenses included salaries for Mr P Balsarini (fee \$50,000), Mr D Stevens (salary \$28,125, superannuation \$2,531) and Mr R Collins (salary \$7,500, superannuation \$675) which were subsequently reimbursed by the Company. Outstanding balances at period-end are unsecured, interest free and settlement occurs in cash.

At the time of IPO a number of employees were transferred from the employment of Broadacre Asset Management Pty Ltd to Carbon Conscious Limited. The Annual leave liability from these employees was transferred to the Company at this point in time together with an amount receivable to compensate for this occurrence.

Directors – Related Party Interests

Mr Nadaisan Logaraj Non Executive Director of the Company is a Director of Broadacre Asset Management Pty Ltd. Mr Daniel Stevens has an equity interest in Broadacre Asset Management Pty Ltd. At the date of this report the following represents the interests of Broadacre Asset Management Pty Ltd in the Company of which these Directors have a related party interest in.

BAM Shareholding – 14,118,750 Ordinary Shares

BAM Options – 5,400,000 options.

For the period ended 30 June 2008, the Company has not made any allowance for doubtful debts relating to amounts owed by related parties due to solid payment history. An impairment assessment is undertaken each financial period by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

NOTE 17: EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 18: AUDITOR'S REMUNERATION

The auditor of Carbon Conscious Limited is HLB Mann Judd.

	2008 \$
<i>Amounts received or due and receivable by HLB Mann Judd for:</i>	
An audit or review of the financial report of the entity and any other entity in the Company	10,000
Other services in relation to the entity and any other entity in the Company	
- Independent Accountant's Report	10,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 19: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

Matthew Birney	Non-Executive Chairman
Peter Balsarini	Chief Executive Officer
Daniel Stevens	Executive Director – Business Development
Richard Collins	Executive Director – Carbon Estates
Nadaisan Logaraj	Non-Executive Director
Michael Shields	Non-Executive Director

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(b) Option holdings of Key Management Personnel

30 June 2008	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other	Balance at end of period	Vested as at end of period		
						Total	Exercisable	Not Exercisable
Directors								
Matthew Birney	-	300,000	-	-	300,000	300,000	-	300,000
Peter Balsarini	-	400,000	-	-	400,000	400,000	-	400,000
Daniel Stevens	-	400,000	-	-	400,000	400,000	-	400,000
Richard Collins	-	1,337,500	-	-	1,337,500	1,337,500	-	1,337,500
Nadaisan Logaraj	-	300,000	-	-	300,000	300,000	-	300,000
Michael Shields	-	300,000	-	-	300,000	300,000	-	300,000
Total	-	3,037,500	-	-	3,037,500	3,037,500	-	3,037,500

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTE 19: DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(c) Shareholdings of Key Management Personnel

Shares held in Carbon Conscious Limited (number)

	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Net Change Other (i)	Balance at end of period
30 June 2008	Ord	Ord	Ord	Ord	Ord
Directors					
Matthew Birney	-	-	-	256,250	256,250
Peter Balsarini	-	-	-	161,250	161,250
Daniel Stevens	-	-	-	156,250	156,250
Richard Collins	-	-	-	468,750	468,750
Michael Shields	-	-	-	291,250	291,250
Nadaisan Logaraj	-	-	-	156,250	156,250
	-	-	-	1,490,000	1,490,000

(i) Shares were acquired by Directors or their related entities as promoters and seed capitalists of the company.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Directors' declaration

1. In the opinion of the directors:
 - a. the financial statements and notes of the company and of the Company are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the period then ended; and
 - ii. complying with Accounting Standards and Corporations Regulations 2001; and
 - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial period ended 30 June 2008.

This declaration is signed in accordance with a resolution of the Board of Directors.



PETER BALSARINI

Director

Dated this 30th day of September 2008



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

**To the members of
Carbon Conscious Limited**

Report on the Financial Report

We have audited the accompanying financial report of Carbon Conscious Limited, which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors' declaration as set out on pages 15 to 43.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- (a) the financial report of Carbon Conscious Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 8 to 10 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Carbon Conscious for the year ended 30 June 2008 complies with section 300A of the Corporations Act 2001.



HLB MANN JUDD
Chartered Accountants



Perth, Western Australia
30 September 2008

W M CLARK
Partner

ASX Additional Information

Shareholding

The distribution of members and their holdings of equity securities in the company as at 15 September 2008 was as follows:

Number Held as at 15 September 2008	Class of Equity Securities	
	Fully Paid Ordinary Shares	
1-1,000	6	
1,001 - 5,000	289	
5,001 – 10,000	51	
10,001 - 100,000	160	
100,001 and over	35	
TOTALS	541	

Holders of less than a marketable parcel:
- fully paid shares

Nil

Substantial Shareholders

The company has the following substantial shareholders listed in the Company's register as at 15 September 2008:

Holder	Number
Broadacre Asset Management Limited	14,188,750
Trojan Equity Limited	2,750,000
Credit Suisse Holdings (Australia) Limited	2,062,500

Restricted Securities

The Company has issued the following restricted securities:

Class of Equity Security	Number	Date Ceasing To Be Restricted Securities
Ordinary fully paid shares	16,349,999	16 May 2010
Ordinary fully paid shares	1,400,000	31 January 2009
Options exercisable at \$0.60 on or before 31 December 2010	7,500,000	16 May 2010
Options exercisable at \$0.20 on or before 31 December 2010	937,500	16 May 2010

Voting Rights

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 15 September 2008 are as follows:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Broadacre Asset Management Limited	14,188,750	37.963
Trojan Equity Limited	2,750,000	7.358
CS Fourth Nominees Pty Ltd	1,969,200	5.269
ANZ Nominees Limited	1,070,000	2.863
Gurravembi Investments Pty Ltd	750,000	2.007
A22 Pty Limited	750,000	2.007
Bridgesun Pty Limited	625,000	1.672
The Amelia Group Partnership <Flaskas Bickle Investment & Wadley Bickle Investment>	625,000	1.672
Citicorp Nominees Pty Limited	500,000	1.338
Mr Luke Mullins	500,000	1.338
Red Emperor Resources NL	500,000	1.338
Red Emperor Resources NL	500,000	1.338
A P Reyem Pty Limited	475,000	1.271
Richard Alfred Collins & Vivien Therese Collins <The RA Collins Super Fund>	468,750	1.254
Timothy Hamilton & Leonie Christine Helder	468,750	1.254
Juris Manor Pty Ltd	272,500	0.729
Gold City Corp Pty Ltd <The Mattellee A/C>	256,250	0.686
Amanda Joy Shields	256,250	0.686
Nitram Plus Investments Pty Ltd	250,000	0.669
John Cook Super Fund Pty Ltd	250,000	0.669
Total	27,425,450	73.379