Our Ref: CO2 ASX Announce Appendix 4D Half Year Report 2013 (385)

24 May 2013

ANNOUNCEMENT 385

Company Announcements Office
Australian Securities Exchange
Level 6
20 Bridge Street
SYDNEY NSW 2000

By ASX Online
Number of pages: 21
(including this page)

Dear Sir

CO2 Group Report for the Half-Year Ended 31 March 2013

Enclosed is CO2 Group's Report for the half year ended 31 March 2013 including ASX Appendix 4D.

Please telephone Andrew Grant on (03) 9928 5111 or Harley Whitcombe on (08) 9321 4111 with any queries on the Company's 2013 Half-Year Report.

Yours faithfully
CO2 Group Limited

Harley Whitcombe
Company Secretary

ENC

CO2 GROUP LIMITED

ABN 50 009 317 846

INTERIM REPORT FOR THE HALF-YEAR ENDED 31 MARCH 2013

CO2 Group Limited
ASX Half-year information - 31 March 2013

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 30 September 2012 Annual report

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These Financial Statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2012 and any public announcements made by CO2 Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

This financial report covers the consolidated financial statements for the consolidated entity consisting of CO2 Group Limited and its subsidiaries. The financial report is presented in the Australian currency.

CO2 Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

CO2 Group Limited
Level 11, 225 St George's Terrace
Perth WA 6000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 5-7, which is not part of this financial report.

The financial report was authorised for issue by the directors on 24 May 2013. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.co2australia.com.au

Results for Announcement to the Market
31 March 2013

				$
Revenue from ordinary activities *(Appendix 4D item 2.1)*	down	17%	to	27,121,347
Profit / (loss) from ordinary activities after tax attributable to members *(Appendix 4D item 2.2)*	down	359%	to	(4,201,258)
Net profit / (loss) for the period attributable to members *(Appendix 4D item 2.3)*	down	359%	to	(4,201,258)

Dividends / distributions *(Appendix 4D item 2.4)*	Amount per security	Franked amount per security
Final dividend *(Prior year)*	-	-
Interim dividend	-	-

Key Ratios	**2013**	2012
	March	March
Net tangible assets per share ($)	**0.076**	0.082

Directors	Ian Norman Trahar B.Ec, MBA *Chairman*
	Andrew William Thorold Grant BSc (Hons), Grad Dip Bus Mg *Chief Executive Officer*
	Harley Ronald Whitcombe B.Bus, CPA *Executive Director*
	Dr Malcolm Brian Hemmerling PhD, BSc (Hons),Dip T (Sec), FAICD *Non-executive Director*
	Dr Christopher David Mitchell PhD, BSc (Hons) *Executive Director*
	Paul John Favretto LL.B. *Non-executive Director*
Secretary	Harley Ronald Whitcombe B.Bus, CPA
Principal registered office in Australia	Level 11, 225 St George's 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, VIC 3000
Bankers	Australia and New Zealand Banking Group Limited 77 St George's Terrace Perth, Western Australia 6000
Stock exchange listing	CO2 Group Limited shares are listed on the Australian Stock Exchange. ASX code - COZ.
Website address	www.co2australia.com.au
AFSL	CO2 Group Limited is a corporate authorised representative ("CAR") (Number 420079) of Valuestream Investment Management Limited (ACN 094 107 034 AFSL 246621). The Group's licence numbers are: CO2 Group Limited (CAR # 420079); Carbon Banc Limited (CAR # 420080); CO2 Australia Limited (CAR # 420081).

Directors' report

The directors present their report on the consolidated entity consisting of CO2 Group Limited and the entities it controlled at the end of, or during, the half-year ended 31 March 2013.

Directors
The names of the directors of the company during or since the end of the half-year are:

Ian Norman Trahar

Andrew William Thorold Grant

Harley Ronald Whitcombe

Dr Malcolm Brian Hemmerling

Dr Christopher David Mitchell

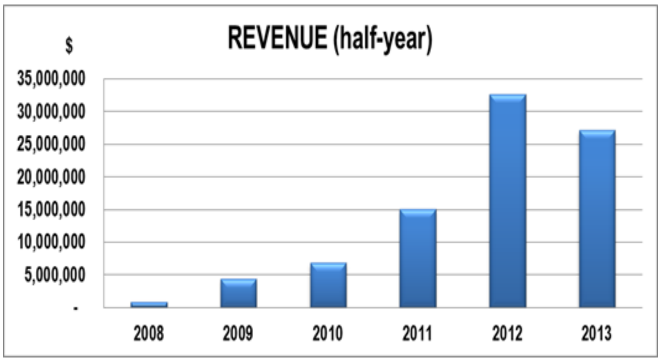
Paul John Favretto

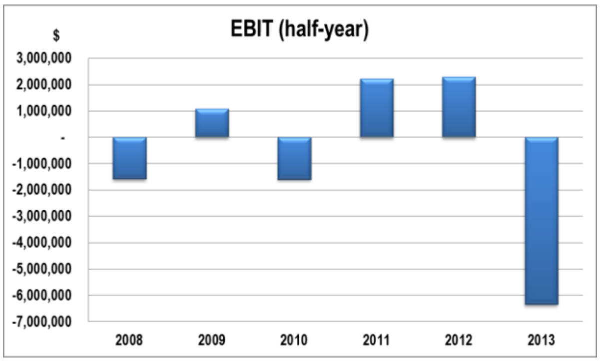
The above-named directors held office during and since the end of the half-year unless otherwise stated.

Principal activities
The principal activities of CO2 Group and its subsidiaries (the "CO2 Group") in the course of the financial half-year has been carbon project development and management (Australia, New Zealand and Vietnam), the provision of environmental services (advisory in carbon farming projects, ecosystem offsets and carbon modelling), trading environmental credits and the development of a large scale aquaculture project.

Company financial performance
The overall financial performance during the first half of the 2013 financial year reflects the major investment being made by the CO2 Group in pursuing its expansion plans into aquaculture.

	31 March 2013 $	31 March 2012 $
Total revenue	**27,121,347**	32,702,747
Other income	**441,121**	(222,957)
EBIT	**(6,349,865)**	2,307,531
Net (loss)/profit	**(4,201,258)**	1,624,214
Cash reserves	**19,497,124**	32,609,675





The directors do not believe at this stage that they are able to provide any further comment or provide any predictions on the CO2 Group's future financial performance.

Review of operations
Operating results

CO2 Group's half-year results are in line with expectations both in actual performance and on a normalised basis. As noted briefly below, the political uncertainty regarding carbon pricing policies has slowed new business opportunities in CO2 Group's carbon project development arm. The Group's half year net loss after tax (NLAT) was $4.2 million. This compares to NPAT of $1.6 million for the previous corresponding period. Earnings before interest and tax were $6.4 million loss (PCP: $2.3 million profit). Revenue for the six months was down 17% to $27.1 million (PCP: $32.7 million). Basic loss per share was 0.94 cents (PCP: basic earnings per share 0.42 cents). No dividend was declared for the period.

The financial performance of CO2 Group over the past six months reflects a major investment into the creation of a world class aquaculture project in Northern Australia and positions the company for a substantial pipeline of new developments. The expansion by its very nature is ambitious and reflects the visionary nature of CO2 Group. The company has successfully pioneered the carbon market in Australia and has built the pre-eminent market leader position. The skills and competencies that reside in the Company which have enabled CO2 Group to succeed in environmental services have been applied to the aquaculture development project and the early results provide great confidence to the Board of our ability to transform the land based aquaculture sector to become a supply power house for the rapidly expanding mega food markets of south east Asia.

The Company acquired all of the shares owned by third parties in Western Australian Resources Limited ("WARL") near the end of the last financial year. WARL is developing a large scale aquaculture business and the market has been kept advised on the progress of this project. The project costs have all been expensed as required by the accounting standards. CO2 Group's financial results have been materially affected by the development of the project. Whilst the Company would still have made a loss this half year the actual loss has been significantly increased as a consequence of the project. The following table summarises the effect on the Company's reported results:

	31 March 2013	31 March 2012
	$ million	$ million
Reported half-year results	(4.2)	1.6
Add Back: WARL project costs	2.9	0.0
Normalised half-year results	**(1.3)**	**1.6**

Trading conditions for new investments in carbon forests were suppressed due to the uncertainty posed by the forthcoming Federal Election and its potential impact on the Clean Energy Legislation. Liable parties are adopting a wait and see approach and as such new investments are on hold. We anticipate that this investment environment will continue until after the Federal election and some clarity is provided on the nature and scale of the demand for carbon offsets.

Internationally the combination of poor economic conditions in Europe, the world's largest carbon market; continued allocation of units by European Governments; and strong supply of CERs from the Clean Development Mechanism has resulted in over-supply of units in that market. Moves to rebalance the European market through the so-called 'set-aside' continue to be a feature of political discussion within Europe. Until these discussions reach a conclusion, international prices are likely to remain low.

Within Australia, the nature and shape of domestic climate policy remains uncertain, with two different approaches under discussion. Aspects of the 'Direct Action' plan remain to be elucidated and should the existing carbon pricing mechanism continue in some form, the Australian market will continue to be influenced by European conditions due to 'linkage' arrangements. However, both the Government and the Opposition support the Carbon Farming Initiative, which is the process under which the company produces accredited carbon credits. The New Zealand emissions trading scheme currently enables liable parties to meet their obligations through acquitting cheap international units. This option will be curtailed in 2014. Unlike Australia, New Zealand has opted not to participate in the second commitment period of the Kyoto Protocol, instead focussing its attention on the international agreement to be reached under the Framework Convention on Climate Change.

Importantly the Company has diversified its operations and is enjoying substantial revenue growth in its trading division and consultancy services. We have identified significant new opportunities in the environmental offsets markets and our integrated service offering will provide a strong competitive advantage.

Western Australian Resources Limited (WARL)

Following the acquisition of Western Australian Resources Limited, the Company has embarked on a substantial expansion initiative into the agri-food sector, developing a world class, large scale land-based aquaculture project in Northern Australia. The project is being developed to meet the growing demand for seafood at a scale that enables it to leverage Australia's comparative advantages in biosecurity, marine science, access to key raw materials and expertise in large scale resource and agricultural development.

Review of operations (continued)

In developing the aquaculture project – Project Sea Dragon – WARL has assembled experts in the fields of marine science, aquaculture management, engineering, property law and finance to prepare a concept report and feasibility analysis. Furthermore, WARL directors and staff have expertise in agricultural and aquaculture economics, major project approvals and engineering and scientific R&D. The prefeasibility work has focused on the initial development of a production module of 10,000 ha of grow out ponds producing annually over 100,000 tonnes of Black Tiger prawns. The production system is fully integrated with broodstock, hatchery and processing facilities.

Progress on Project Sea Dragon has been significant in the past 6 months. The Concept Study has been completed, as previously announced, confirming the forecast financial returns that the project would deliver together with the viability of the technology and the target regions for locating the project. The preferred sites for the development have been identified and commercial discussions to option up the properties have been completed for some of the land and is well advanced for other defined properties.

Mr Dallas Donovan has been appointed Director of Operations for WARL. Dallas brings considerable experience in establishing and managing major aquaculture projects, particularly in the prawn/shrimp industry.

Preliminary discussions have been held with potential project partners and a dedicated data room has been established to facilitate due diligence.

CO2 Australia

CO2 Australia has now established over 26,400 hectares of forest carbon sinks reinforcing its pre-eminence in the Australian carbon economy. The carbon forests are managed for a broad variety of blue chip Australian and International companies servicing both voluntary and compliance carbon obligations.

A major work program for the Company has been the transition of the carbon forests estate to the Federal Government's Carbon Farming Initiative (CFI) enabling the production of Australian Carbon Credit Units (ACCUs) which can be used for liable parties' compliance under the Federal Governments Carbon Pricing Mechanism. CO2 Australia achieved a CFI Methodology Determination in relation to its Reforestation and Afforestation Methodology in February 2013. Subsequently, CO2 Australia registered its first CFI offsets project in April 2013. These significant milestones enable the company to undertake measurement of the carbon estate, engage auditors to verify carbon sequestration amounts and, subsequently, create ACCUs for our clients. CO2 Australia is now well advanced in progressing through these processes, including a verification audit, and anticipates the first issue of ACCU's to take place over the coming months.

Commercial

During the period, CO2 Australia continued to diversify its operations into other areas of environmental services including Geographic Information System (GIS) and spatial analytical services, land and forest management, on-ground delivery of biodiversity and environmental management projects, environmental offsets services, fauna and flora surveys, carbon accounting consulting services, and advisory projects around carbon trading strategy.

Carbon Banc

CO2 Group's environmental trading division Carbon Banc Limited has continued to dramatically expand. Revenues for the six months to March 31 were $25 million (up 47% from the prior comparable period). Carbon Banc has secured a strong customer base and continues to secure new clients. Customer numbers now stand at over 500, with deal numbers surpassing 1,000 spot- and forward-based contracts.

Ecofund

In March 2013, CO2 Group acquired Ecofund from the Queensland Government. The operations of Ecofund have been successfully integrated into the Group and key client relationships have been secured. Operating performance to date has exceeded our expectations and provides a strong platform for further growth in this emerging market.

Ecofund has a well-established track record in the delivery of environmental offsets within Queensland, with a healthy client base largely comprised of resource and industrial companies. With the extended geographic reach of the CO2 Group, Ecofund's proven service model will be progressively rolled out across other Australian states, with New South Wales, Victoria and Western Australia the current focus of expansion activities.

Leveraging from the extended base of expertise within the CO2 Group, the range of services offered by Ecofund will also be expanded. In particular, strong synergies have been identified with CO2 Group's experience in transacting land access arrangements and managing vegetation and land assets, now allowing Ecofund to offer an end-to-end environmental offsets service combining advisory and on-ground management.

Review of operations (continued)

CO2 New Zealand

The development of our first major direct investment project for the Te Runanga o Ngati Awa farm in the Bay of Plenty region has progressed on time and budget. The first year planting program commences this winter with site preparation, seedlings and contractor engagement in place. The innovative plan combines traditional farming operations with commercial softwood forestry, highly valued indigenous plantings and eucalypt carbon sequestration plantations. Ongoing consultation has been held with regional and local authorities and looks to mitigate the environmental impacts of flooding, silting and waterway pollution for the adjoining urban areas.

The overall market for new projects in New Zealand is improving with a forecast increase in the price of New Zealand Carbon Units (NZUs) due to the inability of liable parties to utilise CERs after 2014. Consequently there is renewed interest in domestic abatement projects and the importance of securing a reliable supply of NZUs.

CO2 NZ has been engaged to advise a number of parties on the design and operation of domestic abatement forestry projects that combine carbon offset features with a range of other environmental and commercial benefits.

CO2 Asia

Our project portfolio of Clean Development Projects was expanded with the addition of renewable energy projects in Vietnam. The project portfolio has successfully progressed through to registration phase enabling the production of over 1 million Certified Emission Reduction credits (CERs) per annum which are eligible for compliance purposes in the European, Australian and New Zealand Carbon Trading Schemes.

Whilst CERs are trading at historic lows, our entry point for funding these projects was sufficiently low to ensure that the projects remain profitable at present day prices and provide substantial up side potential over a 15 year trading horizon.

The CER project pipeline provides additional benefits to CO2 Group providing access to expansion opportunities in South East Asia (including the emerging Chinese and South Korean markets) and the ability of offering liable parties integrated product suites covering a variety of compliance and voluntary instruments.

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 8.

This report is made in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.
Corporations Act 2001.

On behalf of the Directors.

AWT Grant
Director

Melbourne
24 May 2013

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
CO2 Group Limited
Level 11, 224 St Georges Terrace
Perth WA 6000

24 May 2013

Dear Board Members

Auditor's Independence Declaration to 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 review of the financial statements of CO2 Group Limited for the half year period ended 31 March 2013, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants

CO2 Group Limited
Condensed consolidated statement of profit or loss
For the half-year ended 31 March 2013

	Half-year Consolidated	
	31 March 2013 $	31 March 2012 $
Revenue from continuing operations	**27,121,347**	32,702,747
Other gains/(losses)	**441,121**	(222,957)
Cost of environmental credits sold	**(25,504,840)**	(16,755,223)
Employee benefits expense	**(3,838,419)**	(2,613,959)
Depreciation and amortisation expense	**(325,579)**	(253,891)
Consulting expense	**(457,822)**	(265,730)
Legal fees	**(162,360)**	(59,973)
Travel	**(563,619)**	(294,394)
Insurance	**(129,383)**	(120,223)
Rent	**(470,223)**	(413,028)
Research and development	**(98,844)**	(238,824)
Other expenses	**(770,438)**	(588,393)
Marketing	**(178,491)**	(371,406)
Aquaculture concept	**(1,110,273)**	-
Plantation costs	**(496,706)**	(8,116,336)
Finance costs	**(1,796)**	(1,136)
Share of net profit/(loss) of associates and joint venture partnership accounted for using the equity method	**194,664**	(80,879)
(Loss)/profit before income tax	**(6,351,661)**	2,306,395
Income tax benefit/(expense)	**2,150,403**	(682,181)
(Loss)/profit for the half-year	**(4,201,258)**	1,624,214
	Cents	Cents
Earnings per share:		
Basic (loss)/earnings per share	**(0.94)**	0.42
Diluted (loss)/earnings per share	**(0.94)**	0.40

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

	Half-year Consolidated	
	31 March 2013 $	31 March 2012 $
(Loss)/profit for the half-year	**(4,201,258)**	1,624,214
Exchange differences on translation of foreign operations	**185**	146
Total comprehensive (loss)/income for the half-year is attributable to:		
Owners of CO2 Group Limited	**(4,201,073)**	1,624,360
	(4,201,073)	1,624,360
	(4,201,073)	1,624,360

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CO2 Group Limited
Condensed consolidated balance sheet
As at 31 March 2013

	Notes	Consolidated 31 March 2013 $	30 September 2012 $
ASSETS			
Current assets			
Cash and cash equivalents		**19,497,124**	27,984,424
Trade and other receivables		**255,385**	2,227,971
Inventories		**2,246,942**	5,763,004
Current tax receivables		**1,813,147**	-
Other current assets		**898,886**	629,302
Accrued income		**734,236**	100,584
Total current assets		**25,445,720**	36,705,285
Non-current assets			
Investments accounted for using the equity method		**393,054**	198,389
Other financial assets - investments		**9,354**	9,354
Property, plant and equipment		**7,354,177**	4,042,529
Deferred tax assets		**7,777,973**	5,825,033
Intangible assets		**4,442,645**	3,840,169
Exploration and evaluation		**98,832**	98,832
Total non-current assets		**20,076,035**	14,014,306
Total assets		**45,521,755**	50,719,591
LIABILITIES			
Current liabilities			
Trade and other payables		**2,567,280**	2,260,091
Borrowings		**-**	16,080
Current tax liabilities		**-**	869,564
Provisions		**712,483**	600,820
Deferred income		**3,340,390**	4,078,492
Total current liabilities		**6,620,153**	7,825,047
Non-current liabilities			
Provisions		**82,400**	57,145
Total liabilities		**6,702,553**	7,882,192
Net assets		**38,819,202**	42,837,399
EQUITY			
Issued capital	3	**44,288,480**	43,785,575
Reserves		**5,254,258**	5,574,102
Accumulated losses		**(10,723,536)**	(6,522,278)
Total equity		**38,819,202**	42,837,399

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated	Notes	Issued capital $	Share-based payments reserve $	Foreign currency translation reserve $	Option premium $	Financial assets revaluation reserve $	Accumulated losses $	Total equity $
Balance at 1 October 2011		**30,829,938**	**4,922,103**	**(47)**	**1,670,705**	**63,278**	**(20,357,802)**	**17,128,175**
Profit for the half-year		-	-	-	-	-	1,624,214	1,624,214
Other comprehensive income		-	-	-	-	-	-	-
Exchange differences on translation of foreign operations		-	-	146	-	-	-	146
Total comprehensive income for the half-year		**-**	**-**	**146**	**-**	**-**	**1,624,214**	**1,624,360**
Contributions of equity	3	17,892,412	-	-	-	-	-	17,892,412
Recognition of share-based payments		-	365,749	-	-	-	-	365,749
Lapsed options in share-based payments		-	(1,793,200)	-	-	-	1,793,200	-
Capital reduction s258 Corporations Act		(7,104,625)	-	-	-	-	7,104,625	-
		10,787,787	(1,427,451)	-	-	-	8,897,825	18,258,161
Balance at 31 March 2012		**41,617,725**	**3,494,652**	**99**	**1,670,705**	**63,278**	**(9,835,763)**	**37,010,696**
Balance at 1 October 2012		**43,785,575**	**3,926,837**	**1,300**	**1,670,705**	**(24,740)**	**(6,522,278)**	**42,837,399**
Loss for the half-year		-	-	-	-	-	(4,201,258)	(4,201,258)
Other comprehensive income		-	-	-	-	-	-	-
Exchange differences on translation of foreign operations		-	-	185	-	-	-	185
Total comprehensive income for the half-year		**-**	**-**	**185**	**-**	**-**	**(4,201,258)**	**(4,201,073)**
Recognition of share-based payments		-	182,876	-	-	-	-	182,876
Performance rights issued to employees	3	502,905	(502,905)	-	-	-	-	-
		502,905	(320,029)	-	-	-	-	182,876
Balance at 31 March 2013		**44,288,480**	**3,606,808**	**1,485**	**1,670,705**	**(24,740)**	**(10,723,536)**	**38,819,202**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	Half-year Consolidated 31 March 2013 $	31 March 2012 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**29,167,041**	28,271,547
Payments to suppliers and employees (inclusive of goods and services tax)		**(35,873,272)**	(28,415,170)
		(6,706,231)	(143,623)
Interest paid		**(1,796)**	(1,136)
Income taxes paid		**(2,242,982)**	(3,213,371)
Net cash outflow from operating activities		**(8,951,009)**	(3,358,130)
Cash flows from investing activities			
Net cash inflow on acquisition of subsidiary	4b	**697,326**	-
Payments for property, plant and equipment		**(28,976)**	(71,011)
Payments for intangible assets		**(55,446)**	-
Payments for investment in joint venture partnership		**-**	(72,563)
Repayment of loans to employees		**-**	79,770
Payment of development costs		**(585,279)**	(314,879)
Amounts advanced to related parties		**-**	(39,551)
Proceeds from sale of property, plant and equipment		**-**	21,160
Interest received		**452,164**	590,550
Net cash inflow from investing activities		**479,789**	193,476
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**-**	17,892,412
Repayment of borrowings		**(16,080)**	(4,242)
Net cash (outflow)/inflow from financing activities		**(16,080)**	17,888,170
Net (decrease)/increase in cash and cash equivalents		**(8,487,300)**	14,723,516
Cash and cash equivalents at the beginning of the half-year		**27,984,424**	17,886,159
Cash and cash equivalents at end of the half-year		**19,497,124**	32,609,675

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of half-year report

These condensed consolidated interim financial statements for the half-year reporting period ended 31 March 2013 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

These condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2012 and any public announcements made by CO2 Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the company. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the company recognises any minority interests in the acquiree either at fair value or at the minority interests's proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred and the amount of any minority interests in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

2 Segment information

(a) Description of segments

Business segments
Carbon Sink Establishment
The establishment of accredited forest carbon sinks throughout Southern Australia on behalf of third parties, primarily for large domestic and international companies and state governments.

Environmental Offsets
The provision of abatement certificates generated from accredited forest carbon sinks owned by the Group, and trading in environmental credits (Renewable Energy Certificates).

Aquaculture
Development of a large scale land-based aquaculture project in Northern Australia by Western Australian Resources Limited, acquired 20 August 2012.

Other
'Other' is the aggregation of the Group's other operating segments that are not separately reportable.

2 Segment information (continued)

(b) Primary reporting format - business segments

Half-year 2013	Carbon sink establishment $	Environmental Offsets $	Aquaculture $	Other $	Consolidated $
Segment revenue					
Sales to external customers	2,176	25,449,716	-	1,228,382	26,680,274
Total sales revenue	2,176	25,449,716	-	1,228,382	26,680,274
Other revenue	-	-	4,798	436,275	441,073
Total segment revenue	**2,176**	**25,449,716**	**4,798**	**1,664,657**	**27,121,347**
Consolidated revenue					**27,121,347**
Segment profit					
Segment profit (loss)	**(325,074)**	**385,997**	**(2,866,179)**	**605,911**	**(2,199,345)**
Central administration and directors' salaries					(4,152,316)
Loss before income tax					(6,351,661)
Income tax benefit					2,150,403
Loss for the half-year					**(4,201,258)**
Segment assets					
Segment assets	**6,457,409**	**8,002,819**	**1,504,618**	**480,390**	**16,445,236**
Unallocated assets					29,076,519
Total assets					**45,521,755**

Half-year 2012	Carbon sink establishment $	Carbon Offsets $	Other $	Consolidated $
Segment revenue				
Sales to external customers	12,677,094	18,144,711	1,200,368	32,022,173
Total sales revenue	12,677,094	18,144,711	1,200,368	32,022,173
Total segment revenue	12,677,094	18,144,711	1,200,368	32,022,173
Other revenue				680,574
Consolidated revenue				32,702,747
Segment profit				
Segment profit	3,893,097	1,389,487	1,416,064	6,698,648
Central administration and directors' salaries				(4,392,253)
Profit before income tax				2,306,395
Income tax expense				(682,181)
Profit for the half-year				1,624,214
Segment assets				
Segment assets	7,128,480	3,123,787	207,441	10,459,708
Unallocated assets				40,144,248
Total assets				50,603,956

Segment revenues, expenses, and assets are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of forest carbon sinks, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributed to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment assets do not include income taxes.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, investment revenue and finance costs, income tax expense, and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3 Issuances, repurchases and repayments of equity securities

During the half-year reporting period, CO2 Group Limited issued 4,571,561 ordinary shares with a fair value of $502,905 on vesting of performance rights (2012: 149,103,431 ordinary shares for $17,892,412 on exercise of 149,103,431 listed options).

4 Business combination

Ecofund Queensland Pty Ltd

(a) Summary of acquisition

On 4 March 2013 CO2 Australia limited acquired 100% of the issued share capital of Ecofund Queensland Pty Ltd from the Queensland State Government, Queensland's largest provider of transaction and advisory services in carbon, environmental offsets and renewable energy markets. The acquisition has further expanded the group's business activities in emerging carbon markets, commercialising intellectual property, and diversifying into advisory and environmental markets trading.

The acquired business contributed revenues of $444,589 and net loss of $112,883 to the company for the period from 4 March 2013 to 31 March 2013. If the acquisition had occurred on 1 October 2012, consolidated revenue and consolidated loss for the half-year ended 31 March 2013 would have been $33,498,228 and $4,740,705 respectively.

Details of the purchase consideration, the net assets and liabilities acquired and goodwill are as follows:

	$
Purchase consideration (refer to (b) below):	
Cash paid	**250,000**
Direct costs relating to the acquisition	**22,383**
Total purchase consideration	**272,383**
Fair value of net identifiable assets acquired	**64,140**
Goodwill	**208,243**

(b) Cash flow information

	Half-year Consolidated	
	31 March 2013 $	31 March 2012 $
Cash consideration	**272,383**	-
Less: Cash balances acquired	**(969,709)**	-
Net inflow of cash	**(697,326)**	-

4 Business combination (continued)

(c) Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Acquiree's carrying amount $	Fair value $
Cash	969,709	969,709
Trade receivables	149,095	149,095
Other current assets	64,435	64,435
Tax receivable	365,816	-
Inventories	15,575	15,575
Plant and equipment	34,502	34,502
Deferred tax asset	447,740	45,624
Trade payables	(448,944)	(448,944)
Provision for employee benefits	(60,795)	(765,856)
Deferred tax liability	(49,929)	-
Net identifiable assets acquired	1,487,204	64,140
Add: goodwill		208,243
Net assets acquired		272,383

The initial accounting for the acquisition of Ecofund Queensland Pty Ltd has only been provisionally determined at the end of the reporting period. Deferred tax and other tax consequences of the acquisition have not yet been fully assessed.

5 Events occurring after the reporting period

There has been no matter or circumstance that has arisen since 31 March 2013 that has significantly affected, or may significantly affect:

- the company's operations in future financial periods, or
- the results of those operations in future financial periods, or
- the company's state of affairs in future financial periods.

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 17 are in accordance with the *Corporations Act 2001,* including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2013 and of its performance for the half-year ended on that date, and

(b) the financial statements and notes set out on pages 9 to 17are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board

(c) there are reasonable grounds to believe that CO2 Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to s.303(5) of *the Corporations Act 2001.*

AWT Grant
Director

Melbourne
24 May 2013

Deloitte.

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Independent Auditor's Review Report to the members of CO2 Group Limited

We have reviewed the accompanying half-year financial report of CO2 Group Limited, which comprises the condensed consolidated balance sheet as at 31 March 2013, and the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the consolidated entity and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 18.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of CO2 Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of CO2 Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CO2 Group Limited is not in accordance with the *Corporations Act 2001,* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2013 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants
Melbourne, 24 May 2013