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Notice of 2014 Annual General Meeting

Please find enclosed Carbon Conscious Limited's Notice of Annual General Meeting including the Proxy Form.

The AGM for Carbon Conscious will be held at Suite 5, Level 1, 26 Railway Road, Subiaco, Western Australia on Tuesday, 27 January 2015 at 9.30am (WST).

A copy of the financial report for the financial year ended 30 September 2014 is appended to this announcement.

Yours faithfully



Andrew McBain
Executive Director

Contact:

Mr Andrew McBain
+61 417 456 895



NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Suite 5, Level 1, 26 Railway Road, Subiaco, Western Australia on 27 January 2015 at 9.30am (WST).

The Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9287 5600.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

CARBON CONSCIOUS LIMITED

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Shareholders of Carbon Conscious Limited (**Company**) will be held at Suite 5, Level 1, 26 Railway Road, Subiaco, Western Australia on Tuesday, 27 January 2015 at 9.00am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company at 9.00am on 25 January 2015 (WST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

AGENDA

1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the year ended 30 September 2014, which includes the Financial Report, the Directors' Report and the Auditor's Report.

2. Resolution 1 - Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That the Remuneration Report be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum."

Voting Prohibition

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person as a proxy if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

3. Resolution 2 - Election of Director - Mr Neil McBain

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purpose of clause 11.12 of the Constitution and for all other purposes, Mr Neil McBain a Director who was appointed on 23 April 2014 as a casual vacancy, retires, and being eligible, is elected as a Director."

4. Resolution 3 - Re-election of Director - Mr Andrew McBain

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purpose of clause 11.3 of the Constitution and for all other purposes, Mr Andrew McBain, a Director, retires by rotation, and being eligible, is re-elected as a Director."

5. Resolution 4 - Ratification of prior issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 1,450,000 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of that person.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Resolution 5 - Replacement of Constitution

To consider and, if thought fit, to pass the following resolution as a special resolution:

*"That for the purposes of section 136(2) of the Corporations Act and for all other purposes, the current Constitution be repealed and the new constitution tabled at the Meeting (**Proposed Constitution**) be adopted on the terms and conditions in the Explanatory Memorandum."*

7. Resolution 6 - Approval of 10% Placement Facility

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. Resolution 7 - Approval for issue of Options to Noteholder

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 1,000,000 Options to Aroona Management Pty Ltd as trustee for the McBain Family Trust (Noteholder) (or its nominee) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Noteholder (or its nominee) and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. Resolution 8 - Approval of Employee Share Option Plan

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.2, Exception 9, and for all other purposes, Shareholders approve the adoption of the option incentive scheme for employees (including Directors) of the Company known as the "Employee Share Option Plan" and the issue of securities under that plan, on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. Resolution 9 - Approval of issue of Incentive Options to Mr Andrew McBain

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That conditional on Resolution 8 being approved, for the purposes of Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 3,000,000 Options under the Company's Employee Share Option Plan to Mr Andrew McBain (or his nominee) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion and Prohibition

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:

- (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

11. Resolution 10 - Approval of issue of Incentive Options to Mr Trevor Stoney

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That conditional on Resolution 8 being approved, for the purposes of Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 1,500,000 Options under the Company's Employee Share Option Plan to Mr Trevor Stoney (or his nominee) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion and Prohibition

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (c) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (d) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (e) the proxy is the Chairman; and
- (f) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

12. Resolution 11 - Approval of issue of Incentive Options to Mr Neil McBain

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That conditional on Resolution 8 being approved, for the purposes of Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 500,000 Options under the Company's Employee Share Option Plan to Mr Neil McBain (or his nominee) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion and Prohibition

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (c) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (d) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (e) the proxy is the Chairman; and
- (f) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

13. Resolution 12 - Section 195 approval

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That for the purposes of section 195(4) of the Corporations Act and for all other purposes, the Directors are hereby approved and authorised to complete the transactions as contemplated in this Notice.”

BY ORDER OF THE BOARD

Mr Kent Hunter
Company Secretary

Dated: 23 December 2014

CARBON CONSCIOUS LIMITED

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EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Suite 5, Level 1, 26 Railway Road, Subiaco, Western Australia on Tuesday, 27 January 2015 at 9.00am (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Annual Report
Section 4:	Resolution 1 - Remuneration Report
Section 5:	Resolution 2 - Election of Director - Mr Neil McBain
Section 6:	Resolution 3 - Re-election of Director - Mr Andrew McBain
Section 7:	Resolution 4 - Ratification of prior issue of Shares
Section 8:	Resolution 5 - Replacement of Constitution
Section 9:	Resolution 6 - Approval of 10% Placement Facility
Section 10:	Resolution 7 - Approval of issue of Options to Noteholder
Section 11:	Resolution 8 - Approval of Employee Share Option Plan
Section 12:	Resolution 9 - Approval of issue of Incentive Options to Mr Andrew McBain
Section 13:	Resolution 10 - Approval of issue of Incentive Options to Mr Trevor Stoney
Section 14:	Resolution 11 - Approval of issue of Incentive Options to Mr Neil McBain
Section 15:	Resolution 12 - Section 195 approval

Schedule 1:	Definitions
Schedule 2:	Terms and conditions of Noteholder Options
Schedule 3:	Summary of Employee Share Option Plan
Schedule 4:	Terms and conditions of Incentive Options

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.2 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

In accordance with sections 250BD and 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 1 if the vote is not cast on behalf of a person who is excluded from voting on Resolution 1 and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on the resolution, but expressly authorises the Chairman to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

The Chairman intends to exercise all available proxies in favour of Resolution 1.

3. Annual Report

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 September 2014.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at www.carbonconscious.com.au;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 - Remuneration Report

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

The *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* which came into effect on 1 July 2011, amended the Corporations Act to provide that Shareholders will have the opportunity to remove the whole Board except the managing director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2013 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2015 annual general meeting, this may result in the re-election of the Board.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 1.

If the Chairman is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

5. Resolution 2 - Election of Director - Neil McBain

Clause 11.12 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 11.12 of the Constitution, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Neil McBain, having been appointed on 23 April 2014 will retire in accordance with clause 11.12 of the Constitution and being eligible, seeks election from Shareholders.

Mr Neil McBain has had a long business career in the business to business industrial services sector, during which he has established a solid history of business development and profitable growth.

More recently Mr Neil McBain headed up a private equity consortium which built the Loscam Pallet business into a major competitor to Chep in Australia and to market dominance in South and North Asia. Loscam was sold to Chinese logistics group CML Ltd in July 2010.

Mr Neil McBain has significant experience in Mergers and Acquisitions including operational integration and prides himself on a reputation for an intense focus on customers and creating value for shareholders.

Through his private company Aroona Management Pty Ltd, Mr Neil McBain has previously made available up to \$2 million in working capital funding to the Company and adds value to the Board through his personal networks and relationships in the finance sector.

The Board (excluding Mr Neil McBain) recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 2.

6. Resolution 3 - Re-election of Director - Andrew McBain

Clause 11.3 of the Constitution provides that:

- (a) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election;
- (b) the Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots;
- (c) a Director who retires by rotation under clause 11.3 of the Constitution is eligible for re-election; and
- (d) in determining the number of Directors to retire, no account is to be taken of:
 - (i) a Director who only holds office until the next annual general meeting pursuant to clause 11.3 of the Constitution; and/ or
 - (ii) a Managing Director,

- (iii) each of whom are exempt from retirement by rotation. However, if more than one Managing Director has been appointed by the Directors, only one of them (nominated by the Directors) is entitled to be excluded from any determination of the number of Directors to retire and/or retirement by rotation.

The Company currently has three Directors and accordingly one must retire.

Mr Andrew McBain, the Director longest in office since his last election, retires by rotation and seeks re-election.

Mr Andrew McBain is one of the founders of the Company and was instrumental in the establishment and early development of the Company's business. Mr Andrew McBain has been involved with a number of start-up businesses and is currently a Non-Executive Director of ASX-listed mineral explorer Rumble Resources Limited. Mr Andrew McBain has experience in business management and development, capital raising and corporate compliance.

The Board (excluding Mr Andrew McBain) recommends that Shareholders vote in favour of Resolution 3.

Resolution 3 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 3.

7. Resolution 4 - Ratification of prior issue of Shares

7.1 General

On 27 March 2014, the Company issued 1,450,000 Shares to employees and contractors of the Company for nil cash consideration as employee share based payments (**Employee Shares**).

Resolution 4 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Employee Shares.

The Board unanimously recommends that Shareholders vote in favour of Resolution 4.

Resolution 4 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 4.

7.2 Listing Rule 7.4

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach

Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

By ratifying the issue of the Employee Shares, the Company will retain the flexibility to issue Equity Securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

7.3 Specific information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the issue of the Employee Shares:

- (a) 1,450,000 Employee Shares were issued;
- (b) the Employee Shares were issued for nil cash consideration to employees and contractors of the Company, but were issued at a deemed issue price of \$0.025 per Employee Share;
- (c) the Employee Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to employees and contractors of the Company. None of the subscribers are related parties of the Company;
- (e) the Shares were issued for nil cash consideration, therefore no funds were raised as a result of the issue; and
- (f) a voting exclusion statement is included in the Notice.

8. Resolution 5 - Replacement of Constitution

8.1 General

Resolution 5 seeks Shareholder approval for the adoption of the Proposed Constitution in accordance with section 136(2) of the Corporations Act.

A copy of the Proposed Constitution will be sent to any Shareholder on request and will also be available for inspection at the office of the Company during normal business hours prior to the Meeting and available for inspection at the Meeting.

The Proposed Constitution will be effective from the close of the Meeting.

The Board unanimously recommends that Shareholders vote in favour of Resolution 5.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairman intends to exercise all available proxies in favour of Resolution 5.

8.2 Summary of material proposed changes

(a) Minimum Shareholding (clause 3)

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an "unmarketable parcel" of shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with "unmarketable parcels" outlined in the Corporations Act such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

(b) Fee for registration of off market transfers (clause 8.4(c))

On 24 January 2011, ASX amended Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

Clause 8.4(c) of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

(c) Dividends (clause 21)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (i) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;

- (ii) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (iii) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

(d) Partial (proportional) takeover provisions (clause 35)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

8.3 Information required by section 648G of the Corporations Act

(a) Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

(b) Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

(c) Knowledge of any acquisition proposals

As at the date of this Notice, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

(d) Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (i) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (ii) assisting in preventing Shareholders from being locked in as a minority;
- (iii) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (iv) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (i) proportional takeover bids may be discouraged;
- (ii) lost opportunity to sell a portion of their Shares at a premium; and
- (iii) the likelihood of a proportional takeover bid succeeding may be reduced.

(e) Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 5.

9. Resolution 6 - Approval of 10% Placement Facility

9.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. Based on the ASX closing price on 1 December 2014, the Company has a market capitalisation of approximately \$2.9 million. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 9.2(c) below).

The Board unanimously recommends that Shareholders vote in favour of Resolution 6.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairman intends to exercise all available proxies in favour of Resolution 6.

9.2 Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the company.

The Company, as at the date of the Notice, has on issue two quoted classes of Equity Securities, Shares and quoted Options.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the

following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;
- (D) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with Shareholder approval under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of the Notice, the Company has on issue 104,831,988 Shares and therefore has a capacity to issue:

- (i) 15,724,798 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under Resolution 7 10,483,199 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 9.2(c)).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class

calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) **10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

9.3 Listing Rule 7.1A

The effect of Resolution 7 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

9.4 Specific information required by Listing Rule 7.3A

In accordance with Listing Rule 7.3A, information is provided as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If this Resolution is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Options, only if the Options are converted into Shares). There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and

- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

- (c) The below tables show the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of the Notice.

- (d) The tables also show:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.012 50% decrease in Issue Price	\$0.024 Issue Price	\$0.048 100% increase in Issue Price
Current Variable A 104,831,988 Shares	10% Voting Dilution	10,483,199 Shares	10,483,199 Shares	10,483,199 Shares
	Funds raised	\$125,798	\$251,597	\$503,194
50% increase in current Variable A 157,247,982 Shares	10% Voting Dilution	15,724,798 Shares	15,724,798 Shares	15,724,798 Shares
	Funds raised	\$188,698	\$377,395	\$754,790
100% increase in current Variable A 209,663,976 Shares	10% Voting Dilution	20,966,398 Shares	20,966,398 Shares	20,966,398 Shares
	Funds raised	\$251,597	\$503,194	\$1,006,387

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.

- (ii) No convertible securities (including any issued under the 10% Placement Facility) are exercised or converted into Shares before the date of the issue of the Equity Securities.
 - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
 - (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (vii) The issue price is \$0.024, being the closing price of the Shares on ASX on 18 December 2014.
- (e) The Company will only issue the Equity Securities during the 10% Placement Period.
 - (f) The Company may seek to issue the Equity Securities for the following purposes:
 - (i) cash consideration in which case the Company intends to use funds raised for the acquisition of new projects, assets and investments (including expenses associated with such an acquisition), continued expenditure on the Company's current assets and general working capital; or
 - (ii) non-cash consideration for the acquisition of new projects, assets and investments including previously announced acquisitions, in such circumstances the Company will provide a valuation of the non-cash consideration as required under Listing Rule 7.1A.3.
 - (g) The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.
 - (h) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
 - (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;

- (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).
- (i) The allottees under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company.

Further, if the Company is successful in acquiring new projects, assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new projects, assets or investments.

- (j) The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 12 December 2013. In the 12 months preceding the date of the 2014 Annual General Meeting and as at the date of this Notice, the Company has issued 1,450,000 Equity Securities and this represents 1.40% of the total number of Equity Securities on issue at the commencement of that 12 month period.

The Company did not issue any Shares pursuant to Listing Rule 7.1A during the year.

Details of the only issue of Equity Securities by the Company during the 12 months preceding the date of the 2014 Annual General Meeting are in the table below:

Date of Issue	Number of Securities	Type of Security	Recipient of Securities	Issue Price and details of any discount	Consideration & Use of Funds as at the date of this Notice
27/03/14	1,450,000	Shares	Employees and contractors of the Company who are not related parties of the Company	Issue price of Nil. Deemed issue price of \$0.025 representing no discount to the market price at the date of issue.	Value based on closing Share price on 25 November 2014 = \$36,250 The Shares were issued for nil cash consideration and therefore no funds were raised as a result of the issues.

- (k) A voting exclusion statement is included in the Notice.
- (l) At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

10. Resolution 7 - Approval for issue of Options to Noteholder

10.1 General

On 16 July 2012, the Company entered into a Convertible Note Facility with the Noteholder for up to \$2,000,000 to be drawn down by the issue of up to 20 Convertible Notes each with a face value of \$100,000. As at the date of this Notice, the Company has repaid \$1,200,000 of the Convertible Note Facility, and has \$800,000 outstanding.

The funding term for the Convertible Note Facility commenced on 20 July 2012 and was due to extend until:

- (a) for up to and including the first \$1,000,000 of Convertible Notes issued, 14 January 2013; and
- (b) for any additional Convertible Notes, 14 July 2013.

The Convertible Note Facility was varied by the parties by letter agreement dated 18 November 2014 to extend the funding term such that repayment will occur by 30 November 2015.

The Company agreed to issue 1,000,000 Options to the Noteholder as consideration for this extension. Resolution 7 seeks Shareholder approval for the issue of these Options.

The Board unanimously recommends that Shareholders vote in favour of Resolution 7.

Resolution 7 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 7.

10.2 Listing Rule 10.11

In accordance with Listing Rule 10.11, the Company must not issue Equity Securities to a related party of the Company unless it obtains Shareholder approval.

The directors of the Noteholder are Mr Neil McBain and Mrs Lyn McBain. Mr Neil McBain is a Director, and Mrs Lyn McBain is his wife. Accordingly, the Noteholder is a related party of the Company.

The effect of passing Resolution 7 will be to allow the Company to issue 1,000,000 Options to the Noteholder (or its nominee) in accordance with Listing Rule 10.11. As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

10.3 Chapter 2E

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Options to the Noteholder constitutes giving a financial benefit to a related party as the directors of the Noteholder are Mr Neil McBain and Mrs Lyn McBain. Mr Neil McBain is a Director, and Mrs Lyn McBain is his wife. Accordingly, the Noteholder is a related party of the Company.

The Board has considered the application of Chapter 2E of the Corporations Act and has resolved that the arm's length exception provided by Section 210 of the Corporations Act is relevant in the circumstances and accordingly, the Company will not seek approval for the issue of the Options to the Noteholder pursuant to Section 208 of the Corporations Act.

10.4 Specific information required by Listing Rule 10.13

Information must be provided to Shareholders for the purposes of obtaining Shareholder approval as follows:

- (a) The Options will be issued to the Noteholder (or its nominee).
- (b) The maximum number of Options to be issued to the Noteholder is 1,000,000.
- (c) The Options will be issued no later than one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).
- (d) The directors of the Noteholder are Mr Neil McBain and his wife Mrs Lyn McBain. The Noteholder is a related party of the Company by reason of Mr Neil McBain being a Director of the Company and Mrs Lyn McBain being his wife.
- (e) The Options have an issue price of nil as they are being issued as consideration for an extension of the funding period for the Convertible Note Facility. The terms and conditions of the Options are set out in Schedule 2.
- (f) A voting exclusion statement is included in the Notice.
- (g) No funds will be raised by the issue of the Options.

11. Resolution 8 - Approval of Employee Share Option Plan

11.1 General

The Board recognises the need to adequately incentivise and remunerate staff, but is keen to ensure that the Company's cash reserves are invested in research

and development, distribution and marketing efforts to the extent possible. As such, predominantly equity based incentives continue to provide the best and most viable means for the Company to recognise and reward performance.

The key foundations of an entities incentive program are designed to:

- (a) align employee incentives with Shareholders' interests;
- (b) encourage broad-based share ownership by employees; and
- (c) assist employee attraction and retention.

The Board unanimously recommends that Shareholders vote in favour of Resolution 8.

Resolution 8 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 8.

11.2 Listing Rule 7.2

Listing Rule 7.1 prohibits an entity from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities without the approval of holders of its ordinary securities. However, Listing Rule 7.2 Exception 9(b) provides that Listing Rule 7.1 does not apply in relation to, among other things, an issue under an employee incentive scheme if within 3 years before the date of the issue the holders of the entity's ordinary securities approve the issue of securities under the scheme as an exception to Listing Rule 7.1.

The Listing Rules define "employee incentive scheme" as:

- (a) a scheme for the issue or acquisition of equity securities in an entity to be held by, or for the benefit of, participating employees or non-executive directors of the entity or a related entity; or
- (b) a scheme which, in ASX's opinion, is an employee incentive scheme.

The Employee Share Option Plan is an employee incentive scheme for the purposes of the Listing Rules.

If Resolution 8 is passed, Options issued under the Employee Share Option Plan during the next 3 years will be excluded in determining the 15% limit under Listing Rule 7.1. This would assist the Company should it require additional fundraising flexibility.

The following information is provided for the purposes of Listing Rule 7.2 Exception 9(b):

- (c) a summary of the terms of the Employee Share Option Plan is outlined in Schedule 3 and the Company Secretary will provide Shareholders with a copy of the Employee Share Option Plan free of charge on request;
- (d) no Options have been issued under the Employee Share Option Plan; and

- (e) a voting exclusion statement is included in the Notice.

12. Resolutions 9 to 11 - Issue of Incentive Options to Messrs Andrew McBain, Trevor Stoney and Neil McBain

12.1 General

Resolutions 9, 10 and 11 seek Shareholder approval pursuant to Listing Rule 10.14 for the issue of

- (a) 3,000,000 Options under the Employee Share Option Plan to Mr Andrew McBain (or his nominee);
- (b) 1,500,000 Options under the Employee Share Option Plan to Mr Trevor Stoney (or his nominee); and
- (c) 500,000 Options under the Employee Share Option Plan to Mr Neil McBain (or his nominee).

The Company is in an important stage of development with significant opportunities and challenges in both the near and long-term, and the proposed issue seeks to align the efforts of the Directors in seeking to achieve growth of the Share price and in the creation of Shareholder value. In addition, the Board also believes that incentivisation with Options is a prudent means of conserving the Company's available cash reserves. The Board believes it is important to offer these Options to continue to attract and maintain highly experienced and qualified Board members in a competitive market.

Shareholder approval under Resolutions 9 to 11 is subject to Shareholders first approving Resolution 8 for the adoption of the Employee Share Option Plan. If Shareholder approval is not obtained under Resolution 8, then the Chairman proposes to strike Resolutions 9 to 11 from Shareholder consideration at the Meeting.

12.2 Listing Rule 10.14

Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

Resolutions 9 to 11 are being put to Shareholders to seek approval for the issue of the Incentive Options to the Directors pursuant to Listing Rule 10.14.

12.3 Chapter 2E

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Director Shares constitutes giving a financial benefit as Messrs Andrew McBain, Trevor Stoney and Neil McBain are related parties of the Company by virtue of being Directors.

The Board has considered the application of Chapter 2E of the Corporations Act and has resolved that the reasonable remuneration exception provided by Section 211 of the Corporations Act is relevant in the circumstances and accordingly, the Company will not seek approval for the issue of the Incentive Options pursuant to Section 208 of the Corporations Act.

12.4 Specific information required Listing Rule 10.15

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to the proposed issue of Incentive Options to the Directors:

- (a) Incentive Options will be issued under the Employee Share Option Plan to Messrs Andrew McBain, Trevor Stoney and Neil McBain (or their nominees).
- (b) The maximum number of Incentive Options to be issued to the Directors is 5,000,000, to be issued as follows:
 - (i) up to 3,000,000 to be issued to Mr Andrew McBain;
 - (ii) up to 1,500,000 to be issued to Mr Trevor Stoney; and
 - (iii) up to 500,000 to be issued to Mr Neil McBain.
- (c) The Incentive Options will be issued for nil cash consideration as they will be issued as part of the Directors' respective remuneration packages.
- (d) No securities have previously been issued under the Employee Share Option Plan as it is being put up for approval at this Meeting.
- (e) All current Directors of the Company are eligible to participate in the Plan. This includes Messrs Andrew McBain, Trevor Stoney and Neil McBain. No other persons referred to in Listing Rule 10.14 are entitled to participate in the Plan.
- (f) No loan has been provided to any of the Directors in relation to the issue of the Incentive Options.
- (g) The Incentive Options will be issued no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).

13. Resolution 12 - Section 195 Approval

Section 195 of the Corporations Act essentially provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a “material personal interest” are being considered.

Some of the Directors may have a material personal interest in the outcome of Resolutions 9, 10 and 11 (as applicable). In the absence of this Resolution 13, the Directors may not be able to form a quorum at directors meetings necessary to carry out the terms of Resolutions 9, 10 and 11 (as applicable).

The Directors have accordingly exercised their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve.

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

10% Placement Facility has the meaning given in Section 9.1.

10% Placement Period has the meaning given in Section 9.2(f).

Annual Report means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 September 2014.

ASX means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Auditor's Report means the auditor's report on the Financial Report.

Board means the board of Directors of the Company.

Chairman means the person appointed to chair the Meeting of the Company convened by the Notice.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Carbon Conscious Limited ACN 129 035 221.

Constitution means the constitution of the Company as at the date of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

Employee Shares has the meaning given in Section 7.1.

Equity Security has the same meaning as in the Listing Rules and **Equity Securities** has the corresponding meaning.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Noteholder means Aroona Management Pty Ltd ACN 120 345 431 as trustee for the McBain Family Trust.

Notice means this notice of annual general meeting.

Option means an option which entitles the holder to subscribe for one Share.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution referred to in the Notice.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Strike means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

Trading Day has the same meaning as in the Listing Rules.

VWAP means volume weighted average price.

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 - Terms and Conditions of Noteholder Options

The following terms and conditions apply to the Options:

1. Entitlement

Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) upon exercise of the Option.

2. Exercise Price and Expiry Date

The Options have an exercise price of \$0.045 per Option (**Exercise Price**) and an expiry date of 31 January 2017 (**Expiry Date**).

3. Exercise Period

The Options are exercisable at any time and from time to time on or prior to the Expiry Date.

4. Notice of Exercise

The Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

5. Shares Issued on Exercise

Shares issued on exercise of the Options rank equally with the then Shares of the Company.

6. Quotation of Shares on Exercise

Application will be made by the Company to ASX, on the Business Day the Shares are issued, for quotation of the Shares issued upon the exercise of the Options.

7. Timing of Issue of Shares

- (a) Within 3 Business Days after the receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised, the Company will issue the Shares pursuant to the exercise of the Options and will (subject to paragraph (b) below), at the same time, issue a cleansing notice under section 708A(5) of the Corporations Act.
- (b) If the Company is not then permitted to issue a cleansing notice under section 708A(5) of the Corporations Act, the Company must either:
 - (i) issue a prospectus on the date that the Shares are issued under paragraph (a) above (in which case the date for issuing those Shares may be extended to not more than 10 Business Days after the receipt of the Notice of Exercise, to allow the Company time to prepare that prospectus); or
 - (ii) issue a prospectus before the date that the Shares are issued under paragraph (i) above, provided that offers under that prospectus must still

be open for acceptance on the date those Shares are issued, in accordance with the requirements of section 708A(11) of the Corporations Act.

8. Participation in New Issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 4 business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

9. Adjustment for Bonus Issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

10. Adjustment for Rights Issue

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of an Option.

11. Adjustments for Reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholders will be varied in accordance with the Listing Rules.

12. Quotation of the Options

The Options will be unquoted.

13. Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

Schedule 3 - Summary of Employee Share Option Plan

1. Eligible participants

Directors, officers, employees and contractors of the Company or an entity controlled by the Company are "Eligible Persons" under the Plan.

The Directors may from time to time make offers in writing to Eligible Persons inviting them to take up Options under the Plan.

Options may not be offered to a Director or his or her associates except where approval is given by the Shareholders in general meeting in accordance with the requirements of the Listing Rules.

2. Limit to number of Options Offered Under the Plan

The Directors will not offer or issue Options to any Eligible Person in accordance with the Plan if the Directors have reasonable grounds to believe that the total number of Shares the subject of Options, when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous 3 year period under the Plan, any other employee incentive scheme or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, but disregarding any Shares issued or that may be issued as a result of:

- (a) an offer to a person situated at the time of receipt of the offer outside Australia;
- (b) an offer that did not need disclosure to investors because of section 708 of the Corporations Act. Section 708 exempts the requirement of a disclosure document for the issue of securities in certain circumstances to investors who are deemed to have sufficient investment knowledge to make informed decisions, including professional investors, sophisticated investors and senior managers of the Company; or
- (c) an offer made under a disclosure document,

would exceed five (5) per cent of the total number of issued Shares in the Company as at the time of making the offer (or such other maximum permitted under any ASIC Class Order providing relief from the disclosure regime of the Corporations Act).

3. Administration of Plan

The Directors will administer the Plan awarding Options to acquire Shares in the Company to Eligible Persons. The selection of persons to whom the Shares will be offered under the Plan, the number of Shares which may be offered to those persons, and any performance criteria that may apply before the Options may be exercised will be determined wholly by the Directors in their absolute discretion and in compliance with the Listing Rules.

4. Expiration of Options

A vested Option will lapse on its expiry date. An unvested Option will lapse upon the earlier of its expiry date, voluntary resignation of the employee or voluntary termination of the consultancy contract, or the holder acting fraudulently or

dishonestly in relation to the Company (unless the Board resolves otherwise within 30 days of any such event occurring).

5. Death or permanent disability of participant

An Option will lapse after one year of a participant's death, permanent disability, redundancy or other reason which the Board considers fair and reasonable to warrant the participant maintaining his or her right to the Options.

6. Transfer of Options

Options may only be transferred to a participant's spouse or a company controlled by the participant.

7. Administration of the Plan

The Plan will be administered by the Directors who have the power to:

- (a) determine the procedures from time to time for the administration of the Plan subject to the Rules;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with the interpretation or application of the Rules; and
- (c) delegate to any one or more persons for such period and on such conditions as or the Directors may determine the exercise of any of the Directors powers or discretions under the Plan.

8. Amendment of the Plan

The Directors may amend the Plan if the amendment is of a formal, minor or technical nature or is made to correct a manifest error. Other amendments require shareholder approval.

9. Termination of the Plan

The Plan may be terminated at any time by resolution of the Directors and notification thereof to the ASX.

Schedule 4 - Terms and Conditions of Incentive Options

1. Entitlement

Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) upon exercise of the Option.

2. Exercise Price and Expiry Date

The Options have an exercise price and expiry date as follows:

Optionholder	Number of Options	Exercise Price	Expiry Date
Andrew McBain (or his nominee)	1,500,000	\$0.045	31 January 2017
Andrew McBain (or his nominee)	1,500,000	\$0.06	31 January 2018
Trevor Stoney (or his nominee)	1,500,000	\$0.045	31 January 2017
Neil McBain (or his nominee)	500,000	\$0.045	31 January 2017

3. Exercise Period

The Options are exercisable at any time and from time to time on or prior to the Expiry Date.

4. Notice of Exercise

The Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

5. Shares Issued on Exercise

Shares issued on exercise of the Options rank equally with the then Shares of the Company.

6. Quotation of Shares on Exercise

Application will be made by the Company to ASX, on the Business Day the Shares are issued, for quotation of the Shares issued upon the exercise of the Options.

7. Timing of Issue of Shares

- (a) Within 3 Business Days after the receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised, the Company will issue the Shares pursuant to the exercise of the Options and will (subject to paragraph (b) below), at the same time, issue a cleansing notice under section 708A(5) of the Corporations Act.

- (b) If the Company is not then permitted to issue a cleansing notice under section 708A(5) of the Corporations Act, the Company must either:
 - (i) issue a prospectus on the date that the Shares are issued under paragraph (a) above (in which case the date for issuing those Shares may be extended to not more than 10 Business Days after the receipt of the Notice of Exercise, to allow the Company time to prepare that prospectus); or
 - (ii) issue a prospectus before the date that the Shares are issued under paragraph (i) above, provided that offers under that prospectus must still be open for acceptance on the date those Shares are issued, in accordance with the requirements of section 708A(11) of the Corporations Act.

8. Participation in New Issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 4 business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

9. Adjustment for Bonus Issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

10. Adjustment for Rights Issue

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of an Option.

11. Adjustments for Reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholders will be varied in accordance with the Listing Rules.

12. Quotation of the Options

The Options will be unquoted.

13. Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

CARBON CONSCIOUS LIMITED

ACN 129 035 221

PROXY FORM

The Company Secretary
Carbon Conscious Limited

By delivery:

Suite 5, Level 1,
26 Railway Road
Subiaco WA 6008

By post:

PO BOX 1338
Subiaco WA 6904

By facsimile:

+61 8 9287 5699

Name of
Shareholder:

Address of
Shareholder:

Number of Shares
entitled to vote:

Please mark ☒ to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the Meeting.

Step 1 - Appoint a Proxy to Vote on Your Behalf

I/We being Shareholder/s of the Company hereby appoint:

The Chairman of
the Meeting
(mark box)

☐

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Annual General Meeting of the Company to be held at 11.30am (Perth time) on 16 January 2015, at Swan and Ibis Rooms, Governor Stirling Tower, Level 14, 197 St Georges Terrace, Perth, Western Australia and at any adjournment or postponement of that Meeting.

Important - If the Chairman is your proxy or is appointed as your proxy by default

The Chairman is authorised to exercise undirected proxies on remuneration related resolutions: The Chairman intends to vote all available proxies in favour of each Resolution, including Resolution 1. If the Chairman is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to each Resolution, including Resolution 1, you will be authorising the Chairman to vote in accordance with the Chairman's voting intentions on each Resolution even if that Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

Step 2 - Instructions as to Voting on Resolutions**INSTRUCTIONS AS TO VOTING ON RESOLUTIONS**

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Remuneration Report			
Resolution 2	Election of Director - Mr Neil McBain			
Resolution 3	Re-election of Director - Mr Andrew McBain			
Resolution 4	Ratification of prior issue of Shares			
Resolution 5	Replacement of Constitution			

		For	Against	Abstain*
Resolution 6	Approval of 10% Placement Facility			
Resolution 7	Approval of issue of Options to Noteholder			
Resolution 8	Approval of Employee Share Option Plan			
Resolution 9	Approval of issue of Incentive Options to Mr Andrew McBain			
Resolution 10	Approval of issue of Incentive Options to Mr Trevor Stoney			
Resolution 11	Approval of issue of Incentive Options to Mr Neil McBain			
Resolution 12	Section 195 approval			

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Authorised signature/s This section ***must*** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

The Chairman of the Meeting intends to vote all available proxies in favour of each Resolution in which the Chairman is entitled to vote.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

¹Insert name and address of Shareholder

² Insert name and address of proxy

³Omit if not applicable

Proxy Notes:

A Shareholder entitled to attend and vote at the Annual General Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Annual General Meeting. If the Shareholder is entitled to cast 2 or more votes at the Annual General Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Annual General Meeting, the representative of the body corporate to attend the Annual General Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.
Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.
Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Annual General Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office of the Company (Suite 5, Level 1, 26 Railway Road Subiaco WA 6008 or Facsimile +61 8 9287 5699) not less than 48 hours prior to the time of commencement of the Annual General Meeting (WST).



carbonconscious

ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2014

ABN 20 129 035 221

**Carbon Conscious Limited and Controlled Entities
Financial Report
for the year ended 30 September 2014**

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CORPORATE INFORMATION

ABN 20 129 035 221

Directors

Mr ANDREW MCBAIN, Executive Director
Mr TREVOR STONEY, Chairman & Non-Executive Director
Mr NEIL MCBAIN, Non-Executive Director

Company Secretary

Mr KENT HUNTER

Principal & Registered Office

SUITE 5, LEVEL 1
26 RAILWAY ROAD
SUBIACO WA 6008
TELEPHONE: (08) 9287 5600

Auditors

HLB MANN JUDD
LEVEL 4, 130 STIRLING STREET
PERTH WA 6000

Share Registry

ADVANCED SHARE REGISTRY SERVICES
110 STIRLING HIGHWAY
NEDLANDS WA 6009
TELEPHONE: (08) 9389 8033

Solicitors

BELLANHOUSE LEGAL
SUITE 1, 6 RICHARDSON STREET
WEST PERTH WA 6005

Bankers

COMMONWEALTH BANK OF AUSTRALIA
150 ST GEORGES TERRACE
PERTH WA 6000

Securities Exchange

AUSTRALIAN SECURITIES EXCHANGE
EXCHANGE CENTRE
20 BRIDGE STREET
SYDNEY NSW 2000

EXECUTIVE DIRECTOR REVIEW OF OPERATIONS

Dear Shareholder,

The majority of the Company's activities and cash-flow (circa 85%) are based on managing carbon plantation assets for customers with the remainder of cash-flow being generated from new business or voluntary carbon sales.

Due to the lower price outlook for ACCU's (Australian Carbon Credit Units) under the Direct Action policy in Australia, the Company has decided to write down a component of its carbon plantation which will be directly impacted by an expected lower price. The write down includes the plantation values, land and seed stocks to a value of \$2.47 million and is expected to be a "once off" write down.

After accounting for the \$2.47 million write down, the underlying EBITDA for the year is \$538,826 and NPAT is \$429,588.

Whilst there has been uncertainty as to the future of carbon markets in Australia throughout 2014, the Company is pleased to confirm that the federal governments Direct Action legislation has now been enacted into law. Direct Action provides a platform for selling ACCU's out till 2022 from established projects and will provide the potential to develop new projects, which the Company is currently evaluating.

Carbon Conscious has long term management contracts (out till 2027 in Australia and 2032 in New Zealand) with major counterparties. The management contracts underpin the cash-flow of the business with circa \$42 million in contracted revenue to be received out till 2032.

Carbon Conscious continues to evaluate new opportunities in carbon farming, agriculture (including sustainable dairy) and clean energy whilst maintaining a continued focus on improving operational efficiencies.



Andrew McBain
Executive Director
Carbon Conscious Limited

DIRECTORS' REPORT

Your directors submit the annual financial report of the Company and the entities it controlled (hereafter referred to as "The Group") for the year ended 30 September 2014.

Directors

The names of directors who held office during or since the end of the financial year and until the date of this report are as follows. Directors were in office for this entire period unless stated below.

ANDREW MCBAIN (Executive Director)

TREVOR STONEY (Non-Executive Director)

NEIL MCBAIN (Non-Executive Director) – Appointed 23 April 2014

KENT HUNTER (Non-Executive Director and Company Secretary) – Resigned as Director 27 August 2014

Information on Directors

TREVOR STONEY, 69 (Chairman & Non-Executive Director)

Mr Stoney brings more than 50 years of involvement, knowledge and relationships within the agricultural industry to Carbon Conscious. From 1962 until the farm's sale in 2009, Mr Stoney managed his family's mixed farming operations of 70,000 acres which stretched from Dongara in the mid-west, Esperance in the south and Donnybrook in the south-west of Western Australia. Mr Stoney's experience brings invaluable insight into the carbon market and its close relationship with Australian farmers.

ANDREW MCBAIN, 40 (Executive Director)

Mr McBain is one of the founders of Carbon Conscious and was instrumental in the establishment and early development of the Carbon Conscious business. Mr McBain has managed the day to day operations of Carbon Conscious since September 2012. Mr McBain has been involved with a number of startup businesses and is currently a Non-Executive Director of listed mineral explorer Rumble Resources Ltd. Mr McBain has experience in business incubation, development and management, capital raising and corporate compliance with a passion and focus on agricultural investments.

NEIL MCBAIN, 70 (Non-Executive Director)

Mr McBain has had a long business career in the business to business industrial services sector, during which he has established a solid history of business development and profitable growth. Previously, Mr McBain headed up a private equity consortium which built the Loscam Pallet business into a major competitor to Chep in Australia and to market dominance in South and North Asia. Loscam was sold to Chinese logistics group CML Ltd in July 2010. Mr McBain has significant experience in Mergers and Acquisitions including operational integration and prides himself on a reputation for an intense focus on customers and creating value for shareholders. Through his private company Aroona Management Pty Ltd, Mr McBain has previously made available up to \$2 million in working capital funding to Carbon Conscious and adds value to the Carbon Conscious Board through his personal networks and relationships in the finance sector.

Information on Company Secretary

KENT HUNTER, 47, BBus, CA

Mr Hunter is a Chartered Accountant with over 18 years' corporate and company secretarial experience. He has been involved in the listing of over 40 companies on ASX in the past 13 years. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently a director of Cazaly Resources Limited, and Classic Minerals Ltd.

Interests in the Shares and Options of the Company

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report.

Directors	Number of listed options over ordinary shares	Number of fully paid ordinary shares
Trevor Stoney	150,000	5,904,553
Andrew McBain	150,000	3,598,806
Neil McBain	150,000	2,100,000

No options were issued to directors during the year and up to the date of this report.

No shares were granted to related parties during the year and up to the date of this report.

DIRECTORS' REPORT (continued)

Interests in the Shares and Options of the Company (continued)

There were no unlisted options as at the date of this report.

Details of unlisted options which have expired during the year are as follows:

Number of options	Exercise price	Expiry date
2,000,000	\$0.25	30 November 2013
300,000	\$0.40	31 December 2013
1,000,000	\$0.15	27 January 2014
1,250,000	\$0.12	31 July 2014

Details of unissued ordinary shares under listed options CCFO are as follows:

Number of options	Exercise price	Expiry date
9,342,000	\$0.08	31 March 2015

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

During the year ended 30 September 2014, the Company paid a premium in respect of a contract insuring the directors and officers of the Company against any liability incurred in the course of their duties 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.

Principal Activities

The principal activities of the Group during the year were environmental services being the establishment of carbon sinks for the purpose of sequestration of carbon from the atmosphere.

There have been no significant changes in the nature of those activities during the year.

Dividends

No dividends have been paid or declared for the year ended 30 September 2014. The directors do not recommend the payment of a dividend in respect of the year ended 30 September 2014.

Review of Operations

The Group continues to review and manage its costs in a challenging carbon market whilst looking for other opportunities.

The Group has three substantial long term contracts with strong counterparties for the continued provision of services associated with bio-sequestration that generate revenue out till 2027 in Australia and 2032 in New Zealand.

The Group has also built a long term asset base which involves agricultural land that has in the majority been planted to native trees for bio-sequestration.

Operating Results for the Year

The loss of the Group for the year ended 30 September 2014 after providing for income tax amounted to \$1,845,978 (3 months ended 30 September 2013: \$72,638).

Financial Position

The net assets of the Group have decreased by \$1,841,995 from \$14,282,080 at 30 September 2013 to \$12,440,085 at 30 September 2014.

DIRECTORS' REPORT (continued)

Significant Changes in the State of Affairs

The following significant changes in the state of affairs occurred during the year ended 30 September 2014:

- (a) **28 November 2013** – the Company announced that its first 'Carbon Capture Project 1' has been issued with its first Australian Carbon Credit Units (ACCU's) by the Clean Energy Regulator. As a result, the Company will now generate additional revenue selling ACCUs from plantings on an annual basis.
- (b) **20 February 2014** – the Company advised the signing of a third contract with the City of Perth. The contract extends an existing relationship, which began with similar agreements signed in 2011 and 2013, and when the 2014 program is executed, the cumulative planting for the City of Perth will be over 330,000 trees.
- (c) **23 April 2014** – the Company announced the appointment of Mr Neil McBain as a Non-Executive Director. Mr McBain has had a long business career in the industrial services sector and has significant experience in mergers and acquisitions. His appointment will add value to the Board through his personal networks and relationships in the finance sector. The Company also advised of the change in address of its share registry, Advanced Share Registry Limited.
- (d) **27 August 2014** – the Company announced the resignation of Mr Kent Hunter as a Non-Executive Director. Mr Hunter will continue as the Company Secretary.

Significant Events after Balance Date

The following significant change in the state of affairs occurred after the year ended 30 September 2014:

- (a) **18 November 2014** – the Group received a letter from the Convertible Note Holder confirming that:
 - the Noteholder does not intend to convert the convertible notes to equity and is seeking repayment as soon as possible;
 - whilst the agreed repayment time for the convertible notes has expired, the Group is not in default and that the Noteholder is prepared to work with the Group to arrange an orderly repayment via a combination of asset sales, capital raisings and cashflow;
 - the Noteholder is prepared to work on an orderly repayment from the Group, however the timeframe to complete should be by 30 November 2015; and
 - the Noteholder expects to be updated regularly by the Group as to the status of the repayment.

Likely Developments and Expected Results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

Environmental Legislation

The Group is not subject to any significant environmental legislation.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and other key management personnel of Carbon Conscious Limited (the "Company").

The term 'executives' is used in this remuneration report to refer to the following key management personnel. Except as noted, the named persons held their current position for the year ended 30 September 2014:

ANTHONY FITZGERALD (Commercial Manager)

STEPHEN BODEKER (Chief Financial Officer) – resigned 30 November 2013

JEFFREY DOUGLAS (Land Manager and Interim Operations Manager) – resigned 13 December 2013

THOMAS REYNOLDS (General Manager New Zealand) – resigned 1 November 2013

Remuneration Philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Committee

Two (2) members of the Board of the Company are delegated by the Board to constitute the Remuneration Committee. The Remuneration Committee makes recommendations to the full Board on appropriate levels of remuneration within the organisation.

Remuneration Structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the initial meeting of members held on 2 January 2008 when shareholders approved an aggregate maximum remuneration of \$300,000 per year. The current total remuneration for non-executive directors is \$109,500 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

The remuneration of non-executive directors for the year ended 30 September 2014 is detailed in Table 1.

Executives and Executive Director Remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed periodically by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component of the Company's executives is detailed in Table 1.

Variable Remuneration

The objective of the short term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentives available are set at a level so as to provide sufficient incentive to the senior management to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

There were no short term incentives during the year ended 30 September 2014.

Employment Contracts

Mr Andrew McBain (Executive Director) has a contract of employment dated 1 January 2014 with a term of two years. The contract sets out the duties and responsibilities of the Executive Director who is paid \$165,000 per annum exclusive of superannuation with a performance bonus to be determined by the Company taking into consideration the key performance indicators of the Executive Director and the Company, as the Company may set from time to time, and any other matter that it deems appropriate in the Company's sole and absolute discretion.

All other executives are on permanent full time contracts with notice periods in line with statutory requirements.

DIRECTORS' REPORT (continued)

September 2014 Remuneration of Key Management Personnel

Table 1: Key Management Personnel remuneration for the year ended 30 September 2014

	Primary benefits			Post-employment		Equity	Other	Total	%
	Salary & fees	Cash Bonuses	Non-monetary benefits (i)	Superannuation	Prescribed benefits	Options			Performance related
Directors	\$	\$	\$	\$	\$	\$	\$	\$	%
Kent Hunter	111,826	-	-	617	-	-	-	112,443	-
Andrew McBain	156,250	-	-	14,556	-	-	-	170,806	-
Neil McBain	21,875	-	-	2,055	-	-	-	23,930	-
Trevor Stoney	50,000	-	-	4,656	-	-	-	54,656	-
Total	339,951	-	-	21,884	-	-	-	361,835	-
Executives	\$	\$	\$	\$	\$	\$	\$	\$	%
Stephen Bodeker	28,474	-	-	2,634	-	-	-	31,108	-
Jeffrey Douglas	31,946	-	-	2,955	-	-	-	34,901	-
Anthony Fitzgerald	154,642	-	23,750	14,436	-	-	-	192,828	12.3
Thomas Reynolds	11,053	-	-	110	-	-	-	11,163	-
Total	226,115	-	23,750	20,135	-	-	-	270,000	8.8

(i) Non-monetary benefits include employee share scheme payments and fringe benefits tax payments.

Options Granted as Part of Remuneration September 2014

No options were issued to either Directors or Executives for the year ended 30 September 2014 as part of their remuneration.

DIRECTORS' REPORT (continued)

Shares Issued to Executives for the year ended 30 September 2014

No shares were issued to Directors as part of the short term incentive scheme during the year ended 30 September 2014.

The following shares were issued to Executives as part of the short term incentive scheme during the year ended 30 September 2014 and were included in non-monetary benefits.

Executives	No. of Shares Issued	Price per Share \$	Total Value \$
Anthony Fitzgerald	950,000	0.025	23,750
Total	950,000		23,750

Option Holdings of Key Management Personnel for the year ended 30 September 2014

12 months ended 30 September 2014	Balance at beginning of reporting period	Granted as remuneration	Options exercised	Net change Other	Balance at end of reporting period	Vested as at end of reporting period Exercisable	Not Exercisable
Directors							
Kent Hunter	150,000	-	-	-	150,000	150,000	-
Andrew McBain	150,000	-	-	-	150,000	150,000	-
Trevor Stoney	150,000	-	-	-	150,000	150,000	-
Neil McBain	150,000 ⁽ⁱ⁾	-	-	-	150,000	150,000	-
Executives							
Stephen Bodeker	50,000	-	-	-	50,000 ⁽ⁱⁱ⁾	50,000	-
Jeffrey Douglas	150,000	-	-	-	150,000 ⁽ⁱⁱ⁾	150,000	-
Anthony Fitzgerald	-	-	-	-	-	-	-
Tom Reynolds	-	-	-	-	- ⁽ⁱⁱ⁾	-	-
Total	800,000	-	-	-	800,000	800,000	-

(i) Opening balance upon appointment as Key Management Personnel.

(ii) Closing balance upon ceasing to be Key Management Personnel.

Shareholdings of Key Management Personnel for the year ended 30 September 2014

12 months ended 30 September 2014	Balance at beginning of reporting period	Granted as remuneration ⁽ⁱ⁾	On exercise of options	Net change Other ⁽ⁱⁱ⁾	Balance at end of reporting period
Directors					
Kent Hunter	1,675,098	-	-	(1,310,098)	365,000
Andrew McBain	1,907,000	-	-	100,000	2,007,000
Trevor Stoney	5,904,553	-	-	-	5,904,553
Neil McBain	2,100,000 ⁽ⁱⁱⁱ⁾	-	-	-	2,100,000
Executives					
Stephen Bodeker	600,000	-	-	-	600,000 ^(iv)
Thomas Reynolds	-	200,000	-	-	200,000 ^(iv)
Anthony Fitzgerald	-	950,000	-	-	950,000
Jeffrey Douglas	1,800,000	-	-	-	1,800,000 ^(iv)
Total	13,986,651	1,150,000	-	(1,210,098)	13,926,553

(i) Shares were given in lieu of bonuses.

(ii) Shares were acquired or sold by Directors/Executives or their related entities both on and off market.

(iii) Opening balance upon appointment as Key Management Personnel.

(iv) Closing balance upon ceasing to be Key Management Personnel.

DIRECTORS' REPORT (continued)

2013 Remuneration of Key Management Personnel

Table 1: Key Management Personnel remuneration for the three months ended 30 September 2013

	Primary benefits			Post-employment		Equity	Other	Total	%
	Salary & fees	Cash Bonuses	Non-monetary benefits	Superannuation	Prescribed benefits	Options			Performance related
Directors	\$	\$	\$	\$	\$	\$	\$	\$	%
Kent Hunter	12,500	-	-	1,156	-	-	-	13,656	-
Trevor Stoney	12,500	-	-	1,156	-	-	-	13,656	-
Andrew McBain	32,500	-	-	3,006	-	-	-	35,506	-
Total	57,500	-	-	5,318	-	-	-	62,818	-
Executives	\$	\$	\$	\$	\$	\$	\$	\$	%
Stephen Bodeker	43,750	-	-	4,047	-	-	-	47,797	-
Jeffrey Douglas	37,500	-	-	3,469	-	-	-	40,969	-
Anthony Fitzgerald	35,490	-	-	3,283	-	-	-	38,773	-
Thomas Reynolds	13,750	-	-	412	-	-	-	14,162	-
Total	130,490	-	-	11,211	-	-	-	141,701	-

Shares Issued to Executives for the three months ended 30 September 2013

No shares were issued to Executives or Directors as part of the short term incentive scheme during the three months ended 30 September 2013.

Options Granted as Part of Remuneration September 2013

No options were issued to either Directors or Executives for the three months ended 30 September 2013 as part of their remuneration.

DIRECTORS' REPORT (continued)

Option Holdings of Key Management Personnel for the three months ended 30 September 2013

3 months ended 30 September 2013	Balance at beginning of reporting period	Granted as remuneration	Options exercised	Net change Other	Balance at end of reporting period	Vested as at end of reporting period Exercisable	Not Exercisable
Directors							
Kent Hunter	150,000	-	-	-	150,000	150,000	-
Andrew McBain	150,000	-	-	-	150,000	150,000	-
Trevor Stoney	150,000	-	-	-	150,000	150,000	-
Executives							
Stephen Bodeker	50,000	-	-	-	50,000	50,000	-
Tom Reynolds	-	-	-	-	-	-	-
Jeffrey Douglas	150,000	-	-	-	150,000	150,000	-
Anthony Fitzgerald	-	-	-	-	-	-	-
Total	650,000	-	-	-	650,000	650,000	-

Shareholdings of Key Management Personnel for the three months ended 30 September 2013

3 months ended 30 September 2013	Balance at beginning of reporting period	Granted as remuneration	On exercise of options	Net change Other	Balance at end of reporting period
Directors					
Kent Hunter	1,675,098	-	-	-	1,675,098
Andrew McBain	1,907,000	-	-	-	1,907,000
Trevor Stoney	5,904,553	-	-	-	5,904,553
Executives					
Stephen Bodeker	600,000	-	-	-	600,000
Thomas Reynolds	-	-	-	-	-
Jeffrey Douglas	1,800,000	-	-	-	1,800,000
Anthony Fitzgerald	-	-	-	-	-
Total	11,886,651	-	-	-	11,886,651

Transactions with Key Management Personnel

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial period:

Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	\$	\$	\$	\$
12 months ended 30 September 2014				
Mining Corporate Advisory Services Pty Ltd	-	114,884	-	-
Aroona Management Ltd	-	149,488	-	1,541,753
Rumble Resources Ltd	120	1,233	-	-
3 months ended 30 September 2013				
Mining Corporate Pty Ltd	-	-	-	1,167
Aroona Management Ltd	-	46,133	-	2,092,265
Rumble Resources Ltd	32,126	275	4,430	-

DIRECTORS' REPORT (continued)

Transactions with Key Management Personnel (continued)

Mining Corporate Advisory Services is an entity controlled by Kent Hunter which provided CFO and Company secretarial services during the year.

Aroona Management Ltd is an entity controlled by Neil McBain, a director of Carbon Conscious Ltd. Aroona holds the convertible note of \$1,300,000 disclosed in Note 14. Purchases relate to interest accrued during the year at 10% of the outstanding balance of the note. Principle repayments of \$700,000 were made during the year.

Mr Andrew McBain is a non-executive director of Rumble Resources Ltd. The sales and purchases invoices in the year related to recharges of shared services.

End of Remuneration Report

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Number of Meetings Eligible to Attend	Number of Meetings Attended
ANDREW MCBAIN	2	2
TREVOR STONEY	2	2
NEIL MCBAIN	2	2
KENT HUNTER	2	1

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company, for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year ended 30 September 2014.

Auditor Independence and Non-audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 22 and forms part of this directors' report for the year ended 30 September 2014.

Non-audit Services

No non-audit services were provided by the external auditors during the year ended 30 September 2014.

Signed in accordance with a resolution of the directors.



Andrew McBain
Executive Director
Carbon Conscious Limited

Perth, 18th day of December 2014

CORPORATE GOVERNANCE STATEMENT

The Board of Carbon Conscious Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Carbon Conscious Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Carbon Conscious Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations.

Carbon Conscious Limited's corporate governance practices were in place throughout the year ended 30 September 2014 and were substantially compliant with the Council's recommendations.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Function

At a meeting held on 29 January 2008, the Board of Carbon Conscious Limited approved the Board Charter formalising the functions and responsibilities of the Board. The Company's Board Charter is located on its website (www.carbonconscious.com.au). The Board is ultimately responsible for all matters relating to the running of the Company.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board has the final responsibility for the successful operations of the Company. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Company's Code of Conduct is located on its website (www.carbonconscious.com.au).

1.2 Objective

The objective of the Board is to provide an acceptable rate of return to the Company's shareholders taking into account the interests of the Company's employees, customers, suppliers, lenders and the communities in which it operates.

1.3 Responsibilities

The Board is responsible for:

- Overseeing and approving the Company's strategic and operating objectives
- Reviewing and approving the Company's financial position, systems of risk management and internal compliance and control, codes of conduct and legal compliance
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestments
- Being responsible for the Company's senior management and personnel including appointing and, where appropriate, removing the Chairman
- Ratifying the appointment and, where appropriate, the removal of the Managing Director (if applicable) and the Company Secretary
- Evaluating the performance of the Executive Directors and the Executives and determining their remuneration
- Delegating appropriate powers to the Executive Directors and Executives to ensure the effective day-to-day management of the business and monitoring the exercise of these powers
- Ensuring that policies and procedures are in place, consistent with the Company's objectives, and that the Company and its officers act legally, ethically and responsibly in all matters, and
- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through the Chairman, being the key interface between the Company and its shareholders.

Directors' appointment letters outline obligations of each Director to the Company and Board. The roles of the individual members of the Board are located on the Company's website (www.carbonconscious.com.au).

1.4 Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which Directors and Executives are assessed are aligned with the financial and non-financial objectives of Carbon Conscious Limited. Directors whose performance is consistently unsatisfactory may be asked to retire. As part of the Board process, the Company reviews performance of the Board at the completion of each meeting. The Company is currently developing further elements of Board evaluation with particular focus on the confidential evaluation process. Board Performance Evaluation Policy is located on its website (www.carbonconscious.com.au).

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report. Directors of Carbon Conscious Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In the context of Director Independence, 'materiality' is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following Director of Carbon Conscious Limited is considered to be independent:

Name	Position
NEIL MCBAIN	Non-Executive Director

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
TREVOR STONEY	3.4 years
ANDREW MCBAIN	2.9 years
NEIL MCBAIN	5 months

2.2 Responsibilities

The Board is responsible for:

- Overseeing and approving the Company's strategic and operating objectives
- Reviewing and approving the Company's financial position, systems of risk management and internal compliance and control, codes of conduct and legal compliance
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestments
- Being responsible for the Company's senior management and personnel including appointing and, where appropriate, removing the Chairman
- Ratifying the appointment and, where appropriate, the removal of the Managing Director (if applicable) and the Company Secretary
- Evaluating the performance of the Executive Directors and the Executives and determining their remuneration
- Delegating appropriate powers to the Executive Directors and Executives to ensure the effective day-to-day management of the business and monitoring the exercise of these powers
- Ensuring that policies and procedures are in place, consistent with the Company's objectives, and that the Company and its officers act legally, ethically and responsibly in all matters, and
- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through the Chairman, being the key interface between the Company and its shareholders.

The Company's Board Charter is located on its website (www.carbonconscious.com.au).

2.3 Nomination Committee

The Company does not have a formally constituted nomination committee as the Board considers that the Company's size does not warrant such a committee. The Board oversees the functions normally carried out by a nomination committee. The Company does, however, have procedures for the Board to follow in implementing the best practices of a nomination committee. These are contained within the Board performance evaluation policy. This policy will be reviewed on an ongoing basis.

CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (continued)

2.4 Appointment of Directors

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake the Board's duties and responsibilities. The induction process involves site visits, company inspections and review of minutes. The Company's Director Selection Criteria is located on its website (www.carbonconscious.com.au).

Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

2.5 Duration of Appointment

In the interest of ensuring a continual supply of new talent to the Board, all Directors with the exception of the Managing Director will serve for a period of three years before they are requested to stand down for re-election. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director.

2.6 Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which Directors and Executives are assessed are aligned with the financial and non-financial objectives of Carbon Conscious Limited. Directors whose performance is consistently unsatisfactory may be asked to retire. The Company's Board Performance Evaluation Policy is located on its website (www.carbonconscious.com.au).

2.7 Access to Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1 Directors' and Executives' Code of Conduct

To assist the Board in carrying out its functions, it has developed a Code of Conduct to guide the Directors, the Managing Director and other Executives in the performance of their roles. The Code of Conduct addresses the maintenance of the confidence in the Company's integrity, legal obligations and expectations of shareholders, responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. The Company's Code of Conduct is located on its website (www.carbonconscious.com.au).

3.2 Diversity Policy

The Board is committed to promoting a corporate culture that is supportive of diversity and encourages the transparency of Board processes, review and appointment of Directors, senior managers and support staff (www.carbonconscious.com.au).

3.3 Measurable Objectives for Diversity

Due to the size and nature of the company, the Board has not yet set any measurable objectives for diversity beyond the current structure.

3.4 Diversity Reporting

The Group's current structure is as follows:

Gender representation	Year ended 30 September 2014		3 months ended 30 September 2013	
	Female (%)	Male (%)	Female (%)	Male (%)
Board representation	0%	100%	0%	100%
Key management personnel representation	0%	100%	0%	100%
Group representation	17%	83%	12%	88%

CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Audit Committee

The Company does not have a formally constituted audit committee as the Board considers that the Company's size does not warrant such a committee. The Board oversees the functions normally carried out by an audit committee.

4.2 Risk

The identification and effective management of risk is viewed as an essential part of the Company's approach to creating long-term shareholder value.

In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. In doing so, the Board has taken the view that it is crucial for all Board members to be a part of this process and as such has not established a separate risk management committee.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management report to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed. The Company's Risk Management Policy is located on its website (www.carbonconscious.com.au).

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Continuous Disclosure

The Board has adopted a continuous disclosure policy to ensure that the Company complies with the disclosure requirements of the ASX Listing Rules. The Board and Executives have designated the Managing Director, followed by the Board and the Company Secretary as the persons responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities, and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The Company's Continuous Disclosure Policy is located on its website (www.carbonconscious.com.au).

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals
- making it easy for shareholders to participate in general meetings of the Company, and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company's Shareholder Communications Policy is strictly adhered to and is located on its website (www.carbonconscious.com.au). The Company encourages shareholders to visit the website and periodic reports are sent via email to shareholders. Part of each Board Meeting is committed to reviewing shareholder communication and the Company is aware of shareholder movement.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Risk Management

The identification and effective management of risk is viewed as an essential part of the Company's approach to creating long-term shareholder value.

In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. In doing so, the Board has taken the view that it is crucial for all Board members to be a part of this process and as such has not established a separate risk management committee.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management report to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed. Currently, the Board see the key risks of the business as being financial risk, statutory risk, operating risk and key person risk. The Board has implemented steps to identify and ensure succession planning.

7.2 Risk Management Statement

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework. The primary objectives of the risk management system at the Company are to ensure:

- all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately
- business decisions throughout the Company appropriately balance the risk and reward trade off
- regulatory compliance and integrity in reporting is achieved, and
- senior management, the Board and investors understand the risk profile of the Company.

In line with these objectives the risk management system covers:

- operations risk
- financial reporting
- compliance / regulations, and
- system/IT process risk.

Arrangements put in place by the Board to monitor risk management include:

- monthly reporting to the Board in respect of operations and the financial position of the Company
- preparing quarterly rolling forecasts, and
- circulating minutes of relevant Committees to the Board and the Chairman of each respective committee and providing reports to the Board on an annual basis.

A risk management model is also being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening Carbon Conscious Limited as a whole, or specific business activities within the Company. The Company's Risk Management Statement is located on its website (www.carbonconscious.com.au).

7.3 Attestations by Executive Director and Company Secretary

It is the Board's policy that the Executive Director and Company Secretary make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. The Executive Director and Company Secretary have declared to the Board that the Company's management of its material business risks is effective.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration Committee

Two members of the Board are appointed as the remuneration committee. The Company has procedures for the Board to follow in implementing the best practices of a remuneration and nomination committee. These are contained within the Board performance evaluation policy. This policy will be reviewed on an ongoing basis.

8.2 Remuneration Policy

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of Executive Directors' and officers' emoluments to the Company's financial and operational performance.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives
- attraction of high quality management to the Company, and
- performance incentives that allow executives to share the success of Carbon Conscious Limited.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives in the current period please refer to the remuneration report, which is contained within the Directors' Report.

8.3 Executive Director and Senior Executive Remuneration

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer and executive team.

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice should be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices. Executive Director and Executive remuneration structure is based on base salary, performance based structures and options on equity to align interests. There are no excessive termination payments as such, the termination payments are linked to protection of intellectual property.

8.4 Non-Executive Director Remuneration

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The Board determines actual payments to directors and reviews their remuneration annually, based on independent external advice with regard to market practice, relativities, and the duties and accountabilities of directors. Non-Executive Directors are entitled to options and, although this is a departure from the standard in a start-up company, this is an important way to preserve cash and reward Non-Executive Directors as well as aligning interests. A review of directors' remuneration is conducted annually to benchmark overall remuneration including retirement benefits. The Company's Remuneration Statement is located on its website (www.carbonconscious.com.au). There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

8.5 Performance Based Remuneration

The Board recognises that Carbon Conscious Limited operates in a global environment. To prosper in this environment, we must attract, motivate and retain key executive staff.

The principles supporting our remuneration policy are that:

- Reward reflects the competitive global market in which we operate
- Individual reward is based on performance across a range of indicators that apply to delivering results across the Company
- Rewards to Executives are linked to creating value for shareholders
- Executives are rewarded for both financial and non-financial performance
- Remuneration arrangements are equitable and facilitate the deployment of Executives across the Company, and
- Executives receive a significant component of their reward in equity and are required to retain that holding over time.

CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY (continued)

8.6 Market Comparisons

Consistent with attracting and retaining talented executives, the Board endorses the use of incentive and bonus payments. The Board continues to seek external advice to ensure reasonableness in remuneration scale and structure, and to compare the Company's position with the external market. The impact and high cost of replacing senior employees and the competition for talented executives requires the committee to reward key employees when they deliver consistently high performance. There are procedures in place, agreed by the Board, to enable Directors in the furtherance of their duties to seek independent professional advice at the Company's expense.

Principle / Recommendation	Requirement	Compliance	Reference
Principle 1	Lay solid foundations for management and oversight		
Recommendation 1.1	Functions of the Board and Senior Executives	Yes	1.1, 1.2, 1.3, Website
Recommendation 1.2	Performance Evaluation of Senior Executives	Yes	1.4
Recommendation 1.3	Reporting on Principle 1	Yes	1.1, 1.2, 1.3, 1.4, Website
Principle 2	Structure the Board to add value		
Recommendation 2.1	Independent Directors	Yes	2.1
Recommendation 2.2	Independent Chair	No	2.1
Recommendation 2.3	Role of the Chair and CEO	Yes	2.2, Website
Recommendation 2.4	Establishment of Nomination Committee	No	2.3
Recommendation 2.5	Performance Evaluation Process	Yes	2.6, Website
Recommendation 2.6	Reporting on Principle 2	Yes	2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, Website
Principle 3	Promote ethical and responsible decision making		
Recommendation 3.1	Directors' and Senior Executives' Code of Conduct	Yes	3.1, Website
Recommendation 3.2	Diversity policy	No	3.2, Website
Recommendation 3.3	Measurable objectives for diversity	No	3.3
Recommendation 3.4	Reporting on proportion of women in the organisation	Yes	3.4
Recommendation 3.5	Reporting on Principle 3	Yes	3.1, 3.2, 3.4, 3.4, Website
Principle 4	Safeguard integrity in financial reporting		
Recommendation 4.1	Establishment of Audit Committee	No	4.1
Recommendation 4.2	Structure of Audit Committee	No	4.1
Recommendation 4.3	Audit Committee Charter	No	4.1
Recommendation 4.4	Reporting on Principle 4	No	4.1, 4.2, Website
Principle 5	Make timely and balanced disclosure		
Recommendation 5.1	Policy for Compliance with Continuous Disclosure	Yes	5.1, Website
Recommendation 5.2	Reporting on Principle 5	Yes	5.1, Website
Principle 6	Respect the rights of shareholders		
Recommendation 6.1	Communications Policy	Yes	6.1, Website
Recommendation 6.2	Reporting on Principle 6	Yes	6.1, Website
Principle 7	Recognise and manage risk		
Recommendation 7.1	Policies on Risk Oversight and Management of Material Business Risks	Yes	7.1, 7.2, Website
Recommendation 7.2	Risk Management and Internal Control	Yes	7.1, 7.2, Website
Recommendation 7.3	Attestations by CEO and CFO	Yes	7.3
Recommendation 7.4	Reporting on Principle 7	Yes	7.1, 7.2, 7.3, Website
Principle 8	Remunerate fairly and responsibly		
Recommendation 8.1	Establishment of Remuneration Committee	Yes	8.1, 8.2, Website
Recommendation 8.2	Structure of Remuneration Committee	Yes	8.1, 8.2
Recommendation 8.3	Non-Executive Director remuneration and; Executive Director and Senior Executive remuneration	Yes	8.3, 8.4
Recommendation 8.4	Reporting on Principle 8	Yes	8.1, 8.2, 8.3, 8.4, 8.5, Website

AUDITOR'S INDEPENDENCE DECLARATION



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Carbon Conscious Limited for the year ended 30 September 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

Perth, Western Australia
18 December 2014

L Di Giallonardo
Partner

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2014

CONSOLIDATED			
	Note	12 months ended 30 September 2014	3 months ended 30 September 2013
		\$	\$
Revenue	2	2,655,231	726,841
Operating expenses		(673,384)	(604,505)
Administrative expenses		(589,497)	(97,024)
Marketing expenses		(21,047)	(3,591)
Employee benefits expense		(619,176)	(154,935)
Occupancy expense		(213,301)	(25,986)
Financing expenses		(366,168)	(116,250)
Depreciation and amortisation expense		(735,301)	(3,274,460)
Other expenses	2	(2,477,445)	1,325,826
Loss before income tax benefit		(3,040,088)	(2,224,084)
Income tax benefit	3	1,194,110	2,151,446
Loss attributable to members of the parent entity		(1,845,978)	(72,638)
Other comprehensive income			
Items which may subsequently be reclassified to profit or loss			
Exchange difference on translating foreign controlled entities		(30,534)	112,972
Income tax relating to components of other comprehensive income		-	-
Other comprehensive (loss) / income for the period		(30,534)	112,972
Total comprehensive (loss) / income attributable to members of the parent entity		(1,876,512)	40,334
Basic earnings per share (cents per share)	4	(1.77)	(0.07)
Diluted earnings per share (cents per share)		(1.77)	(0.07)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014

CONSOLIDATED			
	Note	30 September 2014	30 September 2013
		\$	\$
Current Assets			
Cash and cash equivalents	6	313,055	308,768
Trade and other receivables	7	577,592	666,585
Income tax refundable	3	281,055	976,408
Investments	8	13,824	12,182
Other assets	9	414,354	395,751
Total Current Assets		1,599,880	2,359,694
Non-Current Assets			
Intangible assets	10	3,688,318	3,566,849
Property, plant and equipment	11	9,872,697	11,889,957
Inventories	12	378,671	1,994,067
Deferred tax asset	3	1,230,676	465,001
Total Non-Current Assets		15,170,362	17,915,874
Total Assets		16,770,242	20,275,568
Current Liabilities			
Trade and other payables	13	495,201	796,824
Interest-bearing liabilities	14	1,891,456	2,559,235
Total Current Liabilities		2,386,657	3,356,059
Non-Current Liabilities			
Interest-bearing liabilities	14	1,943,500	2,637,429
Total Non-Current Liabilities		1,943,500	2,637,429
Total Liabilities		4,330,157	5,993,488
Net Assets		12,440,085	14,282,080
Equity			
Issued capital	15	13,392,896	13,358,379
Reserves	15	1,189,182	1,219,716
Accumulated losses		(2,141,993)	(296,015)
Total Equity		12,440,085	14,282,080

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

CONSOLIDATED			
		Inflows/(Outflows)	Inflows/(Outflows)
	Note	12 months ended 30 September 2014	3 months ended 30 September 2013
		\$	\$
Cash flows from operating activities			
Receipts from customers		2,701,278	777,201
Payments to suppliers and employees		(2,394,038)	(943,496)
Income Tax refunded		1,138,898	-
Interest received		6,524	3,420
Interest paid		(322,633)	(56,356)
Net cash provided by / (used in) operating activities	20	1,130,029	(219,231)
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		176,539	242,509
Purchase of available-for-sale investments		-	(12,182)
Net cash provided by operating activities		176,539	230,327
Cash flows from financing activities			
Proceeds from the issue of shares		36,250	-
Costs on the issue of shares		(1,732)	-
Repayment of convertible notes		(700,000)	-
Repayment of bank bill facilities		(611,500)	(205,000)
Repayment of finance leases		(25,299)	(9,895)
Net cash used in financing activities		(1,302,281)	(214,895)
Net increase / (decrease) in cash and cash equivalents		4,287	(203,799)
Cash and cash equivalents at beginning of year		308,768	512,567
Cash and cash equivalents at end of year	6	313,055	308,768

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	CONSOLIDATED				
	Issued capital	Accumulated losses	Share-based payment reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	13,358,379	(223,377)	899,869	206,875	14,241,746
Loss attributable to members	-	(72,638)	-	-	(72,638)
Foreign currency translation differences	-	-	-	112,972	112,972
Total comprehensive income for the three months	-	(72,638)	-	112,972	40,334
Balance at 30 September 2013	13,358,379	(296,015)	899,869	319,847	14,282,080
Balance at 1 October 2013	13,358,379	(296,015)	899,869	319,847	14,282,080
Loss attributable to members	-	(1,845,978)	-	-	(1,845,978)
Foreign currency translation differences	-	-	-	(30,534)	(30,534)
Total comprehensive income for the year	-	(1,845,978)	-	(30,534)	(1,876,512)
Shares issued during the year	36,250	-	-	-	36,250
Transaction costs on shares issued during the year	(1,733)	-	-	-	(1,733)
Balance at 30 September 2014	13,392,896	(2,141,993)	899,869	289,313	12,440,085

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements and notes represent those of Carbon Conscious Limited and its controlled entities (the “Group”). The Company changed its balance date from 30 June to 30 September in 2013 and thus the comparatives are as at, and for the three months ended 30 September 2013.

The financial statements were authorised for issue on 18 December 2014 by the directors of the Company.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report of Carbon Conscious Limited complies with Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied.

Going Concern

The financial report has been prepared on a going concern basis notwithstanding the deficiency in working capital of \$786,777. The directors believe this basis is appropriate because of the following factors:

- The Company has contracts in place with ongoing revenues associated with management of the plantations;
- Although the convertible note holder does not intend to convert the notes and is seeking repayment, the Company has an agreement to extend the funding term to 30 November 2015;
- The Company believes that it will realise significant value through the review and realisation of unproductive assets held, including land; and,
- The Company may raise additional funds through debt or equity raisings if required.

Should the Company be unable to raise sufficient funds through either the review and realisation of unproductive assets held or through debt or equity raisings, there is a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Carbon Conscious Limited as at 30 September 2014 and the results of all controlled entities for the year then ended. A controlled entity is any entity over which Carbon Conscious Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Where controlled entities have entered (left) the Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased). A list of controlled entities is contained in Note 17 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The Company and its wholly-owned Australian entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Carbon Conscious Limited.

(d) Inventories

Inventories consisting of trees and seeds are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

Cost comprises all production, acquisition and conversion costs. At the end of each period, inventory cost is evaluated based on the recoverable value and current market pricing to determine whether any write down is appropriate. To the extent that any impairment arises, losses are recognised in the period they occur. Additionally, the costs associated with producing inventories are charged to the statement of comprehensive income in the same period as the related revenues are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land is measured at cost, less any impairment losses recognised after the date of recognition.

Depreciation is calculated using the diminishing value method or straight-line basis over the estimated useful life of the assets as follows:

- Plant and equipment - 7.5% to 37.5% diminishing value
- Leasehold improvements - 6.6% to 50% straight line
- Motor vehicles - 13% to 30% diminishing value

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For land, plant and equipment, impairment losses are recognised in the statement of comprehensive income in the other expenses line item.

(ii) Revaluations

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings / accumulated losses is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings / accumulated losses.

It is not the Company's policy to assign any revaluation increment to land assets as they are encumbered by carbon and forestry rights.

(iii) Derecognition and Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Cash and Cash Equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Financial Instruments

Recognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and has either:
 - transferred substantially all the risks and rewards of the asset, or
 - neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Classification and subsequent measurement

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the year established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments

Classification and subsequent measurement (continued)

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments

Impairment of financial assets (continued)

(iii) *Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs - refer Note 1(l).

Finance leased assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Trade and Other Receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 7 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(j) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of Assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Functional and Presentation Currency

The functional currency of each of the companies in the Group is measured using the currency of the primary economic environment in which that company operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(l) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

(m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised for the major business activities of the Group as follows:

- *Sale of carbon credits* – revenue from the sale of carbon credits is recognised when the Group has transferred to the buyer the significant risks and rewards of the ownership of the carbon credits.
- *Project revenue* – where the company undertakes the development of carbon sinks for third parties, revenue is recognised in proportion to the percentage completion of the project. Management related income is recognised on an accrual basis in accordance with the substance of the relevant contract.
- *Interest revenue* is recognised as it accrues, taking into account the effective yield on the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(p) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(q) Employee Leave Benefits

(i) *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Share-based Payment Transactions

(i) *Equity settled transactions*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). To provide these benefits, the Group currently has in place an Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined using a Black and Scholes option pricing model, further details of which are given in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Share-based Payment Transactions (continued)

(i) Equity settled transactions (continued)

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Carbon Conscious Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 4).

(ii) Cash settled transactions

The Group also provides benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Carbon Conscious Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted (see Note 16). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

(s) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Earnings per Share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential Ordinary Shares; divided by the weighted average number of Ordinary Shares and dilutive potential Ordinary Shares, adjusted for any bonus element.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(v) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

(i) *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model, using the assumptions detailed in Note 16.

(ii) *Valuation of land, forestry rights and plantations*

The Company reviews the value of land, forestry rights and plantations on an annual basis. A combination of external valuation processes and internal valuation models are used to assess any potential impairment of this value. The impairment testing is carried out using an estimate of future realisable values for ACCU's based on market expectations.

(iii) *Tax deductibility of losses on disposal of freehold title of land*

The Company claimed, as a tax deduction, losses on disposal of freehold title of land used in the establishment of plantations and subsequent generation of carbon credits. This follows a process of submitting a private binding ruling to the Australian Taxation Office and subsequent discussions with the Australian Taxation Office.

(w) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Director and other members of the Board. Reportable segments are consistent with operating segments.

(x) Interest Bearing Loans and Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects where material.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Parent Entity Financial Information

The financial information for the parent entity, Carbon Conscious Limited, disclosed in Note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Carbon Conscious Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) *Share-based payments*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(z) Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a systematic basis over their estimated useful lives which reflect the pattern in which the intangible asset's future economic benefits are expected to be consumed by the entity. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Forestry and carbon rights are either held together with the freehold title of the land and as such disclosed as land assets under property, plant and equipment or, where the rights are held separately, disclosed as intangible assets. On the disposal of the freehold title, the remaining forestry and carbon rights are valued at the original cost of the freehold less the sales proceeds. The forestry and carbon rights are then amortised over the life of the contracts in place, being 40% in the first year and then 4% per annum over the remaining 15 years. The forestry and carbon rights are also impairment tested on an annual basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

The Company currently has no internally-generated intangible assets.

(aa) Adoption of new and revised standards

Standards and Interpretations applicable to 30 September 2014

In the period ended 30 September 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 30 September 2014.

As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Group accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 2: REVENUES AND EXPENSES

	CONSOLIDATED	
	12 months ended 30 September 2014	3 months ended 30 September 2013
	\$	\$
(a) Revenue		
Planting income	196,125	119,500
Carbon sales	32,176	15,723
Land licence and management fees	2,290,745	562,205
Interest received	6,524	3,420
Other income	129,661	25,993
	2,655,231	726,841
(b) Expenses		
Operating lease rental expense	206,634	48,612
(c) Other expenses		
Write down of plantation inventory ⁽ⁱ⁾	1,693,272	-
Write down of seed stock ⁽ⁱ⁾	115,463	-
Impairment of / (reversal of impairment of) land ⁽ⁱ⁾	668,710	(1,325,826)
	2,477,445	(1,325,826)

- (i) Plantation inventory comprising trees at cost, seed stock and land associated with the plantation inventory has been written down in the financial year to reflect the current economic benefit in an uncertain carbon market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 3: INCOME TAX

	CONSOLIDATED	
	12 months ended 30 September 2014	3 months ended 30 September 2013
		\$
Current tax receivable		
Current year	(1,001,844)	(2,152,369)
Reversal of prior year timing differences	(465,705)	(152,034)
Deferred tax asset recognised	1,230,673	465,001
Assessed loss not recognised in previous year	(44,179)	-
Overprovision in prior year	-	862,994
Total current tax receivable	(281,055)	(976,408)
Deferred tax expense		
Origination and reversal of temporary differences	765,674	312,860
Total deferred tax expense	765,674	312,860
Income tax benefit recognised in profit or loss	(1,194,110)	(2,151,446)
Total income tax benefit recognised in profit or loss	(1,194,110)	(2,151,446)
Numerical reconciliation between tax expense and pre-tax net loss		
Loss before tax	(3,040,088)	(2,224,084)
Income tax benefit using the domestic tax rate of 30% (2013: 30%)	(912,026)	(667,225)
Difference in tax rate of foreign subsidiaries	14,242	3,063
Non-deductible expenses	176,064	(1,147,528)
Refundable tax offsets - R&D	(281,055)	(339,755)
Benefit of deferred tax assets not previously recognised	(44,179)	-
Under provided in prior periods	(147,156)	-
	(1,194,110)	(2,151,445)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 3: INCOME TAX (continued)

	CONSOLIDATED				
	Balance 30/09/2013	Previously unrecognised deferred balances	Recognised in Income	Recognised in equity	Balance 30/09/2014
	\$	\$	\$	\$	\$
Movement in deferred tax balances during the three months					
Tax losses - New Zealand	41,794	-	58,594	-	100,388
Tax losses - Australia	277,084	-	609,528	-	886,612
Other timing difference	146,123	-	97,552	-	243,675
Net deferred tax asset	465,001	-	765,674	-	1,230,675
<i>Represented by:</i>					
Deferred tax asset - Australia	425,228				1,136,959
Deferred tax asset - New Zealand	39,773				93,716
	465,001				1,230,675

Carbon Conscious Limited and its wholly-owned subsidiaries in Australia are a consolidated tax group as defined under the tax consolidation legislation. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Carbon Conscious Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 4: EARNINGS PER SHARE

	CONSOLIDATED	
	12 months ended 30 September 2014	3 months ended 30 September 2013
	Cents per share	Cents per share
Basic loss per share	(1.77)	(0.07)
Diluted loss per share	(1.77)	(0.07)
The earnings and weighted average number of Ordinary Shares used in the calculation of basic earnings per share are as follows:		
	\$	\$
Loss for the year	(1,845,978)	(72,638)
	No.	No.
Weighted average number of Ordinary Shares outstanding during the period used in calculating basic EPS	104,831,988	103,381,988
Weighted average number of Ordinary Shares outstanding during the period used in calculating diluted EPS	104,831,988	103,381,988

NOTE 5: SEGMENT REPORTING

The Group has two reportable segments, as described below, which are the Group's strategic divisions. These divisions offer different products and services, and are managed separately as they require different expertise, marketing strategies and fall under different jurisdictions. For each of the strategic divisions, the Executive Director and other directors review internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

- Australia – Includes the planting of mallee trees in low rainfall areas of the wheat-belt of Western Australia to produce carbon credits.
- New Zealand – Includes the planting of pine trees in Northern New Zealand to produce carbon credits under the Emissions Trading Scheme in New Zealand.

Information regarding the results of each reportable segment is included below. Performance is measured on net profit/loss before taxation as detailed in the management reports presented to the Executive Director and other directors.

Major customers

The Group has one customer to whom it provides goods and services where the revenue from this customer was in excess of 10% of the Group's revenue for the year ended 30 September 2014. This customer generated 79.4% (30 September 2013: 71.3%) of the Group's revenue for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 5: SEGMENT REPORTING (continued)

12 months ended 30 September 2014	Australia	New Zealand	Eliminations	Consolidated
	\$	\$	\$	\$
Revenue				
Sales to external customers	2,519,046	-	-	2,519,046
Other revenues from external customers	85,907	43,754	-	129,661
Interest revenue	6,524	-	-	6,524
Total segment revenue	2,611,477	43,754	-	2,655,231
Expenses				
Cost of sales	634,319	39,066	-	673,385
Interest expense	363,889	2,279	-	366,168
Depreciation and amortisation	722,807	12,494	-	735,301
Other costs	3,218,452	702,013	-	3,920,465
Total segment expenses	4,939,467	755,852	-	5,695,319
Net loss before tax	(2,327,990)	(712,098)	-	(3,040,088)
Income tax benefit	1,156,026	38,084	-	1,194,110
Net loss after tax	(1,171,964)	(674,014)	-	(1,845,978)
Foreign exchange translation	-	(30,534)	-	(30,534)
Total comprehensive loss	(1,171,964)	(704,548)	-	(1,876,512)
Segment assets				
Current assets	1,577,301	22,579	-	1,599,880
Non-current assets	12,411,867	2,758,495	-	15,170,362
Total segment assets	13,989,168	2,781,074	-	16,770,242
Segment liabilities				
Current liabilities	2,364,771	21,886	-	2,386,657
Non-current liabilities	1,943,500	-	-	1,943,500
Total segment liabilities	4,308,271	21,886	-	4,330,157
Net segment assets	9,680,897	2,759,188	-	12,440,085
Capital expenditure	15,880	-	-	15,880
Cash flow information				
Net cash flow from operating activities	1,441,644	(311,615)		1,130,029
Net cash flow from investing activities	(146,823)	323,362	-	176,539
Net cash flow from financing activities	(1,296,026)	(6,255)	-	(1,302,281)
Net increase/(decrease) in cash	(1,205)	5,492	-	4,287
Cash at beginning of period	291,683	17,085	-	308,768
Cash at end of period	290,478	22,577	-	313,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2013

NOTE 5: SEGMENT REPORTING (continued)

3 months ended 30 September 2013	Australia	New Zealand	Eliminations	Consolidated
	\$	\$	\$	\$
Revenue				
Sales to external customers	697,428	-	-	697,428
Other revenues from external customers	25,993	-	-	25,993
Interest revenue	3,420	-	-	3,420
Total segment revenue	726,841	-	-	726,841
Expenses				
Cost of sales	595,527	8,979	-	604,506
Interest expense	115,667	583	-	116,250
Depreciation and amortisation	3,136,568	137,892	-	3,274,460
Other costs	(1,076,924)	32,633	-	(1,044,291)
Total segment expenses	2,770,838	180,087	-	2,950,925
				-
Net loss before tax	(2,043,997)	(180,087)	-	(2,224,084)
Income tax benefit	2,100,396	51,050	-	2,151,446
Net profit / (loss) after tax	56,399	(129,037)	-	(72,638)
Foreign exchange translation	-	112,972	-	112,972
Total comprehensive income / (loss)	56,399	(16,065)	-	40,334
Segment assets				
Current assets	2,342,609	17,085	-	2,359,694
Non-current assets	15,393,029	2,522,845	-	17,915,874
Total segment assets	17,735,638	2,539,930	-	20,275,568
Segment liabilities				
Current liabilities	3,331,825	24,234	-	3,356,059
Non-current liabilities	2,637,429	-	-	2,637,429
Total segment liabilities	5,969,254	24,234	-	5,993,488
Net segment assets	11,766,384	2,515,696	-	14,282,080
Capital expenditure	-	-	-	-
Cash flow information				
Net cash flow from operating activities	(193,059)	(26,172)		(219,231)
Net cash flow from investing activities	200,327	30,000	-	230,327
Net cash flow from financing activities	(211,300)	(3,595)	-	(214,895)
Net decrease / (increase) in cash	(204,032)	233	-	(203,799)
Cash at beginning of period	495,715	16,852	-	512,567
Cash at end of period	291,683	17,085	-	308,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 6: CASH AND CASH EQUIVALENTS

CONSOLIDATED		
	30 September 2014	30 September 2013
	\$	\$
Cash at bank and on hand	313,055	308,768

Cash at bank earns interest at floating rates based on daily bank deposit rates.

NOTE 7: TRADE AND OTHER RECEIVABLES

CONSOLIDATED		
	30 September 2014	30 September 2013
	\$	\$
Current		
Trade receivables (i)	6,796	78,843
Accrued income	570,796	587,742
	577,592	666,585

- (i) Trade receivables are non-interest bearing and are generally on 14 to 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised by the Company for the last three months (30 September 2013: nil).

At the 30 September, the ageing analysis of trade receivables is as follows:

0 – 30 days	5,269	78,843
31 – 60 days		-
61 – 90 days, past due not impaired	-	-
61 – 90 days, considered impaired	-	-
+ 91 days, past due not impaired (ii)	1,527	-
+ 91 days, considered impaired	-	-
Total	6,796	78,843

NOTE 8: INVESTMENTS

CONSOLIDATED		
	30 September 2014	30 September 2013
	\$	\$
Investment in Rumble Resources Limited	13,824	12,182
	13,824	12,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 9: OTHER ASSETS

	CONSOLIDATED	
	30 September 2014	30 September 2013
	\$	\$
Prepayments	109,414	140,056
Security Deposit on sub-lease	59,940	58,695
Land debtors	245,000	197,000
	414,354	395,751

NOTE 10: INTANGIBLE ASSETS

CONSOLIDATED	
	\$
Forestry rights	
Cost	
Balance at 1 July 2013	274,643
Reclassification on sale of freehold land title	6,380,252
Reclassification from operating leases disclosed under other assets in prior years	240,513
Foreign exchange revaluation	19,838
Balance at 30 September 2013	6,915,246
Balance at 1 October 2013	6,915,246
Reclassification on sale of freehold land title	760,102
Balance at 30 September 2014	7,675,348
Accumulated amortisation and impairment losses	
Balance at 1 July 2013	-
Amortisation for the period	3,257,443
Reclassification from operating leases disclosed under other assets in prior years	87,279
Foreign exchange revaluation	3,675
Balance at 30 September 2013	3,348,397
Balance at 1 October 2013	3,348,397
Amortisation for the period	638,633
Balance at 30 September 2014	3,987,030
Carrying amounts	
At 30 September 2013	3,566,849
At 30 September 2014	3,688,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment	Motor Vehicles	Land	Total
	\$	\$	\$	\$
12 months ended 30 September 2014				
Cost	475,522	109,688	11,528,704	12,113,914
Accumulated depreciation	(188,825)	(35,132)	-	(223,957)
As at 1 October 2013, net of accumulated depreciation	286,697	74,556	11,528,704	11,889,957
Additions	4,780	11,100	-	15,880
Disposal of land	(130,888)	(29,502)		(160,390)
Reclassification to forestry rights on disposal of freehold land title	-	-	(1,117,483)	(1,117,483)
Depreciation charge for the year	(84,066)	(17,173)	-	(101,239)
Impairment of Land - reversal	-	-	(668,710)	(668,710)
Foreign exchange revaluation	66	60	14,556	14,682
At 30 September 2014 net of accumulated depreciation	76,589	39,041	9,757,067	9,872,697
3 months ended 30 September 2013				
Cost	475,522	107,616	16,957,028	17,540,166
Accumulated depreciation	(176,558)	(30,382)	-	(206,940)
As at 1 July 2013, net of accumulated depreciation	298,964	77,234	16,957,028	17,333,226
Additions	-	-	-	-
Disposal of land	-	-	(469,026)	(469,026)
Reclassification to forestry rights on disposal of freehold land title	-	-	(6,380,252)	(6,380,252)
Depreciation charge for the 3 months	(12,267)	(4,750)	-	(17,017)
Impairment of Land - reversal	-	-	1,325,826	1,325,826
Foreign exchange revaluation	-	2,072	95,128	97,200
At 30 September 2013 net of accumulated depreciation	286,697	74,556	11,528,704	11,889,957
At 30 September 2014				
Cost	221,133	63,453	10,425,777	10,710,363
Accumulated depreciation	(144,544)	(24,411)	(668,710)	(837,665)
Net carrying amount	76,589	39,042	9,757,067	9,872,698
At 30 September 2013				
Cost	475,522	109,688	11,528,704	12,113,914
Accumulated depreciation	(188,825)	(35,132)	-	(223,957)
Net carrying amount	286,697	74,556	11,528,704	11,889,957

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 12: INVENTORIES

	CONSOLIDATED	
	30 September 2014	30 September 2013
	\$	\$
Plantations at cost	1,857,717	2,744,857
Less: Write down	(1,693,272)	(883,884)
	164,445	1,860,973
Seed stock at cost	352,608	352,608
Less: Write down	(334,978)	(219,514)
	17,630	133,094
New Zealand Carbon Credits	196,596	-
	378,671	1,994,067

NOTE 13: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	30 September 2014	30 September 2013
Current	\$	\$
Trade payables	113,141	254,845
Employee benefits accrual	30,751	79,926
GST Payable	35,790	11,297
Sundry payables and accrued expenses	315,519	450,756
	495,201	796,824

Trade payables are non-interest bearing and are normally settled on 30-day terms.
Information regarding the effective interest rate and credit risk of current payables is set out in Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 14: INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	30 September 2014	30 September 2013
	\$	\$
Current		
<i>Secured</i>		
Bank Bills	555,000	500,000
Lease liabilities (note 22)	27,429	22,672
	582,429	522,672
<i>Unsecured</i>		
Convertible note	1,300,000	2,000,000
Insurance loan	9,027	36,563
	1,309,027	2,036,563
	1,891,456	2,559,235
Non-Current		
<i>Secured</i>		
Bank Bill	1,943,500	2,610,000
Lease liabilities (note 22)	-	27,429
	1,943,500	2,637,429
Total current and non-current secured liabilities:		
Bank Bill	2,498,500	3,110,000
Lease liabilities	27,429	50,101
	2,525,929	3,160,101
Carrying amounts of non-current assets pledged as security:		
Fixed and floating charge over assets	13,445,385	15,095,553
Bank Bill		
Facility	2,498,500	3,110,000
Drawn	2,498,500	3,110,000

Collateral provided

Lease liabilities are secured by the underlying leased assets.

The bank bill (fully drawn with principal and interest repayable over 7 years) is secured by a first registered mortgage over certain freehold properties owned by the Group together with a floating charge over all of the assets of Carbon Conscious Limited including its subsidiaries. Covenants imposed by the bank require the Group to maintain a net worth of at least \$4.5m and a net worth of no less than 55% of tangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 14: INTEREST BEARING LIABILITIES (continued)

The convertible note facility of \$2M which is fully drawn at the reporting date has the following terms:

- Funding term for \$1M ends 14 January 2013 and the remaining \$1M on 14 July 2013
- A coupon rate of 10% per annum was paid in equity up to the date of the original funding term
- The Company may redeem the Notes at any time during the Funding Term
- Prior to expiry of the Funding term, the Noteholder has the option to:
 - Extend the funding term;
 - Require the Company to redeem the Notes for the face value of \$100,000 each;
 - Convert the Notes to shares at the lower of \$0.12 per share or 10% discount to the 5 day volume weighted average price prior to the conversion date
- The shareholders have already given approval for the Notes to convert and for the 1,000,000 unlisted options granted to the Noteholder as part of the transaction. The unlisted options are exercisable at 20 cents each on or before 31 July 2014.

On 18 November 2014, the Company received a letter from the Convertible Note Holder confirming that:

- the Noteholder does not intend to convert the convertible notes to equity and is seeking repayment as soon as possible;
- whilst the agreed repayment time for the convertible notes has expired, the Company is not in default and that the Noteholder is prepared to work with the Company to arrange an orderly repayment via a combination of asset sales, capital raisings and cashflow;
- the Noteholder is prepared to work on an orderly repayment from the Company, however the timeframe to complete should be by 30 November 2015; and
- the Noteholder expects to be updated regularly by the Company as to the status of the repayment.

NOTE 15: ISSUED CAPITAL AND RESERVES

CONSOLIDATED				
			30 September 2014	30 September 2013
			\$	\$
Issued capital				
104,831,988 (30 September 2013: 103,381,988) fully paid Ordinary Shares			13,392,896	13,358,379
	12 months ended 30 September 2014	12 months ended 30 September 2014	3 months ended 30 September 2013	3 months ended 30 September 2013
	No.	\$	No.	\$
Movement in Ordinary Shares on issue	No.	\$	No.	\$
At beginning of the financial reporting period	103,381,988	13,358,379	103,381,988	13,358,379
Shares issued on 26 March 2014	1,450,000	36,250	-	-
Share issue costs	-	(1,733)	-	-
At 30 September 2014	104,831,988	13,392,896	103,381,988	13,358,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 15: ISSUED CAPITAL AND RESERVES (continued)

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

Reserves	12 months ended 30 September 2014	3 months ended 30 September 2013
<i>Share based payment reserve</i>		
At beginning of financial reporting period	899,869	899,869
At end of financial reporting period	899,869	899,869
<i>Foreign currency translation reserve</i>		
At beginning of financial reporting period	319,847	206,875
Foreign currency translation differences	(30,534)	112,972
At end of financial reporting period	289,313	319,847
Total	1,189,182	1,219,716

Share based payment reserve

This reserve is used to record the value of equity benefits provided to directors and Executives as part of their remuneration and to related parties in consideration for the establishment and ongoing promotion of the Group's activities. Details of all options on issue by the Company are disclosed in Note 16.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 16: SHARE BASED PAYMENTS

The following table illustrates the number (No.) and weighted average exercise prices of, and movements in, share options issued during the year:

		12 months ended 30 September 2014		3 months ended 30 September 2013	
		Weighted average exercise price		Weighted average exercise price	
	12 months ended 30 September 2014		3 months ended 30 September 2013		
	No.		No.		
Outstanding at the beginning of the reporting period	4,550,000	\$0.24	5,050,000	\$0.24	
Granted during the reporting period	-	-	-	-	
Cancelled during the reporting period	-	-	-	-	
Exercised during the reporting period	-	-	-	-	
Expired during the reporting period	(4,550,000)	\$0.24	(500,000)	\$0.60	
Outstanding at the end of the reporting period	-	-	4,550,000	\$0.20	
Exercisable at the end of the reporting	-	-	4,550,000	\$0.20	

There are currently no unlisted options on issue.

The weighted average remaining contractual life for the share options outstanding as at 30 September 2014 is Nil (30 September 2013: 0.39 years).

The range of exercise prices for options outstanding at the end of the year was Nil (30 September 2013: \$0.12 - \$0.40).

The weighted average fair value of options granted during the year was Nil (30 September 2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 17: CONTROLLED ENTITIES

Subsidiaries of Carbon Conscious Limited			
Name	Country of incorporation	Ownership interest	
		12 months ended 30 September 2014	3 months ended September 2013
Carbon Fund Australia Pty Ltd	Australia	100%	100%
Carbon Management Pty Ltd	Australia	100%	100%
CCF Holdings NSW Pty Ltd	Australia	100%	100%
Carbon Conscious New Zealand Ltd	New Zealand	100%	100%
Carbon Conscious Holdings NZ No.1 Limited	New Zealand	100%	100%
Carbon Conscious Holdings NZ No.3 Limited	New Zealand	0%	100%

NOTE 18: AUDITOR'S REMUNERATION

The auditor of Carbon Conscious Limited is HLB Mann Judd.

CONSOLIDATED		
	12 months ended 30 September 2014	3 months ended 30 September 2013
	\$	\$
Amounts received or due and receivable by HLB Mann Judd for:		
An audit or review of the financial report of the entity and any other entity in the Group	25,000	20,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 19: FINANCIAL INSTRUMENTS

(i) Capital Risk Management

The Group's activities may expose it to a variety of risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's overall strategy remains unchanged from 30 September 2013.

(ii) Categories of Financial Instruments

	CONSOLIDATED	
	30 September 2014	30 September 2013
	\$	\$
Financial assets		
Trade and other receivables	577,592	666,585
Cash and cash equivalents	313,055	308,768
Total financial assets	890,647	975,353
Financial liabilities		
Trade and other payables	495,201	796,824
Other financial liabilities	3,834,956	5,196,664
Total financial liabilities	4,330,157	5,993,488
Net financial liabilities	(3,439,510)	(5,018,135)

During the financial period no loans or receivables were revalued through profit or loss.

(iii) Market Risk

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The carbon market is a newly developing market and as such there are limited avenues to negate market risk in traditional manners. The Group monitors and understands movements within the market on a daily basis.

(iv) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparty is a bank with a high credit rating assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 19: FINANCIAL INSTRUMENTS (continued)

(v) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(vi) Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
12 months ended 30 September 2014						
Non-interest bearing	-	495,201				
Finance leases	7.72	1,484	4,453	22,136		
Other fixed rate instruments	6.58	3,254	6,508			
Bank bill	7.00	-	170,284	552,495	2,386,074	
Convertible notes	10.00	1,300,000				
		1,799,939	181,245	574,631	2,386,074	-
3 months ended 30 September 2013						
Non-interest bearing	-	796,824				
Finance leases	7.72	3,320	6,024	16,415	28,074	
Other fixed rate instruments	4.93	7,100	14,200	17,660		
Bank bill	7.32	-	179,605	528,084	2,860,963	301,354
Convertible notes	10.00	2,000,000				
		2,807,243	199,828	562,158	2,889,036	301,354

(vii) Fair Value of Financial Instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 19: FINANCIAL INSTRUMENTS (continued)

(viii) Interest Rate Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- Net result before tax would decrease by \$18,094 (30 September 2013: decrease by \$3,840) or increase by \$18,094 (30 September 2013: increase by \$3,840). This is attributable to the Group's exposure to interest rates on its variable rate instruments.
- Total equity would increase by \$18,094 (30 September 2013: decrease by \$3,840) or decrease by \$18,094 (30 September 2013: increase by \$3,840) attributable to the Company's exposure to interest rates on its variable rate instruments.

NOTE 20: CASH FLOW INFORMATION

Reconciliation of loss for the year to net cash flows from operating activities

	CONSOLIDATED	
	12 months ended 30 September 2014	3 months ended 30 September 2013
	\$	\$
Loss for the reporting period	(1,845,978)	(72,638)
Loss on sale of fixed assets	282,595	34,517
Employee leave benefits	(21,345)	2,232
Depreciation and amortisation expense	735,301	3,274,460
Impairment of assets	668,710	(1,325,826)
Finance costs	6,135	1,056
Taxation (refund)	(987,415)	(2,151,446)
Decrease in inventories	1,812,130	-
Decrease / (increase) in receivables	40,240	(24,462)
Increase in trade and other payables	124,754	98,804
Decrease / (increase) in other assets	314,902	(55,928)
Net cash provided by / (used) in operating activities	1,130,029	(219,231)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 21: KEY MANAGEMENT PERSONNEL (KMP) REMUNERATION

Refer to the Remuneration Report contained within the Directors' Report for details of remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 September 2014.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

CONSOLIDATED		
	12 months ended 30 September 2014	3 months ended 30 September 2013
	\$	\$
Short-term employment benefits	589,816	187,990
Post-employment benefits	42,019	16,529
	631,835	204,519

NOTE 22: COMMITMENTS

(a) Operating Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are as follows:

CONSOLIDATED		
	12 months ended 30 September 2014	3 months ended 30 September 2013
Payable:	\$	\$
Within one year	101,387	206,634
After one year but not more than five years	6,300	117,613
Total minimum lease repayments	107,687	324,247
Less amounts representing finance charges	-	-
Present value of minimum lease payments	107,687	324,247

These lease commitments encompass office rent and office equipment under an operating lease

(b) Finance Lease Commitments

The Company has a finance lease for one motor vehicle. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

CONSOLIDATED		
	12 months ended 30 September 2014	3 months ended 30 September 2013
Payable:	\$	\$
Within one year	28,074	25,143
After one year but not more than five years	-	28,074
Total minimum lease repayments	28,074	53,217
Less amounts representing finance charges	(645)	(3,117)
Present value of minimum lease payments	27,429	50,100

(c) Capital Commitments

The Company had no capital commitments at balance date that are not included as liabilities in the Statement of Financial Position (30 September 2013: \$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 23: PARENT ENTITY DISCLOSURES

	CONSOLIDATED	
	30 September 2014	30 September 2013
Financial position	\$	\$
Assets		
Current assets	12,263,313	14,151,054
Non-current assets	4,485,042	6,100,279
Total assets	16,748,355	20,251,333
Liabilities		
Current liabilities	2,364,770	3,331,824
Non-current liabilities	1,943,500	2,637,429
Total liabilities	4,308,270	5,969,253
Equity		
Issued capital	13,392,896	13,358,379
(Accumulated losses) / retained earnings	(1,852,680)	23,832
Share-based payments	899,869	899,869
Total equity	12,440,085	14,282,080
Financial performance		
(Loss)/ profit for the year	(1,876,512)	40,333
Total comprehensive income/(loss)	(1,876,512)	40,333

Carbon Conscious Limited (the parent entity) provides a performance guarantee under the Carbon Purchase Agreement in New Zealand to Carbon Conscious New Zealand Ltd (a wholly owned subsidiary).

NOTE 24: RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial period:

Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	\$	\$	\$	\$
12 months ended 30 September 2014				
Mining Corporate Advisory Services Pty Ltd	-	114,884	-	-
Aroona Management Ltd	-	149,488	-	1,541,753
Rumble Resources Ltd	120	1,233	-	-
3 months ended 30 September 2013				
Mining Corporate Pty Ltd	-	-	-	1,167
Aroona Management Ltd	-	46,133	-	2,092,265
Rumble Resources Ltd	32,126	275	4,430	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 24: RELATED PARTY TRANSACTIONS (continued)

Mining Corporate Advisory Services is an entity controlled by Kent Hunter which provided CFO and Company secretarial services during the year.

Aroona Management Ltd is an entity controlled by Neil McBain, a director of Carbon Conscious Ltd. Aroona holds the convertible note of \$1,300,000 disclosed in Note 14. Purchases relate to interest accrued during the year at 10% of the outstanding balance of the note. Principle repayments of \$700,000 were made during the year.

Mr Andrew McBain is a non-executive director of Rumble Resources Ltd. The sales and purchases invoices in the year related to recharges of shared services.

NOTE 25: CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 30 September 2014 (30 September 2013: \$Nil).

NOTE 26: EVENTS AFTER BALANCE DATE

The following event occurred after the year ended 30 September 2014:

- (b) **18 November 2014** – the Group received a letter from the Convertible Note Holder confirming that:
- the Noteholder does not intend to convert the convertible notes to equity and is seeking repayment as soon as possible;
 - whilst the agreed repayment time for the convertible notes has expired, the Group is not in default and that the Noteholder is prepared to work with the Group to arrange an orderly repayment via a combination of asset sales, capital raisings and cashflow;
 - the Noteholder is prepared to work on an orderly repayment from the Group, however the timeframe to complete should be by 30 November 2015; and
 - the Noteholder expects to be updated regularly by the Group as to the status of the repayment.

Other than the above, there have been no other matters or circumstances that have arisen after balance date that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Carbon Conscious Limited (the 'Company'):
 - (a) the accompanying financial statements, notes and additional disclosures are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 30 September 2014 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 September 2014.

This declaration is signed in accordance with a resolution of the Board of Directors.



Andrew McBain
Executive Director
Carbon Conscious Limited

Dated this 18th day of December 2014



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Carbon Conscious Limited

Report on the Financial Report

We have audited the accompanying financial report of Carbon Conscious Limited ("the company"), which comprises the consolidated statement of financial position as at 30 September 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

- (a) the financial report of Carbon Conscious Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(a) to the financial report which indicates the company is dependent on raising sufficient funds through either the review and realisation of unproductive assets held or through debt or equity raisings to enable it to continue as a going concern for at least the period of 12 months from the signing of the financial report. If the company is unable to raise sufficient funds, there is a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 September 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Carbon Conscious Limited for the year ended 30 September 2014 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
18 December 2014

A handwritten signature in black ink that reads 'L Di Giallonardo'.

L Di Giallonardo
Partner

ASX ADDITIONAL INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the Company as at 15 December 2014 were as follows:

Number Held as at 15 December 2014	Class of Equity Securities
	Fully Paid Ordinary Shares
1 - 1,000	7,331
1,001 - 5,000	960,758
5,001 - 10,000	689,094
10,001 - 100,000	12,061,001
100,001 and over	91,113,804
Total	104,831,988

Holders of less than a marketable parcel:

- 1 – 20,833 fully paid shares – 455
- > 20,833 fully paid shares – 313

Substantial Shareholders

The Company has the following substantial shareholders listed in the Company's register as at 15 December 2014:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Broadacre Asset Management Pty Ltd	12,751,706	12.16%
Citicorp Nominees Pty Ltd	9,986,711	9.53%
BT Portfolio Services Ltd <the Graves Family A/C>	8,428,570	8.04%
Stoney Pastoral Co Pty Ltd	5,300,000	5.06%

Restricted Securities

The Company has no restricted securities on issue.

Voting Rights – Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every Fully Paid Ordinary Share held.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest ordinary fully paid shareholders as at 15 December 2014 are as follows:

Rank	Name of Shareholder	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Broadacre Asset Management Pty Ltd	12,751,706	12.16%
2	Citicorp Nominees Pty Limited	9,986,711	9.53%
3	BT Portfolio Services Limited <The Graves Family A/C>	8,428,570	8.04%
4	Stoney Pastoral Co Pty Ltd	5,300,000	5.06%
5	Mr Christopher Neil Stevens + Mrs Nerolie Joy Stevens <Yall Super Fund A/C>	2,400,000	2.29%
6	Macro Fund Services Pty Ltd	2,279,922	2.17%
7	Sharic Superannuation Pty Ltd <Farris Super Fund A/C>	2,182,000	2.08%
8	Aroona Management Pty Ltd <McBain Family A/C>	1,800,000	1.72%
9	Salgood Pty Ltd <The Hillman A/C>	1,800,000	1.72%
10	Wilnom Pty Ltd <The Morrison Family A/C>	1,500,000	1.43%
11	Ballybunnion Trading Co Pty Ltd	1,456,882	1.39%
12	Broadacre Finance Pty Ltd <The Rule 303 Super Fund A/C>	1,399,000	1.33%
13	Mac 110 Nominees Pty Ltd <The Rule 303 A/C>	1,350,000	1.29%
14	Maximise Your Body Pty Ltd <JSH Family A/C>	1,310,098	1.25%
15	Mardic (Australia) Pty Ltd <Mardic (Australia) A/C>	1,125,000	1.07%
16	Superluminal Pty Ltd <Maurton A/C>	1,000,000	0.95%
17	Mr Peter Murray Jackson	1,000,000	0.95%
18	Mr Peter Francis Smith	1,000,000	0.95%
19	Mr Anthony Dean Lazenby	1,000,000	0.95%
20	Mr David Adam Lenyszyn	1,000,000	0.95%
	Total	60,069,889	57.30%