

**CO2 Group Limited  
Corporate directory**

**Directors**

Ian Norman Trahar B.Ec, MBA  
*Chairman*

Andrew William Thorold Grant BSc (Hons),  
Grad Dip Bus Mg, MAICD  
*Chief Executive Officer*

Dr Christopher David Mitchell PhD, BSc  
(Hons), GAICD  
*Executive Director*

Paul John Favretto LL.B.  
*Non-executive Director*

Harley Ronald Whitcombe B.Bus, CPA  
*Executive Director*

**Secretary**

Harley Ronald Whitcombe B.Bus, CPA

**Principal registered office in Australia**

Level 11, 225 St Georges Terrace  
Perth, Western Australia 6000  
Telephone No: (08) 9321 4111  
Facsimile No: (08) 9321 4411

**Share registry**

Computershare Investor Services Pty Limited  
GPO Box D182  
Perth, Western Australia 6000  
Telephone No: (08) 9323 2000  
Facsimile No: (08) 9323 2033

**Auditor**

Deloitte Touche Tohmatsu  
Chartered Accountants  
550 Bourke Street  
Melbourne, Victoria 3000

**Bankers**

Australia and New Zealand Banking Group  
Limited  
77 St Georges Terrace  
Perth, Western Australia 6000

**Stock exchange listing**

CO2 Group Limited shares are listed on the  
Australian Stock Exchange. Home Exchange -  
Perth.

ASX Code - COZ

**Website**

[www.co2australia.com.au](http://www.co2australia.com.au)

## **Chairman's Overview**

The 2013 year witnessed a disappointing financial outcome compared to the 2012 year.

In the 2012 Chairman's overview, I pointed out the threats to our business of the uncertain regulatory environment. The 2013 year saw those uncertainties heightened to the extent that most customers simply shelved carbon related projects in the belief that a change in government was imminent. Regulatory uncertainty still prevails and is unlikely to be resolved in this financial year.

Of our four core operating activities, Carbon Energy Trading, Environmental Services and Land management fee income remain profitable; Project Development remains suspended. Our focus in the latter part of the 2013 year and continuing this financial year has been to cut our cost base whilst maintaining delivery capability.

In August 2012, your company acquired Western Australian Resources Limited and has continued to invest in the development of its shrimp based protein model for food export to Asia.

I am pleased to say this acquisition has been successful in terms of developing clear pathways to profitability which will become evident this financial year.



Ian Trahar  
Chairman  
CO2 Group Limited

**CO2 Group Limited  
Results at a glance  
30 September 2013**

**Results at a glance**

	<b>2013</b>	<b>2012</b>	<b>% Change</b>
Total sales revenue	\$45.3m	\$64.3m	-29%
EBITDA	-\$9.98m	\$7.55m	-232%
Net Profit/(Loss) After Tax	-\$6.7m	\$4.9m	-238%
Cash Reserves	\$14.2m	\$28m	-49%
Earnings/(Loss) per Share (cents)	-1.50	1.19	-226%

## **CEO Message**

CO2 Group over the past year has taken bold steps to expand its business model into new markets (aquaculture) and new services (environmental advisory and expanded trading) whilst consolidating our traditional service lines (carbon project development). Our strategy is driven by the need to continue to evolve our business model whilst simultaneously seeking out new and important investment opportunities. We are confident that our strategy places the Company in a very strong position over the next few years to capitalise on these investments and deliver excellent returns to shareholders.

Our financial performance over the past 12 months reflects the large investment made in developing our aquaculture business model (including the acquisition of Western Australian Resources Limited).

Our principal service offering of carbon forestry projects has proved extremely challenging to secure new contracts due to the continual changing of Federal Carbon Policies and as such we have sought to grow our business in other aspects of the market that provide more immediate returns and further opportunities for growth. We remain committed to carbon forestry and expect to see a recovery in this market albeit slowly over the next two years. The Federal Government's Direct Action Program will provide fresh commercial opportunity for our carbon forestry service offering.

The company now runs four major divisions:

### **1. Aquaculture**

CO2 Group over the past financial year has executed the first major steps in a bold strategy to establish an aquaculture project of international standing producing prawns for the export market. The new facility, known as Project Sea Dragon, is designed to be an industrial scale, low cost producer establishing large volumes of high quality Black Tiger Prawn for export to international markets. The global demand for protein continues to rise (particularly in Asia) yet the capacity of wild sourced fisheries continues to diminish. Farmed fisheries are critical to meeting the food demands of our neighbouring countries as domestic consumption outstrips domestic supply. At an international level, aquaculture represents the third most important source of animal protein supply (behind Chicken and Pork) and is the fastest growing sector of the protein industry. Aquaculture is a highly efficient way of converting vegetable proteins into animal protein and is uniquely positioned to respond to this growing demand for food. Yet despite this growing demand, much of the industry centred in South East Asia has suffered from environmental degradation and disease largely due to lack of management controls and poor environmental controls at a catchment level.

Australia is uniquely placed to respond to this demand by virtue of our sophisticated and demanding biosecurity standards, the high environmental integrity of our natural systems and efficient and accessible infrastructure combined with availability of large scale coastal properties that provide the best biophysical qualities for prawn production. Our domestic aquaculture production to date has focused on domestic supply and has lacked the scale of production to service the growing international demand. The location of the existing Australian operations limits expansion due to the environmental sensitivities associated with nutrient discharge on the Great Barrier Reef and the ecological values of adjoining landscapes. The genesis of Project Sea Dragon stems from the skill and market insights of the Company's environmental services background whereby our senior people have continuously searched and examined new opportunities arising from global trends such as carbon pricing, sustainable food and sustainable development. Our market insights and in house analytical tools places the Company in a strong position to identify the ideal sites for a world class project and to this end, the preferred sites for Project Sea Dragon have been determined and secured. Project Feasibility Studies have been completed and we are well advanced in our efforts to secure a Financial Partner to implement the Project.

## **2. Carbon Projects**

Over the course of the year, major milestones were achieved with the approval of the CO2 Australia Afforestation Methodology to produce Australian Carbon Credit Units under the Carbon Farming Initiative. We have subsequently produced credits for our clients and are in full production mode for the creation of credits across the 26,400ha estate we manage. Given the lack of demand for new carbon forestry projects, the Company undertook a restructuring program to reduce costs and ensure that our ongoing cost structure reflects our annuity management income.

The first major new carbon forestry project in New Zealand has been successfully delivered and highlights the multi-disciplinary skills of our team covering forestry, carbon modelling, measurement, land management, ecology and land use planning, carbon sales and community liaison.

The portfolio of Clean Development Mechanism Projects established by CO2 Asia has met all project milestones including project registration and verification. As such the project portfolio is now entering into credit production phase and will start producing credit revenues this financial year.

## **3. Environmental Markets Trading**

Over two successive years, CO2 Group has established and built a substantial platform for the trading of a broad range of environmental market instruments. The business trades under the name of Carbon Banc and has developed a strong brand in this sector. Carbon Banc trades across the spectrum of environmental credits (Small and Large Renewable Energy Certificates, Certified Emission Reductions, Voluntary Carbon Units, New Zealand Units) and has recently expanded into the Electricity Market. The business unit has ambitious plans based on deep analytics to secure further trading profits in related markets.

#### **4. Environmental Advisory**

CO2 Group successfully implemented the acquisition of Ecofund (a business previously owned by the Queensland Government) that trades environmental markets, provides environmental offset advisory services and develops carbon projects. Ecofund was dedicated to the Queensland market and had established market leadership for this region. The business has been integrated into CO2 Australia and its financial performance has been strengthened and improved by identifying and securing new markets. This is now a key service offering of CO2 Group and we project strong growth over the next 12 -24 months for this arm of our business. We are now a major service provider for the resources, energy and infrastructure sector and play a key role in assisting our clients in securing environmental approvals under State and Federal legislation. Our unique combination of skills places CO2 Australia in an excellent position to carve out a strong foothold in this growth area.

This is a Company that I am proud to lead. We employ a dedicated, highly professional, motivated and passionate work force that produces outstanding projects in the critically important fields of mitigating climate change, sustainable development and food security. The Company continues to demonstrate its capacity to evolve its strategy to meet new market demands and prospect for new opportunities in emerging markets. We remain confident that we are well placed to grow our business model and provide strong returns to our investors.

A handwritten signature in black ink, appearing to read 'Andrew Grant', with a long horizontal flourish extending to the right.

Andrew Grant  
Chief Executive Officer  
CO2 Group Limited