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Company Announcements Office
Australian Securities Exchange
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ASX Code: CCF

Dear Sir,

ASX Announcement No 40 – Quarterly Market Update for the Period ending 31 March 2009

Please find attached the Quarterly Market Update for the activities of Carbon Conscious Limited for the period ending 31 March 2009.

Yours sincerely

Carbon Conscious Limited

Peter Balsarini

Chief Executive Officer

encl.



CARBON CONSCIOUS LIMITED QUARTERLY MARKET UPDATE – PERIOD ENDING 31 MARCH 2009

1. COMPANY OVERVIEW

Carbon Conscious Limited (ASX-CCF) is an Australian company producing carbon credits through carbon farming¹ - the planting of Mallee Eucalypt trees in Australia's wheatbelt region.

This is achieved through the Carbon Capture Program™ and involves partnering with landholders, carbon emitters and businesses under a form of carbon share farming to deliver benefits for each stakeholder.

These benefits include an offset of carbon emissions for businesses and significant environmental benefits to farmers and landholders through the reduction of the effects of salinity on their land.

Carbon Conscious combines its extensive experience in the Mallee Eucalypt, Agricultural and Funds Management industries to deliver these benefits.

Our objective is to be a leading supplier of carbon credits to the ever expanding national and international markets. We strive to be the company of choice for carbon emitters and businesses looking for quality and certainty of carbon credit supply in sufficient commercial volumes.

2. HIGHLIGHTS FOR THE QUARTER

2.1 CCF Agrees Commercial Terms with Top 50 ASX Company

- Carbon Conscious Limited (CCF) recently announced that it has reached agreement of non-binding commercial terms with an ASX top 50 company to plant Mallee Eucalypt trees in the wheatbelt areas of Australia for the production of Carbon Credits to be fungible under the Carbon Pollution Reduction Scheme (CPRS).
- The parties will now negotiate formal documents on the basis of the agreed terms. The transaction is conditional on the execution of those formal documents.
- This agreement of commercial terms, once finalised, will represent a major deal for Carbon Conscious Limited involving the planting of many millions of Mallee Eucalypt trees in the wheatbelt of Australia.

- The commercial terms involve a unique structure designed to identify and manage risk and reward between the two parties over the long term life of the arrangement. The formal documents will provide for contracted plantings in the 2009, 2010 and 2011 seasons and an option for the contracting party to plant in the 2012, 2013 and 2014 planting seasons.
- Formal contract documentation and final due diligence is currently being undertaken and is expected to take between 4 to 6 weeks to finalise. The substantial commercial terms of the contract including the contracting parties will be released to the market upon finalisation of this contract.

2.2 Changes to CPRS

- The Australian government has recently announced a series of changes to the proposed CPRS.
- The Prime Minister, Mr Kevin Rudd said the start of trading would be delayed until mid-2011 but that he still aimed to introduce laws through parliament in 2009 so long-term investment decisions can be made.



- A number of the changes appear to be pragmatic political considerations given the political hostility.
- Whilst political reaction to the changes was mixed the reaction from business groups such as The Business Council of Australia (BCA) and The Australian Chamber of Commerce and Industry (ACCI) was favourable.
- Significantly the announcement noted that the reforestation industry can commence generating permits from 2010 indicating the Governments favourable disposition to the forestry sector.
- Under the revised proposal, forestry permits can be banked or traded from 2010 hence providing forest permit providers like Carbon Conscious a degree of flexibility. It also is expected to encourage early action from large carbon emitters.

In the changed approach, the Government will:

- Delay the commencement of the scheme until July 2011.
- Fix the price of carbon per tonne to \$10 for the first year and offer unlimited permits for that period.
- Raise free permits to polluting industry from 90 and 60 per cent to 95 and 70 per cent in the first five years of the scheme.
- Provide \$200 million to business for building efficiency programs in the next financial year.
- The Government have also pledged to reducing carbon pollution by 25 per cent by 2000 levels, by 2020, if the world agrees to an ambitious global deal to stabilise levels of CO₂ equivalent in the atmosphere by at least 450 parts per million by 2050.

The changes came after:

- The Government released the exposure draft of the CPRS legislation on 10 March 2009.
- The draft legislation follows on from the July 2008 Green Paper which canvassed options for the design of the Scheme. More than one thousand submissions were received in response.

2.2.1 Key features & outline of the scheme¹

The CPRS Bill 2009 is the main bill. It contains the detailed provisions relating to the emissions trading scheme. These include:

- Caps and gateways
- Broad coverage 75% of national emissions
- Direct emitters & upstream suppliers ~1000 firms
- Voluntary coverage of forestry and some fuel users
- International linking
- Unlimited banking & limited borrowing
- Price cap for five years set at \$40, rising at 5% per annum after inflation

Outline of the CPRS

- The Carbon Pollution Reduction Scheme Bill 2008 (the bill) will establish a national emissions trading scheme, the CPRS (the Scheme).
- The quantity of greenhouse gas emissions for which liable entities are responsible will be monitored, reported and audited.

¹ Source – Department of Climate Change
www.climatechange.gov.au



- At the end of each year, each liable entity will need to surrender an eligible emissions unit for every tonne of greenhouse gas emissions that they are responsible for in that year.
- Eligible emissions units include Australian emissions units issued by the Australian Climate Change Regulatory Authority (the Authority) and eligible international emissions units. The number of Australian emissions units issued by the Authority in each year will be limited by a scheme cap.
- Liable entities will compete to purchase the number of units that they require, either at auctions arranged by the Authority or on the secondary trading market. Those that value the units most highly will be prepared to pay most for them. For many liable entities, it will be cheaper to reduce emissions than to buy units.
- Certain categories of entities will receive an administrative allocation of Australian emissions units, as a transitional assistance measure. Those entities will be able to use the units to comply with obligations under the Scheme or sell them.
- A number of technical aspects of the legislation will be introduced in the regulations to the bill.
- These regulations will be introduced over the forthcoming twelve months
- Carbon Conscious is working with the Department of Climate Change to ensure the appropriateness of the regulations for the company's business model.

2.3 Appointment of Mr Stephen Lowe as Non Executive Director

- Effective 18 March 2009, Mr Stephen James Lowe was appointed as Non Executive Director of Carbon Conscious Limited.
- Mr Lowe has worked in capital and financial markets for more the 27 years with a focus on energy commodities for the last 13 years. He brings to Carbon Conscious senior relationships with major energy and mining companies, investment banks and fund managers in national and international markets.
- His most recent role as the Head of Energy Services with Tricom whilst prior to that he held the role of General Manager Trading with Integral Energy a government owned electricity , distribution and retailing company , for over five years.
- Mr Lowe is also well acquainted with the renewable energy market having a personal interest in a waste to energy technology business currently under development.

2.4 Online Emissions Calculator

- In March 2009 Carbon Conscious launched a carbon emissions calculator on the company website www.carbonconscious.com.au
- The calculator has been designed to provide individuals and businesses in the voluntary carbon market with an opportunity to determine and offset their carbon footprint.
- When an offset purchase is made a certificate is e-mailed directly to the person or company.
- The Carbon Conscious online emissions calculator now provides an additional revenue stream for the business.



3. CORPORATE UPDATE

3.1 Cash Position

- Cash reserves at the end of the March quarter were \$4.995M.

3.2 Plantation Estates

3.2.1 2008 Estate

- The initial planting of 100,000 seedlings at Bonnie Rock in 2008 is showing rapid growth due to summer rainfall.
- CCF is pleased with the progress of the plantation and expects good levels of carbon growth.

3.2.2 2009 Estate

- The planting area for 2009 is approximately 1500 hectares and Mallee Plantation Plans for all sites are in final stages of preparation.
- Arrangements for supply and operation of 10m wide deep ripping equipment have been finalised and ripping should commence in early May.
- Arrangements for supply and operation of 10m wide planting equipment have been finalised and the 4 row planting machine will be ready for planting operations in early May.
- Assessments of seedlings grown by four contract nurseries exceed our requirements. The seedlings are ready for planting which will occur after winter rains.

3.3 New Business Opportunities – Regulated

- Carbon Conscious has continued discussions with a significant number of organisations likely to have a liability under the CPRS set to be launched in 2011.

- As noted previously commercial terms with a top 50 ASX have recently been struck. The announcement is expected to provide new focus for potential clients in the bio-sequestration space.
- Early movers are expected to benefit significantly due to the limited number of supply of forestry generated permits.
- A series of Government and private 'carbon offset provider' tenders have been submitted, the majority of which should be finalized in the coming months

3.4 New Business Opportunities – Voluntary

- With the successful launch of the Carbon Conscious online emissions calculator in March 2009, the company has been encouraged by the new opportunities developing in the voluntary market.
- Carbon Conscious is continuing to develop additional opportunities within the voluntary retail carbon market by forming strategic partnerships with relevant established brands throughout Australia.

3.5 Industry Events

- March 2009 was an extremely busy period for the company in relation to trade shows, expos, conferences and field days.
- In addition to partnership agreements undertaken, Carbon Conscious attended and was represented in a speaking capacity at the Carbon Trading Expo in Melbourne on 31 March – 2 April.
- Carbon Conscious CEO, Mr Peter Balsarini presented to conference delegates an update on the Carbon Offset market.



3.6 PR & Promotion

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

Some of the partnerships established in the last quarter included:

Wimmera Machinery Field Days

- On 3 March 2009 Carbon Conscious partnered with the Wimmera Machinery Field Days in Victoria to offset carbon output of elements of the event.
- The partnership generated significant media coverage prior to and during the event.
- One of the key objectives of working with and exhibiting at the Wimmera Machinery Field days was to identify the level of interest from farmers in the region.
- Demand from farmers to understand the Carbon Conscious business model was high and the partnership was deemed a success.

Australian Masters Marketing Summit 2009 (AMMS09)

- Carbon Conscious was the official AMMS09 carbon offset partner and trees planted as part of the event program went towards offsetting the conference's emissions.
- Carbon Conscious exhibited at the conference.
- A significant database of potential voluntary partners was generated as a result of being involved.

Greenhouse 2009

- On 23 March 2009 Carbon Conscious partnered with CSIRO to make the Greenhouse 2009 at the Burswood Entertainment Complex a carbon conscious event.
- The conference generated excellent traffic to the company trade stand and a significant database was developed as a result of the involvement.

Harness Racing Victoria (HRV)

- Harness Racing Victoria (HRV) offset elements of the CO2 emissions likely to eventuate during the Saturday 28 March race meeting at Moonee Valley.
- HRV worked with Carbon Conscious Ltd to determine the approximate carbon emissions likely to eventuate from the lights used for racing and will plant sufficient Mallee Eucalypt trees to offset elements of the meeting's carbon emissions.
- The initiative was undertaken in support of Earth Hour which encourages businesses and families to turn off their lights from 8.30pm - 9.30pm on Saturday 28 March.

4. INTERNATIONAL CARBON MARKET UPDATE²

- According to research group New Carbon Finance, the carbon market showed a remarkable growth spurt in the first quarter of this year, with trading volumes up 37 per cent.
- Trading was driven by price volatility and companies selling carbon permits to raise short-term cash.

² Source: www.ft.com Carbon trading volumes jump 37%



- However, low prices meant the market's value had fallen by 16 per cent to \$28bn by the end of March 2009.
- Nearly 2 billion carbon credits were traded in the first quarter of 2009, an increase of 37 per cent on the previous quarter and more than double the amount traded in the first quarter of 2008.
- Trading in this market has been affected by uncertainty over what will replace the Kyoto protocol. The UN issues credits to carbon-cutting projects under the protocol, and these can be used by companies in the EU scheme to top up quotas.
- The stream of finance for such projects is drying up, according to New Carbon Finance: the last new carbon fund, of \$95m, was set up last year and no new money was raised in the first quarter of 2009.
- Carbon Finance forecast the carbon market would be worth about \$120bn by the end of the year, broadly on a par with last year.
- However, if the US introduced a federal cap-and-trade system the market would reach more than \$2,000bn by 2020

5.1 New Zealand ETS³

New Zealand swings from deficit to surplus

- New Zealand has gone from having a deficit of emission rights into a surplus; it has emerged in a government report on the country's Kyoto liabilities.
- The report by the NZ treasury estimated that the country will beat its

Kyoto target to freeze emissions at 1990 levels from 2008 through 2012 by 9.6 million tonnes of carbon dioxide equivalent (CO₂e).

- That compares with a projected deficit reported in May 2008 of 21.7 million.
- The surplus is estimated to be worth NZ\$241 million (\$190 million) against last year's liability of NZ\$546 million, saving the government almost NZ\$800 million.

NZ issues 415,685 ERUs in March

- New Zealand issued 415,685 emission reduction units (ERUs) in March, government data showed.
- The two-island state, which has six joint implementation (JI) emission reduction projects, issued the ERUs to four wind energy projects.
- The total number of units issued by the New Zealand government now stands at 535,685, according to the New Zealand emission unit register.
- New Zealand has around 40 emission reduction projects with the capacity to earn almost 9 million tradeable emission rights.

5.2 US DEVELOPMENTS⁴

- The Obama administration on Wednesday 22 April 2009 called a Democratic House proposal to tackle climate change a "jobs bill" and an investment in clean energy technology, rejecting Republican criticism that the increase in energy costs will undermine the economy.

³ Source: Carbon Market Australia – New Zealand – Point Carbon Vol 2 – Issue 8 – 24 April 2009

⁴ Source: Associated Press www.news.yahoo.com
Obama advisers support Democratic energy bill

- Top environmental advisers to President Barack Obama broadly endorsed the draft bill that would cap greenhouse gases and reduce the nation's reliance on fossil fuels.
- However, administration officials cautioned that the White House will work with House Democrats to fine tune the legislation in coming weeks
- The draft bill calls for a reduction of greenhouse gases by 20 percent from 2005 levels by 2020, and 83 percent by mid-century.
- It also includes measures aimed at reducing the use of fossil energy such as requiring utilities to produce a quarter of their electricity from renewable sources, and calling for tougher standards to promote conservation.