

30 January 2009

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

**ANNOUNCEMENT NUMBER 29**

**Via: ASX Online**

**Number of Pages: 13** (including this page)

**ASX Code: CCF**

Dear Sir,

**ASX Announcement No 29– Quarterly Report for the Period ending 31 December 2008  
(Appendix 4C)**

Please find attached the Quarterly Report for the activities of Carbon Conscious Limited for the period ending 31 December 2008 as required under ASX Listing Rule 4.7B.

Yours sincerely

**Carbon Conscious Limited**



Peter Balsarini  
Chief Executive Officer and Company Secretary

encl.

For personal use only

## **CARBON CONSCIOUS LIMITED QUARTERLY REPORT – PERIOD ENDING 31 DECEMBER 2008**

### **1. COMPANY OVERVIEW**

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

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

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

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

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

### **2. HIGHLIGHTS FOR THE QUARTER**

#### **2.1 Greenhouse Friendly Accreditation Awarded**

- On 10 December 2008 CCF was awarded approved abatement provider status under the Federal Government's Greenhouse Friendly Program™ for its forest sink Carbon Capture Program™.
- The accreditation is timely given the recent Federal Government Treasury Modeling which highlighted that carbon prices are expected to start at between \$23 and \$32 per tCO<sub>2</sub>-e under the CPRS.
- The approved abatement provider status certifies Carbon Conscious' business model of supplying low cost accredited carbon credits to Australian companies expected to have mandatory liabilities under the new Carbon Pollution Reduction Scheme (CPRS).
- Carbon credits produced under the Carbon Conscious Carbon Capture Program™ will be Kyoto Protocol compliant after passing stringent quality standards set by the Federal Government's Department of Climate Change.
- Accreditation provides clients with a government-endorsed quality assured product, it gives CCF's clients complete confidence in the Company's systems, processes and forecasting.
- To gain accreditation under the Greenhouse Friendly™ Program, Carbon Conscious was required to demonstrate integrity and credibility in relation to carbon accounting. The process required demonstration of verifiable measurement, monitoring procedures and systems. It included significant input by industry expert's URS Forestry and was independently reviewed by government approved abatement system verifier GHD.
- The Department of Climate Change FullCam program was used to project carbon growth curves for each plot based on site parameters such as environment and soil conditions.

- Remnant vegetation sites were then assessed to estimate the growth of Australian mallee species at mature age.
- Additional sites were measured to confirm mallee carbon production levels in high and low rainfall areas, on sands and clays and duplex soils.
- Preferred soil types for best rates of carbon production were then identified.
- Overall the accreditation process involved sampling 7,000 trees across 4 species and destructive sampling 100 trees to develop one of the most extensive data bases of the carbon sequestration rates of mallee eucalypt species. Clients can be assured that predictions of carbon growth rates can be accurately verified.
- The government has advised it will commence the CPRS on 1 July 2010 and hopes to see legislation pass in parliament in 2009.
- The coverage of the CPRS remains broadly the same as outlined in the Green paper.
- Agriculture remains excluded until at least 2015 (a decision on inclusion will be made in 2013).
- The White Paper has reaffirmed the Government's commitment to forestry as the only net positive sequesterer of carbon.
- Forestry will be the only domestic source of CPRS permits available to the market other than purchasing permits at auction from the Government at the prevailing market price.

## 2.2 White Paper Update – Carbon Pollution Reduction Scheme (CPRS)

- On 15 December 2008, the Australian Government released the CPRS (*The Scheme*) White Paper.

### **Some of the key points from the release of the White Paper include;**

- The Australian Government has committed to a medium term national target to reduce Australia's greenhouse gas emissions by between 5% and 15% below 2000 levels by 2020.
- If there is a comprehensive global agreement on climate change, Australia will reduce emissions by up to 15% below 2000 levels by 2020.
- Although the 2020 targets of between 5-15% (15% if strong international commitment is reached) are considered to be at the lower end by environmental groups, the target still represents a 27% reduction in carbon on a per capita basis.
- The CPRS White Paper highlighted that the Federal Government expects most forests established as a result of the Scheme will be not-for-harvest forests grown on marginal or less productive farmland.
- The White Paper removed a number of technical issues around forestry, most notably addressing the key matters of measurement, retirement of carbon permits and specific elements relating to ongoing liability and risk management which will provide further stimulus for investment by major Australian carbon emitters.
- The White Paper is expected to provide additional certainty the market requires to make investment decisions in new technology and other abatement activities such as carbon forest sinks.

### **Some of the key carbon trading features from the release of the White Paper include;**

- Emission caps will be specified five years in advance with the first five years to be announced in 2010.
- The initial cap will be set post Copenhagen meeting in December 2009.
- Approximately 1,000 facilities to be covered.
- Permits will be allocated through an auction process with auctions to be held monthly.
- A price cap of \$40 from 2010 (start), indexed at CPI+5% for the first 5 years.
- Emitters of greenhouse gases need to acquire a permit or 'emissions unit' for every tonne of greenhouse gas they emit.
- The number of permits issued each year by the Government will be limited.
- Entities that value the permits most highly are expected to be prepared to pay the most for them, either at auction or on the secondary trading market.
- Covered entities will have access to international Kyoto compliant carbon credits.
- There is a ban on exporting Australian Emission Units (AEU's).

### **2.3 Development of planting machine**

- Following successful demonstration of a modified tree planting machine during 2008, CCF has entered into a Heads of Agreement with an experienced planting contractor to construct a planting machine capable of meeting the scale of operation required by CCF.
- The planting contractor will be able to manage seedling delivery and planting at a rate of up to 100,000 mallee seedlings per day per planting unit.

- The mallee plantations will be established within GPS coordinates and every row will have known GPS coordinates to help facilitate plantation assessments in future.
- The contractor will be ready to commence planting early in the 2009 season in areas where sufficient summer rains have fallen.

### **2.4 Drilling Rig**

- Recently, Carbon Conscious received delivery of a custom made drilling rig to assist the planting team to accurately profile soil and measure its depth.
- The drilling rig has the ability to measure up to 3.5 metres in depth and is currently in operation to map out future carbon estates.
- Depth of soil is a major determinant of mallee growth and hence carbon sequestration. The drilling rig enables the plantation team to examine the soil profile to identify possible impediments to plant growth such as rock or clay, gravel or silcrete soil types.

## **3. CORPORATE UPDATE**

### **3.1 Cash Position**

- Cash reserves at the end of the September quarter were \$4.95M. To ensure retention of cash reserves the Company has undertaken prudent cost allocation for FY09 whilst actively seeking emitter clients to fund 2009 plantings.

### **3.2 New Business Opportunities – Regulated**

- Carbon Conscious has continued discussions with a significant number of organisations likely to have a liability under the Carbon Pollution Reduction Scheme (CPRS) set to be launched in 2010.

- With the White Paper released on 15 December 2008 there has been significant interest from companies who are seeking a hedge against future carbon price increases by creating their own stream of carbon permits via large scale tree plantations.
- Carbon Conscious is encouraged by the result of several second round meetings and anticipates activity in due course.

### 3.3 New Business Opportunities – Voluntary

- Carbon Conscious is continuing to develop opportunities within the voluntary retail carbon market by forming strategic partnerships with relevant established brands throughout Australia.
- The Carbon Conscious online emissions calculator will be launched in early 2009 and will provide an additional revenue stream for the business.
- Carbon Conscious has secured a number of sponsorship opportunities and partnerships undertaken primarily to provide a distribution network to retail carbon credits and to generate brand awareness.

### 3.4 Industry Event

- On 30 and 31 October Carbon Conscious exhibited at the Carbon Market Expo in QLD.
- The Carbon Market Expo was Australia's first dedicated, industry-hosted Trade Fair & Conference for carbon market participants & service providers across Australasia.

### 3.5 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.

- Carbon Conscious is committed to investing appropriate resources into identifying cost effective opportunities from established, media active brands and/or events to help build brand awareness.

**Some of the partnerships established in the last quarter included:**

#### **ECU West Coast 1000**

- On 29 November 2008 Carbon Conscious was as the official partner for the ECU West Coast 1000, making it the first ever WA carbon conscious open water event.
- West Australian swim star Eamon Sullivan led the charge that attempted to take the record from the Victorian community of Lorne.
- But despite a positive turnout of 1500 people, WA fell short of the required 3072 participants.
- The event gained media coverage in local press (The Sunday Times) and on the Perth Now Website.
- Over 35% of participants who registered on-line voluntarily purchased a tree to contribute to offsetting their involvement in the swim.

#### **Australian Masters Marketing Summit 2009 (AMMS09):**

- Carbon Conscious will be the official AMMS09 carbon offset partner and trees planted as part of the event program will go towards offsetting the conference's emissions.

### **Sea To Summit**

- Sea To Summit recently entered into an agreement with Carbon Conscious whereby they offset the company's carbon emissions from business air travel for a 12 month period.
- Sea To Summit Australia is a worldwide manufacturer of high quality outdoor, backpacking and travel products and accessories. They manufacture and distribute products for skiing, camping, hiking, backpacking, travelling and many more outdoor activities.

### **City of Perth – Skyworks 2009**

- For the first time in 2009 Skyworks has partnered with Carbon Conscious to make the corporate entertainment area a carbon conscious function.
- Measuring emissions relating to elements such as travel, waste and energy, the City of Perth has worked with Carbon Conscious to determine the approximate carbon footprint of the area.
- Sufficient Mallee Eucalypt trees will be planted in the Western Australian wheat belt to offset elements of the corporate entertainment area's carbon emissions.

## **2.5 Australia's Voluntary Market<sup>1</sup>**

- A discussion paper has been issued by the government concerned with voluntary activity that occurs beyond the mandatory or compliance market.
- Buyers in the global voluntary market include individuals, non-

government organisations, business that purchase for investment or resale and businesses that are final buyers.

- Businesses buy carbon offset credits to offset particular products or services and to meet corporate commitments to social responsibility, including carbon neutrality.
- Interested stakeholders have been invited to comment ahead of decisions on the design of the national carbon offset standard.
- The intention of the national standard will be to provide greater confidence to consumers who wish to purchase offset products on a voluntary basis.
- The scheme is expected to build on existing schemes such as Greenhouse Friendly™ to minimize duplication.
- CCF will review the discussion paper and respond accordingly.

## **INTERNATIONAL CARBON MARKET UPDATE**

- According to research group New Carbon Finance, the global carbon market was worth around \$118 billion in 2008, rising 84 percent from the previous year due to higher trading volumes and prices.
- It is anticipated that the market's value should swell to \$150 billion in 2009, in spite of the gloomy backdrop of a global recession, the group forecast in a quarterly trading update.
- The price of carbon permits called European allowances (EUAs) fell to around 15 Euros (\$20.46) a tonne in late 2008, halving a two-year high hit that summer.

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<sup>1</sup> Source: Carbon Market Australia National Carbon Offset Standard Discussion Paper

### 5.1 New Zealand ETS<sup>2</sup>

- In November 2008, the newly elected New Zealand Government announced that they would suspend the emissions trading scheme (ETS) whilst it carried out a complete review of all aspects of the scheme.
- Reaction from businesses involved in the carbon market was immediate. In particular, forestry companies said they lost carbon credits worth hundreds of millions of dollars within hours of the recent government announcement.
- At the time of writing, the New Zealand Government had not frozen the ETS as announced. The scheme is still in operation with the forestry sector the only participant.
- The new government hopes to complete the review and get legislation in place by 1 September 2009.

### 5.3 US DEVELOPMENTS<sup>3</sup>

- President Barack Obama has made his most decisive break so far with the past eight years of George Bush by recently appointing a Nobel laureate in science and a supporter of Al Gore to head his energy and environment team.
- The announcement in Chicago on Monday 15 December 2008 of the appointments of the physicist Steve Chu for energy secretary and the veteran regulator Carol Browner for the newly created White House "climate tsarina" received almost

unanimously positive responses from environmentalists.

- Their professional credentials are seen as a sign of President Obama's determination to deal with climate change.
- President Obama and his team will work with Democrats and Republicans, businesses, consumers and others with a stake in the issue to try to reach a consensus on a bold, aggressive approach to tackling the climate change problem.

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<sup>2</sup> Source: *Carbon Market Australia – New Zealand – Point Carbon*

<sup>3</sup> Source: [www.smh.com.au](http://www.smh.com.au) - *Obama picks dream green team*

## NEXT STEPS & IMPLEMENTATION TIMELINE

Key milestones for further development and implementation of the Scheme are as follows:<sup>4</sup>

Date		Milestone
2009	March	Introduction into Parliament of Scheme legislation
	June	Expected passage of the legislation
	Third quarter	If passed, implementing legislation to enter into force
	Fourth quarter	National registry operational with Scheme functions
2010	1 July	Start of first Scheme compliance year
2011	30 June	End of first compliance year
	December	Deadline for surrender of eligible compliance permits for first compliance year
2013		Final decision on coverage of agriculture
2015		First scheduled public strategic review by independent expert committee

Date		Design Element Decision Announcement
2010	First quarter	<ul style="list-style-type: none"> <li>▪ extension of national emissions trajectory up to 2014-15</li> <li>▪ Scheme caps for first five years of Scheme (2010-11 to 2014-15)</li> <li>▪ ten years of scheme gateways after 2014-15</li> <li>▪ approach for expanding cap to accommodate increases in coverage</li> <li>▪ quantitative limits on use of Kyoto units up to 2014-15, and the types of units that will be recognized</li> <li>▪ provisions for conversion of Australian carbon pollution permits for sale in international markets up to 2014-15</li> </ul>

<sup>4</sup> Source: Green Paper, pp454-455

# Appendix 4C

## Quarterly report

### for entities admitted

### on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

CARBON CONSCIOUS LIMITED

ABN

20 129 035 221

Quarter ended ("current quarter")

31 December 2008

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date
	\$A'000	(3 months) \$A'000
1.1 Receipts from customers	4	5
1.2 Payments for(a) staff costs	(228)	(505)
(b) advertising and marketing	(49)	(96)
(c) research and development	0	0
(d) leased assets	0	0
(e) other working capital	(434)	(665)
(f) prepayment of service fees	(309)	(309)
(g) deposits paid on plantation seedlings	(160)	(160)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	75	190
1.5 Interest and other costs of finance paid	0	0

+ See chapter 19 for defined terms.

## Quarterly report for entities

admitted on the basis of commitments

1.6	Income taxes paid	0	0
1.7	Other (provide details if material)	0	0
	<b>Net operating cash flows</b>	<b>(1,101)</b>	<b>(1,540)</b>
		Current quarter \$A'000	Year to date (6 months) \$A'000
1.8	Net operating cash flows (carried forward)	<b>(1,101)</b>	<b>(1,540)</b>
	<b>Cash flows related to investing activities</b>		
1.9	Payment for acquisition of:	0	0
	(a) businesses (item 5)	0	0
	(b) equity investments	0	0
	(c) intellectual property	0	0
	(d) physical non-current assets	(65)	(143)
	(e) other non-current assets	0	0
1.10	Proceeds from disposal of:	0	0
	(a) businesses (item 5)		
	(b) equity investments		
	(c) intellectual property		
	(d) physical non-current assets		
	(e) other non-current assets		
1.11	Loans to other entities	0	0
1.12	Loans repaid by other entities	0	0
1.13	Other (provide details if material)	0	0
	<b>Net investing cash flows</b>	<b>(65)</b>	<b>(143)</b>
<b>1.14</b>	<b>Total operating and investing cash flows</b>	<b>(1,166)</b>	<b>(1,683)</b>
	<b>Cash flows related to financing activities</b>		
1.15	Proceeds from issues of shares, options, etc.		
1.16	Proceeds from sale of forfeited shares		
1.17	Proceeds from borrowings / hire purchase	30	30
1.18	Repayment of borrowings	(1)	(1)
1.19	Dividends paid		
1.20	Other – costs related to IPO		
	<b>Net financing cash flows</b>	<b>29</b>	<b>29</b>
	<b>Net increase (decrease) in cash held</b>	<b>(1,137)</b>	<b>(1,654)</b>
1.21	Cash at beginning of quarter/year to date	6,132	6,649
1.22	Exchange rate adjustments to item 1.20		
1.23	<b>Cash at end of quarter</b>	<b>4,995</b>	<b>4,995</b>

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors****Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	536
1.25	Aggregate amount of loans to the parties included in item 1.11	0

- 1.26 Explanation necessary for an understanding of the transactions

The Company prepaid services fees for a period of 24 months of \$309,000 as disclosed at 1.20f. This payment was made to a related party and is therefore included in the calculation at 1.24.

+ See chapter 19 for defined terms.

### Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil
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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil
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### Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	nil	nil
3.2 Credit standby arrangements	nil	nil

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	70	108
4.2 Deposits at call	4,925	6,025
4.3 Bank overdraft	0	0
4.4 Other (provide details)	0	0
<b>Total: cash at end of quarter (item 1.23)</b>	<b>4,995</b>	<b>6,133</b>

+ See chapter 19 for defined terms.

## Quarterly report for entities

admitted on the basis of commitments

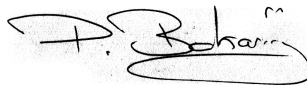
**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	nil	nil
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 30 January 2008

(Director/Company secretary)

Print name:

Peter Balsarini

+ See chapter 19 for defined terms.