

The Directors present their report together with the financial statements of CO2 Group Limited (referred to hereafter as the Group) consisting of CO2 Group Limited and the entities it controlled at the end of, or during, the year ended 30 September 2011.

DIRECTORS

The following persons were directors of CO2 Group Limited during or since the end of the year ended 30 September 2011:

- Ian Norman Trahar
- Andrew William Thorold Grant
- Harley Ronald Whitcombe
- Dr Malcolm Brian Hemmerling
- Dr Christopher David Mitchell
- Paul John Favretto

PRINCIPAL ACTIVITIES

The Group's principal activity during the course of the financial year has been the provision of environmental services primarily carbon sequestration i.e. the establishment of forest carbon sinks.

REVIEW OF OPERATIONS

The Group has reported a profit for the year after taxation of \$1,459,727 (2010 15 month period: \$3,345,464 loss). Revenue increased by 28 percent over the previous 15 month period and margin was similar to the prior period, however in the previous reporting period there was a significant impairment charge relating to the intangible assets acquired as part of the business combination with The Oil Mallee Company of Australia Limited.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the matters referred to above, during the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the Director's Report, financial statements or notes thereto.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 3 October 2011 the Group contributed a further NZ\$90,000 to the Joint Venture entity CO2 New Zealand Limited Partnership, of which the Group is a 45% owner. The payment was made pursuant to a capital call on the Joint Venture partners.

Since the end of the financial year there has been a significant increase in the issued capital of the Company due to the exercise of the listed options with an expiry date of 12 November 2011. At an exercise price of 12 cents, 149,103,431 options have been converted generating \$17,892,412.

The Group's cash position at 21 November 2011 as a result of the exercise of the listed options is \$34,524,093.

Other than the matters referred to above, no other matter or circumstance has arisen since 30 September 2011 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in these financial statements because the directors believe it would be likely to result in unreasonable prejudice to the Group.

INFORMATION ABOUT DIRECTORS

Ian Norman Trahar

B.Ec, MBA.
Chairman.

Experience and expertise

Mr Trahar has a resource and finance background. He is a director and significant shareholder of Avatar Industries Limited, an unlisted public company. Ian is a member of the Australian Institute of Company Directors.

Other current listed company directorships

None.

Former directorships in last 3 years

Kresta Holdings Limited (ceased 14 March 2011).

Special responsibilities

Chair of the board.
Member of the Audit Committee.
Member of Remuneration Committee.

Interests in shares and options

206,791,564 ordinary shares in CO2 Group Limited.

Andrew William Thorold Grant

BSc (Hons), Grad Dip Bus Mg. GAICD.
Executive Director.

Experience and expertise

Mr Grant has been at the forefront of climate change science and carbon trading for 12 years. Leading the CO2 Group and its related entities since 2005, Mr Grant has grown the company into the leading carbon business in Australasia. Prior to that he was the National Head of Ernst and Young's environmental advisory division also fulfilling this same role at Arthur Anderson in previous years. Earlier, Mr Grant held the position as Executive Manager in Sustainable Packaging at Visy Industrial Packaging. When the New South Wales Government developed the Greenhouse Gas Reduction Scheme, Mr Grant was their lead advisor and for three years, from 2006 to 2009, he was Chairman of the Port Phillip Western Port Catchment Management Authority. Mr Grant has advised many large companies across Australia and has also undertaken design and audit roles in a variety of carbon trades. From 2004 to 2006 Mr Grant was an independent director of the Cooperative Research Centre (CRC) for Greenhouse Accounting and is currently a non-executive director of the Earthwatch Institute. Mr Grant has a First Class Honours Degree in Science and a Graduate Diploma of Business Management at Executive level. In 2011 he graduated from the Australian Institute of Company Directors.

Other current listed company directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chief Executive Officer - CO2 Group Limited.
Managing Director - CO2 Australia Limited.

Interests in shares and options

3,868,654 ordinary shares in CO2 Group Limited.

5,589,150 Performance Rights in the
CO2 Group Limited Incentive Plan.

Harley Ronald Whitcombe

B.Bus, CPA.

Executive Director.

Experience and expertise

Mr Whitcombe has had many years' commercial and finance experience, providing company secretarial services to publicly listed companies. He is a member of the Australian Institute of Company Directors.

Other current listed company directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chief Financial Officer of CO2 Group Limited & Company Secretary.

Interests in shares and options

11,387,157 ordinary shares in CO2 Group Limited.

Dr Malcolm Brian Hemmerling

PhD, BSc (Hons), Dip T (Sec).

Non-executive Director.

Experience and expertise

Currently a consultant go Government and private sectors, Dr Hemmerling has had extensive experience in leadership and management positions, having been the Commissioner for Consumer and Business Affairs in Adelaide, Chief Executive Officer of the Adelaide City Council, Chairman of the National Basketball League, Chief Executive Officer for The Sydney Organising Committee for the Olympic Games, Chief Executive Officer of the Australian Formula One Grand Prix in South Australia and Chief Executive Officer of Bob Jane TMarts. Dr Hemmerling has also been the head of the Premier's Cabinet Office in South Australia, non-executive Director of the South Australian Housing Trust and Chairman of the Playford Alive Steering Committee.

Other current listed company directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chairman of Audit Committee.

Member of Remuneration Committee.

Interests in shares and options

575,625 ordinary shares in CO2 Group Limited.

1,500,000 options over ordinary shares in CO2 Group Limited.

Dr Christopher David Mitchell

PhD, BSc (Hons). GAICD.
Executive Director.

Experience and expertise

Dr Mitchell has a PhD in biology from the University of Melbourne, is a graduate of the Australian Institute of Company Directors and has a 20 year involvement in Australian and international climate change research. He is an Adjunct Professor at the School of Environmental Science Murdoch University. Prior to joining CO2 Group full time Dr Mitchell was Foundation Director of the Centre for Australian Weather and Climate Research a partnership between CSIRO and the Bureau of Meteorology, and was CEO of the Cooperative Research Centre for Greenhouse Accounting. He chaired the Victorian Climate Change Minister's Reference Council on Climate Change Adaptation and is on the CSIRO's Environment and Natural Resources Sector Advisory Committee.

Other current listed company directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares and options

40,000 ordinary shares in CO2 Group Limited.
3,000,000 options over ordinary shares in CO2 Group Limited.
2,794,575 Performance Rights in the CO2 Group Limited Incentive Plan.

Paul John Favretto

LL.B.
Non-executive Director.

Experience and expertise

Mr Favretto was previously Managing Director of Avatar Industries Limited. Before that Mr Favretto worked for 20 years in the financial services industry holding senior management positions with Citibank Limited (1976 to 1985) and Bankers Trust Australia Limited (1986 to 1994).

Other current directorships

None.

Former directorships in last 3 years

Managing Director of Avatar Industries Limited.

Special responsibilities

Chairman of Remuneration Committee.
Member of Audit Committee.

Interests in shares and options

20,125,010 ordinary shares in CO2 Group Limited.

Company Secretary

The company secretary is Mr Harley Ronald Whitcombe. Mr Whitcombe was appointed company secretary on 12 November 2001. He has held similar positions with a number of other publicly listed companies. Mr Whitcombe has been a member of CPA Australia for over 30 years.

Meetings of Directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 September 2011, and the numbers of meetings attended by each director were:

	Full meetings of Directors		Meetings of Committees			
	A	B	Audit		Remuneration	
	A	B	A	B	A	B
I Trahar	9	9	2	2	2	2
A Grant	9	9	-	-	-	-
H Whitcombe	9	9	-	-	-	-
C Mitchell	9	9	-	-	-	-
M Hemmerling	9	8	2	2	2	2
P Favretto	9	7	2	2	2	2

A = Number of meetings held during the time the director held office or was a member of the committee during the period

B = Number of meetings attended

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share based compensation
- E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

Alignment to shareholders' interests:

- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- provides recognition for contribution.

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

Non-executive directors

The shareholders of CO2 Group Limited on 26 October 2001 approved, for the purposes of the ASX Listing Rules and CO2 Group's Constitution, maximum aggregate directors' fees of \$250,000, with such fees to be allocated to the directors as the board of directors may determine.

The Board determines the remuneration payable to the non-executive directors. The remuneration covers the non-executive directors for both their work as a director and as a member of any committees. The Board has previously recommended to shareholders at an Annual General Meeting that options be issued to two non-executive directors as part of their remuneration package in lieu of higher cash remuneration in order to preserve the consolidated entity's cash resources and reduce ongoing costs.

The Board at the time of appointing the two non-executive directors assessed the remuneration packages payable to its non-executive directors with those paid to non-executive directors with comparable expertise, experience and duties in companies of comparable size and stage of development as the consolidated entity. Based on this assessment, it was the Board's view that the remuneration package, including the number of options to be issued to Dr Hemmerling and Dr Mitchell, is appropriate and within acceptable remuneration levels for non-executive directors.

The Board considered at the time that whilst in development phase it was, and continues to be, focused on preserving its cash flows. The decision to issue the options to Dr Hemmerling and Dr Mitchell in lieu of a higher cash director's fee is consistent with this objective.

To retain persons of the quality and experience of Dr Hemmerling and Dr Mitchell, the Board believes that it was appropriate to issue the options.

The options were issued at an exercise price which represented a significant premium to the market price at the time of issue. Accordingly to benefit from the options, the company's share price must exceed the exercise price before the options expire. The options are not transferable without Board approval and so it is unlikely any value can be obtained by the holders of the options without exercising the options.

The Remuneration Committee determines the remuneration of all non-executive directors, none of whom have service contracts with the company.

Dr Mitchell became an executive director of the company on 18 August 2008.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) of CO2 Group Limited and the Group are set out in the following tables.

The key management personnel of CO2 Group Limited includes the directors as listed below:

- Ian Norman Trahar
(Chairman and Executive Director)
- Andrew William Thorold Grant
(Chief Executive Officer and Executive Director)
- Harley Ronald Whitcombe
(Executive Director and Company Secretary)
- Dr Christopher David Mitchell
(Executive Director)
- Dr Malcolm Brian Hemmerling
(Non-executive Director)
- Paul John Favretto
(Non-executive Director)

In addition to the directors the following executives that report directly to the Chief Executive Officer are key management personnel:

- Aaron Soanes
(Director and General Manager of Operations,
CO2 Australia Limited)
- Ashley Shilkin
(Commercial Manager, CO2 Australia Limited)
- Dr James Bulinski
(Director, CO2 Australia Limited)

A Shilkin resigned from the position of Commercial Manager on 29 August 2011.

KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES OF THE GROUP

Year ending 30 September 2011	Short-term employee benefits				Post- employment benefits	Long-term benefits	Share- based payments	
Name	Cash salary and fees \$	Cash Bonus* \$	Non- monetary benefits \$	Other \$	Super- annuation \$	Long service leave \$	Options \$	Total \$
Non-executive Directors								
M Hemmerling	35,000	-	-	-	3,150	-	-	38,150
P Favretto	-	-	-	-	35,970	-	-	35,970
Sub-total non-executive Directors	35,000	-	-	-	39,120	-	-	74,120
Executive Directors								
I Trahar	237,900	-	5,828	-	23,529	4,322	-	271,579
H Whitcombe	177,905	5,000	5,828	-	16,461	4,317	-	209,511
A Grant	360,738	36,697	24,233	-	35,769	6,597	24,757	488,791
C Mitchell	229,125	10,000	12,373	-	21,413	4,387	-	277,298
Other Key Management personnel (Group)								
A Soanes	220,538	5,000	-	-	20,298	4,178	-	250,014
A Shilkin	125,848	5,000	-	-	11,326	-	-	142,174
J Bulinski	164,732	5,000	-	-	15,276	3,270	-	188,278
Total Key Management personnel compensation (Group)	1,551,786	66,697	48,262	-	183,192	27,071	24,757	1,901,765

KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES OF THE GROUP

15 months ending 30 September 2010	Short-term employee benefits				Post- employment benefits	Long-term benefits	Share- based payments	
Name	Cash salary and fees \$	Cash bonus* \$	Non- monetary benefits \$	Other \$	Super- annuation \$	Long service leave \$	Options \$	Total \$
Non-executive Directors								
M Hemmerling	32,083	-	-	-	15,604	-	-	47,687
P Favretto	-	-	-	-	44,715	-	-	44,715
Sub-total non-executive Directors	32,083	-	-	-	60,319	-	-	92,402
Executive Directors								
I Trahar	348,615	-	-	5,869	33,669	6,545	-	394,698
H Whitcombe	350,653	-	-	5,869	31,559	6,310	-	394,391
A Grant	411,972	-	56,468	-	37,077	9,728	141,799	657,044
C Mitchell	268,750	-	-	-	24,188	5,915	-	298,853
Other Key Management personnel (Group)								
A Soanes	65,194	-	-	-	23,867	5,981	-	295,042
A Shilkin	147,520	-	-	-	13,277	3,327	-	164,124
J Bulinski	182,556	-	16,092	-	16,287	4,117	-	219,052
Total Key Management personnel compensation (Group)	2,007,343	-	72,560	11,738	240,243	41,923	141,799	2,515,606

* Bonuses are granted at the complete discretion of the directors with reference to the achievement of perceived milestones in the development of the Group. The bonus to A Grant was paid on 27 February 2011. The bonuses to H Whitcombe, C Mitchell, A Soanes, A Shilkin and J Bulinski were paid on 15 April 2011.

C Service agreements

Remuneration has been determined after the Remuneration Committee, for executive directors, and the board, for group executives, has investigated current market terms and conditions. The board has been considering the introduction of an Executive Bonus Scheme which the Remuneration Committee will develop and implement. This Scheme will be put to shareholders for approval.

As at the date of this Report there is no formal performance condition included in any directors' or executives' remuneration package. Service Agreements have been entered into by all executive directors and certain specified executives. Summarised below are the major terms of those agreements. The non-executive directors do not have service agreements.

Options issued to A Grant and A Soanes are not performance orientated. Both are experts in the field in which they operate and the board took the view that the best way to encourage these experts was to provide them with an opportunity to participate in the growth of the consolidated entity which will be generated directly from their endeavours. All shareholders will benefit from the results which will be achieved through these two executives' efforts. This is a growing business and quality people are required to grow the business.

The Remuneration Committee will revise the remuneration practices and develop policy for future appointments and determine performance based salary increases and bonuses, bearing in mind the size of the Group and the need to ensure quality staff are employed and retained.

I Trahar, H Whitcombe, and C Mitchell Executive Directors:

- Term of agreement – no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving twelve months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to 100% of base salary for the unexpired period of notice. The employee may terminate on giving three months notice.

A Grant, Chief Executive Officer of CO2 Group Ltd and Managing Director of subsidiary CO2 Australia Limited:

- Term of agreement – no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving six months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to six months of base salary for the unexpired period of notice;
- In the event of redundancy, six months base salary is to be paid plus payment equivalent to three weeks of base salary for each completed year of service;
- One off issue of 7,400,000 listed options exercisable at \$0.12 granted on 3 September 2004, and expiring on 12 November 2011, which were exercised after 30 September 2011;
- From 1 February 2006 all running costs relating to Mr Grant's motor vehicle are paid by the company, including the monthly hire purchase payments on the vehicle.
- As part of Mr Grant's appointment as CEO on 18 July 2007, he was offered an executive option package which resulted in a maximum of 9,000,000 options being issued to him. These options were issued to Mr Grant for no consideration. This issue of options was approved by shareholders at the Company's AGM held on 8 November 2007;
- The key terms of the options issued to Mr Grant are summarised as follows:
 - Series 1 – 3,000,000 options, exercise price \$0.50, vested on 30 June 2008;
 - Series 1a – 1,000,000 options, exercise price \$0.60, vested on 30 June 2009;
 - Series 2 – 2,000,000 options, exercise price \$0.60, vested on 30 June 2009;
 - Series 2a – 1,000,000 options, exercise price \$0.70, vested on 30 June 2010;
 - Series 3 – 1,000,000 options, exercise price \$0.70, vested on 30 June 2010; and
 - Series 3a – 1,000,000 options, exercise price \$0.80, vesting on 30 June 2011.
- Series 1a, 2a and 3a will be issued if Series 1, 2 and 3 respectively are exercised by Mr Grant.
- All 9,000,000 unlisted options expired unexercised on 31 July 2011.

**A Soanes Director and Manager of Operations,
CO2 Australia Limited:**

- Term of agreement – no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;
- In the event of redundancy, six months base salary is to be paid plus payment equivalent to three weeks of base salary for each completed year of service;
- Issue of 1,000,000 options exercisable at \$0.12 granted on 15 November 2004, and expiring 12 November 2011. The options have been exercised post 30 September 2011.

A Shilkin Commercial Manager, CO2 Australia Limited

- Term of agreement – no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;
- In the event of redundancy, six months base salary is to be paid plus payment equivalent to three weeks of base salary for each completed year of service;
- Issue of 2,000,000 options exercisable at \$0.33, expiring 28 February 2010 and issued upon commencement of employment. The issue of these options was not performance based. The options expired unexercised;
- Mr Shilkin resigned as Commercial Manager on 29 August 2011 but continues in a consulting role.

J Bulinski Director, CO2 Australia Limited

- Term of agreement no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;
- Issue of 1,000,000 options exercisable at \$0.40, expiring 15 November 2010 and issued on 15 November 2006. The issue of these options was not performance based. The options expired unexercised.

D Share-based compensation

Options

During the year, there were no shares in CO2 Group Limited granted under the CO2 Group Limited Employee Share Option Plan (which was approved by shareholders at the 2004 Annual General Meeting).

Key management personnel have not been issued with share options as part of their contracts of employment during the reporting period.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods, are as follows:

Key Management Personnel	Date vested and exercisable	Expiry Date	Exercise price	Value per option at grant date
A Grant *	3 September 2004	12 November 2011	\$0.12	\$0.23
A Soanes *	15 November 2004	12 November 2011	\$0.12	\$0.43
M Hemmerling & C Mitchell	20 November 2008	2 December 2012	\$0.52	\$0.05
A Soanes, A Shilkin, J Bulinski	20 November 2008	30 November 2012	\$0.49	\$0.04

* Listed options

Details of options over ordinary shares in the company provided as remuneration to each director of CO2 Group Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of CO2 Group Limited. Further information on the options is set out in note 38 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2011	2010	2011	2010
Directors of CO2 Group Limited				
A Grant	-	-	-	1,000,000

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values of unlisted options at grant date are independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Shares provided on exercise of options

To date, there have been no ordinary shares in the company provided as a result of the exercise of options to directors of CO2 Group Limited or other key management personnel of the Group, other than those referred to in the table below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
		2011	2010
Directors of CO2 Group Limited			
M Hemmerling	13 November 2009	-	750,000
C Mitchell	11 November 2009	-	1,000,000
A Grant	2 December 2009	-	100,000

The amounts paid per ordinary share by each director and other key management personnel on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
11 November 2009	\$0.32
13 November 2009	\$0.32
2 December 2009	\$0.12

No amounts are unpaid on any shares issued on the exercise of options.

E Additional information

Performance of CO2 Group Limited

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the last five financial periods:

	Year ended 30 September 2011 \$	15 months period ended 30 September 2010 \$	Year ended 30 June 2009 \$	Year ended 30 June 2008 \$	Year ended 30 June 2007 \$
Revenue	35,424,605	27,714,064	14,833,919	12,305,354	3,953,696
Net profit (loss) before tax	2,206,062	(4,701,603)	1,563,573	356,258	(3,824,230)
Net profit (loss) after tax	1,459,727	(3,345,464)	681,177	1,573,272	(3,685,784)
	30 September 2011	30 September 2010	30 June 2009	30 June 2008	30 June 2007
Share price at start of year	20c	34c	38c	17c	30c
Share price at end of year	16c	20c	34c	38c	17c
Dividend	-	-	-	-	-
Basic earnings per share	0.52cps	(1.20)cps	0.25cps	0.62cps	-1.79cps
Diluted earnings per share	0.42cps	(1.20)cps	0.18cps	0.38cps	- 1.79cps

Changes in the wealth of the business currently bears no relationship to the remuneration of key management personnel. On 31 August 2011, shareholders approved the CO2 Employee Incentive Plan. Under the Plan, eligible participants are granted Performance Rights to acquire ordinary shares in CO2 Group Limited, subject to satisfying any vesting conditions. The Plan commenced on 30 September 2011.

LOANS TO DIRECTORS AND EXECUTIVES

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 28 to the financial statements.

SHARES UNDER OPTION

Unissued ordinary shares of CO2 Group Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of options	Number under option
20 November 2008	2 December 2012	\$0.52	4,500,000
20 November 2008	30 November 2012	\$0.49	1,580,000
			6,080,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity. No options have been exercised since the end of the financial year.

The company has in issue 30,150,190 convertible preference shares that have not been exercised. For further information relating to the convertible preference shares, please refer to note 26(c).

INSURANCE OF OFFICERS

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr H R Whitcombe, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined at note 29 to the financial statements.

DIVIDENDS – CO2 GROUP LIMITED

The Directors of CO2 Group Limited do not recommend the payment of a dividend for the year ending 30 September 2011 (2010: Nil).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 38.

AUDITOR

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2) of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'A. Grant', is written on a light-colored background.

A. Grant
Director
Melbourne
25 November 2011

The Board of Directors
CO2 Group Limited
349 Moray Street
South Melbourne, VIC 3205

25 November 2011

Dear Board Members

CO2 Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of CO2 Group Limited.

As lead audit partner for the audit of the financial statements of CO2 Group Limited year ended 30 September 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountants