

28 May 2015

Company Announcements Office
Australian Securities Exchange
10th Floor
20 Bond Street
SYDNEY NSW 2000

ANNOUNCEMENT NUMBER 288

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Dear Sir

Appendix 4D & Half Year Report for the Period ended 31 March 2015

Please find enclosed Appendix 4D as required under ASX Listing Rule 4.2A.3 and a copy of the Half Year Report for the activities of Carbon Conscious Limited for the period ended 31 March 2015.

Yours faithfully



Anthony Fitzgerald
Company Secretary

Contact:

Mr Andrew McBain
+61 417 456 895

CARBON CONSCIOUS LIMITED

ABN 20 129 035 221

Half Year Report
Period Ending 31 March 2015

Appendix 4D

Lodged with the ASX under Listing Rule 4.2A.3

Details of Reporting Period

Reporting period is from 1 October 2014 through to 31 March 2015.

Results for Announcement to the Market

| | | March 2015 \$'000 | March 2014 \$'000 |
|---|-----------|----------------------------------|----------------------------------|
| Revenue from ordinary activities | Up 42.3% | 1,839 | 1,292 |
| Profit/(loss) before income tax | Up 1,760% | 372 | 20 |
| Profit/(loss) after tax attributable to members | Up 246% | 218 | 63 |

Operational Highlights

During the March 2015 half-year the Company continued to manage its existing plantations in Australia and New Zealand. Focus remains on the streamline of operations, delivering on existing contracts, increasing cash-flow and reducing debt. This strategy is starting to return value to shareholders evidenced by the strong increase in year on year profit. Due to the structure of its business the Company believes the most suitable measure of its profit is EBITDA and for the March 2015 half year EBITDA was \$680,894 versus \$385,083 for March 2014 – up 76.8%.

Existing Contracts

In Australia, the Company has two substantial long term contracts with strong counterparties for the continued provision of services out until 2027. Gross revenue from these projects is estimated at circa \$32 million. In New Zealand, the Company has one substantial long term contract with a strong counterparty for the continued provision of services out until 2032. Gross revenue from the project is estimated at circa \$7 million.

Carbon Market - ERF

In December 2014 the Federal Government passed legislation for its Direct Action plan for reducing Australia's carbon emissions. The cornerstones of the policy are the Carbon Farming Initiative and the Emission Reduction Fund "ERF" which will purchase carbon credits or ACCUs generated from proponents of eligible projects. The ERF fund has \$2.55 billion available for purchasing ACCUs under a reverse auction system.

Carbon Conscious devoted significant resources during the half year to ensure its projects were compliant for the ERF and able to participate in bidding into the auctions and the Company was successful in transitioning the projects to the new legal environment.

The first ERF auction took place on 16 April 2015 and resulted in 107 projects successfully contracting to supply circa 47.3 million ACCUs to the Federal Government. Carbon Conscious participated in the first ERF auction and was successful in achieving a 7 year off-take contract for 1 of its 2 Carbon Farming Initiative projects. It is likely that Carbon Conscious will participate in the next round of the ERF auctions for its remaining project.

The outcome of a successful contract tender into the ERF is the monetisation of project ACCUs. This outcome is mainly for the benefit of existing customer's, however, the Company also has ACCUs for sale from plantation areas planted in its own right and will receive income from the sale of its own ACCUs.

Debt Reduction

The Company continues to pay down debt in advance of its repayments obligations. From 1 October 2014 to 31 March 2015, principle debt was reduced by \$1.03 million. A further \$0.2 million has been repaid since 31 March 2015. Remaining debt stands at circa \$2.55 million and the Company is confident that debt can be fully repaid by circa 30 September 2016.

New Business

Carbon Conscious continues to evaluate opportunities in carbon, clean energy, energy efficiency and agriculture, with a particular focus on sustainable dairy projects. Whilst the Company does not have any new project developments to report, it continues to review various options with a view to complimenting its existing business and cash-flow. The strong, contracted long term cash-flow from existing projects provides a solid base for the Company to further develop new business opportunities as they present themselves.

Dividends

No dividends have been paid or declared since the start of the financial period and the directors do not recommend the payment of a dividend in respect of the financial period.

Net Tangible Assets per Security

Net tangible assets per ordinary share is \$0.09 as at 31 March 2015 (as at 31 March 2014 - \$0.08).

Net assets per ordinary share is \$0.12 as at 31 March 2015 (as at 31 March 2014 - \$0.11).

The results should be read in conjunction with the Interim Financial reports for the period lodged with the ASX on 28 May 2015.



Andrew McBain
Executive Director

Date: 28 May 2015



carbonconscious

ABN 20 129 035 221

**Interim Financial Report
For the Half-Year Ended 31 March 2015**

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COMPANY DIRECTORY

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 ANTHONY FITZGERALD

Principal & Registered Office

SUITE 1
25 WALTERS ROAD
OSBORNE PARK WA 6017
TELEPHONE: (08) 9204 8400

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 Listing

AUSTRALIAN SECURITIES EXCHANGE
(HOME EXCHANGE: PERTH, WA)
ASX CODE: CCF

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 March 2015.

DIRECTORS

The names of Directors who held office during or since the end of the period and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Mr Andrew McBain - Executive Director
Mr Trevor Stoney - Non-Executive Chairman
Mr Neil McBain - Non-Executive Director

COMPANY SECRETARY

Mr Anthony Fitzgerald (appointed 30 March 2015)

REVIEW OF OPERATIONS

During the March 2015 half-year the Company continued to manage its existing plantations in Australia and New Zealand. Focus remains on the streamline of operations, delivering on existing contracts, increasing cash-flow and reducing debt. This strategy is starting to return value to shareholders evidenced by the strong increase in year on year profit. Due to the structure of its business the Company believes the most suitable measure of its profit is EBITDA and for the March 2015 half year EBITDA was \$680,894 versus \$385,083 for March 2014 – up 76.8%.

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DIRECTORS' REPORT

Debt Reduction

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New Business

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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration for the period ended 31 March 2015 is set out on page 6.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the Corporations Act 2001.



Andrew McBain
Executive Director

Perth
Dated 28 May 2015

AUDITOR'S INDEPENDENCE DECLARATION



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Carbon Conscious Limited for the half-year ended 31 March 2015, 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 review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
28 May 2015

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

L Di Giallonardo
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 MARCH 2015

| | Note | Half-Year to 31 March 2015 \$ | Half-Year to 31 March 2014 \$ |
|--|------|-------------------------------------|-------------------------------------|
| Revenue | 2 | 1,839,075 | 1,291,983 |
| Operating expenses | | (439,552) | (284,819) |
| Administrative expenses | | (159,407) | (151,623) |
| Marketing expenses | | (23,992) | (12,601) |
| Employee benefits expense | | (348,642) | (321,936) |
| Occupancy expense | | (126,097) | (111,238) |
| Financing expenses | | (146,451) | (194,375) |
| Depreciation and amortisation expense | 2 | (165,723) | (172,752) |
| Impairment of financial assets | | - | 1,642 |
| Share-based payments | | (56,472) | - |
| Other expenses | | - | (24,167) |
| Profit before income tax expense / benefit | | 372,739 | 20,114 |
| Income tax (expense) / benefit | 3 | (155,117) | 43,142 |
| Profit attributable to members of the parent entity | | 217,622 | 63,256 |
| Other comprehensive income | | | |
| Exchange difference on translating foreign controlled entities net of income tax | | 246,066 | 157,615 |
| Other comprehensive income for the period | | 246,066 | 157,615 |
| Total comprehensive income attributable to members of the parent entity | | 463,688 | 220,871 |
| Basic earnings per share (cents per share) | 4 | 0.21 | 0.06 |
| Diluted earnings per share (cents per share) | | 0.21 | 0.06 |

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

| | Note | 31 March 2015 \$ | 30 September 2014 \$ |
|--------------------------------------|------|---------------------|-------------------------|
| Current Assets | | | |
| Cash and cash equivalents | | 225,673 | 313,055 |
| Trade and other receivables | | 736,746 | 577,592 |
| Income tax refundable | | 281,055 | 281,055 |
| Inventories | 5 | 4,243 | - |
| Other assets | | 99,730 | 414,354 |
| Other financial assets | | 20,324 | 13,824 |
| Total Current Assets | | 1,367,771 | 1,599,880 |
| Non-Current Assets | | | |
| Intangibles | 6 | 3,555,911 | 3,688,318 |
| Inventories | 5 | 145,539 | 378,671 |
| Property, plant and equipment | 7 | 10,076,815 | 9,872,697 |
| Deferred tax asset | 3 | 1,080,187 | 1,230,676 |
| Total Non-Current Assets | | 14,858,452 | 15,170,362 |
| Total Assets | | 16,226,223 | 16,770,242 |
| Current Liabilities | | | |
| Trade and other payables | 8 | 493,992 | 495,201 |
| Interest-bearing liabilities | 9 | 1,383,486 | 1,891,456 |
| Total Current Liabilities | | 1,877,478 | 2,386,657 |
| Non-Current Liabilities | | | |
| Interest-bearing liabilities | 9 | 1,388,500 | 1,943,500 |
| Total Non-Current Liabilities | | 1,388,500 | 1,943,500 |
| Total Liabilities | | 3,265,978 | 4,330,157 |
| Net Assets | | 12,960,245 | 12,440,085 |
| Equity | | | |
| Issued capital | 10 | 13,392,896 | 13,392,896 |
| Reserves | | 1,491,720 | 1,189,182 |
| Accumulated losses | | (1,924,371) | (2,141,993) |
| Total Equity | | 12,960,245 | 12,440,085 |

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 MARCH 2015

| | Issued capital | Accumulated losses | Share- based payment reserve | Foreign currency translation reserve | Total |
|--|-------------------|-----------------------|---------------------------------------|---|------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 October 2013 | 13,358,379 | (296,015) | 899,869 | 319,847 | 14,282,080 |
| Profit attributable to members | - | 63,256 | - | - | 63,256 |
| Foreign currency translation differences | - | - | - | 157,615 | 157,615 |
| Total comprehensive income for the year | - | 63,256 | - | 157,615 | 220,871 |
| Equity issued net of costs | 21,750 | - | - | - | 21,750 |
| Balance at 31 March 2014 | 13,380,129 | (232,759) | 899,869 | 477,462 | 14,524,701 |
| Balance at 1 October 2014 | 13,392,896 | (2,141,993) | 899,869 | 289,313 | 12,440,085 |
| Profit attributable to members | - | 217,622 | - | - | 217,622 |
| Foreign currency translation differences | - | - | - | 246,066 | 246,066 |
| Total comprehensive income for the year | - | 217,622 | - | 246,066 | 463,688 |
| Share based payments | - | - | 56,472 | - | 56,472 |
| Balance at 31 March 2015 | 13,392,896 | (1,924,371) | 956,341 | 535,379 | 12,960,245 |

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 MARCH 2015

| | Half-Year to 31 March 2015 \$ | Half-Year to 31 March 2014 \$ |
|--|-------------------------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 1,630,263 | 1,301,091 |
| Payments to suppliers and employees | (907,520) | (1,520,625) |
| Interest received | 4,019 | 2,188 |
| Interest paid | 34,975 | (119,545) |
| Tax refund | - | 1,139,648 |
| Net cash provided by operating activities | 761,737 | 802,757 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (1,545) | (4,780) |
| Proceeds from sale of land | 200,000 | 136,243 |
| Proceeds from the sale of plant and equipment | 10,500 | 24,886 |
| Net cash provided by investing activities | 208,955 | 156,349 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of convertible notes | (500,000) | (600,000) |
| Repayment of bank bill facilities | (530,000) | (371,500) |
| Repayment of finance leases | (28,074) | (16,432) |
| Net cash used in financing activities | (1,058,074) | (987,932) |
| Net (decrease) in cash and cash equivalents | (87,382) | (28,826) |
| Cash and cash equivalents at beginning of half-year | 313,055 | 308,768 |
| Cash and cash equivalents at end of half-year | 225,673 | 279,942 |

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 MARCH 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134 'Interim Financial Reporting', Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The interim report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide a full understanding of the financial performance, financial position and cash flows of the Consolidated Entity as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 September 2014 and any public announcements made by Carbon Conscious Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Consolidated Entity's annual financial report for the year ended 30 September 2014.

Reporting Basis and Conventions

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

Comparative Figures

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

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from the estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 September 2014.

1. STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (continued)

Adoption of new and revised Accounting Standards

In the half-year ended 31 March 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 October 2014.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Consolidated Entity accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 March 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change necessary to Consolidated Entity accounting policies.

Going Concern

The interim report has been prepared on a going concern basis notwithstanding the deficiency in working capital of \$509,707. This deficiency has been caused by the classification of the convertible note facility as a current liability due to the convertible notes becoming due for repayment within 12 months of balance date i.e. 30 November 2015. The Directors believe that the going concern basis is appropriate due to the following:

- The Company continues to have ongoing contractual revenues from managing its existing projects in Australia and New Zealand out till 2032.
- The Company has confirmed with the Noteholder that the Company is not in default and that the Noteholder is working with the Company to arrange an orderly repayment which is targeted for completion by 30 November 2015.
- The Company is expecting a tax refund of approximately \$250,000 after lodgement of its 2014 tax return.
- The Company is continuing the process of realising some of its unproductive assets held, including land, plant and machinery of which funds will be utilised to repay debt.
- The Company completed a rights issue and placement subsequent to balance date raising \$645,360, with a majority of the funds being utilised to reduce debt. The Company has the capacity to raise further capital as required.

The Directors are confident that the Company will be able to successfully raise funds through a combination of the above initiatives sufficient to enable it to continue as a going concern for at least the period of 12 months from the signing of the half-year financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2(a). REVENUE

| | Half-Year to 31 March 2015 \$ | Half-Year to 31 March 2014 \$ |
|---|-------------------------------------|-------------------------------------|
| The following revenue items are relevant in explaining the financial performance for the half-year: | | |
| Planting income | - | 32,400 |
| Carbon sales | 3,507 | 11,104 |
| Land licence / management fees | 1,170,010 | 1,147,473 |
| Interest received | 4,019 | 2,188 |
| Sale of Australian and New Zealand Carbon Credit Units | 563,169 | 88,018 |
| Other income | 98,370 | 10,800 |
| | <u>1,839,075</u> | <u>1,291,983</u> |

2(b). DEPRECIATION AND AMORTISATION EXPENSE

| | Half-Year to 31 March 2015 \$ | Half-Year to 31 March 2014 \$ |
|-------------------------------------|-------------------------------------|-------------------------------------|
| Depreciation on Plant and Equipment | 13,291 | 35,624 |
| Amortisation of Forestry Rights | 152,432 | 137,128 |
| | <u>165,723</u> | <u>172,752</u> |

3. INCOME TAX

| | Half-Year to 31 March 2015 \$ | Half-Year to 31 March 2014 \$ |
|---|-------------------------------------|-------------------------------------|
| The prima facie tax on profit before income tax is reconciled to the income tax benefit as follows: | | |
| Profit before tax | <u>372,739</u> | <u>20,114</u> |
| Income tax using the domestic tax rate of 30% (2014: 30%) | 111,822 | 6,034 |
| Difference in tax rate of foreign subsidiaries | (304) | 3,387 |
| Non-deductable expenses | (39,544) | 70,826 |
| Effect of foreign exchange differences on foreign tax | 89,701 | 39,126 |
| Refundable tax offsets – R&D | (6,558) | (162,515) |
| Income tax expense/(benefit) | <u>155,117</u> | <u>(43,142)</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. INCOME TAX (continued)

| | Balance 30 September 2014 | Recognised in Income | Balance 31 March 2015 |
|--|------------------------------|-------------------------|--------------------------|
| Deferred tax liability/asset | \$ | \$ | \$ |
| Tax losses – New Zealand | 100,388 | (98,816) | 1,572 |
| Tax losses – Australia | 886,612 | (67,570) | 819,042 |
| Other timing differences | 243,676 | 15,897 | 259,573 |
| Net deferred tax asset/(liability) | 1,230,676 | (150,489) | 1,080,187 |
| Deferred Tax Asset/(Liability) – Australia | 1,136,959 | | 1,076,171 |
| Deferred Tax Asset/(Liability) – New Zealand | 93,717 | | 4,016 |
| | 1,230,676 | | 1,080,187 |

4. EARNINGS PER SHARE

| | Half-Year to 31 March 2015 Cents per share | Half-Year to 31 March 2014 Cents per share |
|--------------------------|--|--|
| Basic earnings per share | 0.21 | 0.06 |

The earnings and weighted average number of Ordinary Shares used in the calculation of basic earnings per share is as follows:

| | \$ | \$ |
|--|-------------|-------------|
| Profit for the year after income tax | 217,622 | 63,256 |
| | No. | No. |
| Weighted average number of Ordinary Shares outstanding during the year used in calculating basic EPS | 104,831,988 | 103,389,955 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. INVENTORIES

| | 30 March 2015 | 30 September 2014 |
|--------------------------|----------------|-------------------|
| | \$ | \$ |
| Current | | |
| Carbon Credits at cost | 4,243 | - |
| Total Current | 4,243 | - |
| Non-current | | |
| <u>Plantations</u> | | |
| Plantations at cost | 1,821,181 | 1,857,717 |
| Less: Impairment | (1,693,272) | (1,693,272) |
| | 127,909 | 164,445 |
| <u>Seed stock</u> | | |
| Seed stock at cost | 352,608 | 352,608 |
| Less: Impairment | (334,978) | (334,978) |
| | 17,630 | 17,630 |
| Carbon Credits at cost | - | 196,596 |
| Total Non-Current | 145,539 | 378,671 |

Plantations and seed stock at reporting date are considered non-current due to the reduced planting program and short term carbon markets.

6. INTANGIBLES

| | 30 March 2015 | 30 September 2014 |
|--------------------|---------------|-------------------|
| | \$ | \$ |
| Forestry Rights | 7,710,464 | 7,675,348 |
| Less: Amortisation | (4,154,553) | (3,987,030) |
| | 3,555,911 | 3,688,318 |

7. PROPERTY, PLANT & EQUIPMENT

| | 30 March 2015 | 30 September 2014 |
|-----------------------------|---------------|-------------------|
| | \$ | \$ |
| Property, plant & equipment | 101,921 | 115,630 |
| Land | 9,974,894 | 9,757,067 |
| | 10,076,815 | 9,872,697 |

Property, plant & equipment and Land are recorded at cost, less any impairment losses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. TRADE & OTHER PAYABLES

| | 30 March 2015 | 30 September 2014 |
|------------------------------|----------------|-------------------|
| | \$ | \$ |
| Trade Payables | 47,752 | 113,141 |
| Employee benefits accrual | 54,484 | 30,751 |
| GST Payable | 43,985 | 35,790 |
| Sundry payables and accruals | 347,771 | 315,519 |
| | <u>493,992</u> | <u>495,201</u> |

9. INTEREST-BEARING LIABILITIES

| | 30 March 2015 | 30 September 2014 |
|--------------------------------|------------------|-------------------|
| | \$ | \$ |
| <u>Current Liabilities</u> | | |
| Bank bill facility | 580,000 | 555,000 |
| Lease liabilities | - | 27,429 |
| Convertible note | 800,000 | 1,300,000 |
| Other | 3,486 | 9,027 |
| | <u>1,383,486</u> | <u>1,891,456</u> |
| <u>Non-Current Liabilities</u> | | |
| Bank bill facility | 1,388,500 | 1,943,500 |
| | <u>1,388,500</u> | <u>1,943,500</u> |

The Company has a senior debt facility with the Commonwealth Bank of Australia (balance at 31 March 2015 \$1,968,500). The facility is a principal and interest facility which terminates in March 2019 and is secured by way of mortgages on freehold land and charges on the Company.

As at 31 March 2015, the Company had outstanding convertible notes of \$800,000. Details include;

- An amount of \$500,000 was repaid during the half-year.
- The coupon rate on the outstanding notes is 10% per annum.
- The Company has confirmed with the Noteholder that:
 - The Noteholder does not intend to convert the convertible notes to equity and is seeking repayment; and
 - Whilst the original agreed repayment time has expired the Company is not in default as the Noteholder is working with the Company to arrange an orderly repayment by 30 November 2015.
- The Company repaid a further \$200,000 to the Noteholder on 21 April 2015, reducing the balance to \$600,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. ISSUED CAPITAL

| | 31 March 2015 | 30 September 2014 |
|--|---------------|-------------------|
| | \$ | \$ |
| 104,831,988 (30 Sept 2014: 104,831,988) fully paid Ordinary Shares | 13,392,896 | 13,392,896 |

| | 31 March 2015 | Half-Year to 31 March 2015 | 31 March 2014 | Half-Year to 31 March 2014 |
|--------------------------------------|---------------|----------------------------|---------------|----------------------------|
| | No. | \$ | No. | \$ |
| Movement in Ordinary Shares on issue | | | | |
| At beginning of the financial year | 104,831,988 | 13,392,896 | 103,381,988 | 13,358,380 |
| Shares issued on 27 March 2014 | - | - | 1,450,000 | 21,750 |
| At end of period | 104,831,988 | 13,392,896 | 104,831,988 | 13,380,129 |

11. OPTIONS

| | Half-Year to 31 March 2015 | Half-Year to 30 September 2014 |
|--|----------------------------|--------------------------------|
| | No. | No. |
| Movements in options over ordinary shares on issue | | |
| As at beginning of the half-year | - | 4,550,000 |
| Granted during the period | 11,250,000 | - |
| Cancelled / expired during the half-year | - | (4,550,000) |
| As at end of half-year | 11,250,000 | - |

Unissued ordinary shares under ASX Listed options CCFO expired on 31 March 2015. None were exercised into shares.

12. SEGMENT REPORTING

The Consolidated Entity has two reportable segments, as described below, which are the Consolidated Entity'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 CEO and Board of Directors review internal management reports on at least a quarterly basis.

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

- Australia – management of large scale tree plantations across various sites in the wheat-belt area of Western Australia to produce carbon credits or ACCUs on behalf of customers and the Company.
- New Zealand – management of pine tree plantations in the North Island of New Zealand to produce carbon credits or NZU's on behalf of customers and the Company.

Information regarding the results of each reportable segment is included below. Performance is measured on net profit before taxation as detailed in the management reports presented to the Board of Directors.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. SEGMENT REPORTING (continued)

| Half-Year ended 31 March 2015 | Australia \$ | New Zealand \$ | Eliminations \$ | Consolidated \$ |
|---|-------------------|-------------------|--------------------|--------------------|
| Revenue | | | | |
| Sales to external customers | 1,170,010 | - | - | 1,170,010 |
| Other revenues from external customers | 413,760 | 376,373 | (125,088) | 665,045 |
| Interest revenue | 4,020 | - | - | 4,020 |
| Total segment revenue | 1,587,790 | 376,373 | (125,088) | 1,839,075 |
| Expenses | | | | |
| Cost of sales | 213,216 | 226,336 | - | 439,552 |
| Interest expense | 146,123 | 328 | - | 146,451 |
| Depreciation and amortisation | 159,581 | 6,142 | - | 165,723 |
| Other costs | 711,316 | 128,382 | (125,088) | 714,610 |
| Total segment expenses | 1,230,236 | 361,188 | (125,088) | 1,466,336 |
| | | | | - |
| Net profit/(loss) before tax | 357,554 | 15,185 | - | 372,739 |
| Income tax benefit / (expense) | (60,787) | (94,330) | - | (155,117) |
| Net profit/(loss) after tax | 296,767 | (79,145) | - | 217,622 |
| Foreign exchange translation | - | 246,066 | - | 246,066 |
| Total comprehensive income | 296,767 | 166,921 | - | 463,688 |
| Segment assets | | | | |
| Current assets | 1,850,585 | 118,358 | (601,172) | 1,367,771 |
| Non-current assets | 12,152,485 | 2,705,967 | - | 14,858,452 |
| Total segment assets | 14,003,070 | 2,824,325 | (601,172) | 16,226,223 |
| Segment liabilities | | | | |
| Current liabilities | 2,465,933 | 12,717 | (601,172) | 1,877,478 |
| Non-current liabilities | 1,388,500 | - | - | 1,388,500 |
| Total segment liabilities | 3,854,433 | 12,717 | (601,172) | 3,265,978 |
| Net segment assets | 10,148,637 | 2,811,608 | - | 12,960,245 |
| Cash flow information | | | | |
| Net cash flow from operating activities | 529,364 | 232,373 | - | 761,737 |
| Net cash flow from investing activities | 447,792 | (238,837) | - | 208,955 |
| Net cash flow from financing activities | (1,058,074) | - | - | (1,058,074) |
| Net decrease in cash | (80,918) | (6,464) | - | (87,382) |
| Cash at beginning of half-year | 290,478 | 22,577 | - | 313,055 |
| Cash at end of half-year | 209,560 | 16,113 | - | 225,673 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. SEGMENT REPORTING (continued)

| Half-Year ended 31 March 2014 | Australia \$ | New Zealand \$ | Eliminations \$ | Consolidated \$ |
|---|-------------------|-------------------|--------------------|--------------------|
| Revenue | | | | |
| Sales to external customers | 1,190,977 | - | - | 1,190,977 |
| Other revenues from external customers | 192,110 | 4,880 | (98,172) | 98,818 |
| Interest revenue | 2,188 | - | - | 2,188 |
| Total segment revenue | 1,385,275 | 4,880 | (98,172) | 1,291,983 |
| Expenses | | | | |
| Cost of sales | 275,197 | 9,622 | - | 284,819 |
| Interest expense | 194,215 | 160 | - | 194,375 |
| Depreciation and amortisation | 166,286 | 6,466 | - | 172,752 |
| Other costs | 560,060 | 158,035 | (98,172) | 619,923 |
| Total segment expenses | 1,195,758 | 174,283 | (98,172) | 1,271,869 |
| Net profit/(loss) before tax | 189,517 | (169,403) | - | 20,114 |
| Income tax benefit / (expense) | 44,398 | (1,256) | - | 43,142 |
| Net profit/(loss) after tax | 233,915 | (170,659) | - | 63,256 |
| Foreign exchange translation | - | 157,615 | - | 157,615 |
| Total comprehensive income | 233,915 | (13,044) | - | 220,871 |
| Segment assets | | | | |
| Current assets | 1,059,289 | 249,556 | - | 1,308,845 |
| Non-current assets | 15,079,545 | 2,634,730 | - | 17,714,275 |
| Total segment assets | 16,138,834 | 2,884,286 | - | 19,023,120 |
| Segment liabilities | | | | |
| Current liabilities | 2,262,904 | 12,015 | - | 2,274,919 |
| Non-current liabilities | 2,223,500 | - | - | 2,223,500 |
| Total segment liabilities | 4,486,404 | 12,015 | - | 4,498,419 |
| Net segment assets | 11,652,430 | 2,872,271 | - | 14,524,701 |
| Cash flow information | | | | |
| Net cash flow from operating activities | 1,062,071 | (259,314) | - | 802,757 |
| Net cash flow from investing activities | (141,626) | 297,975 | - | 156,349 |
| Net cash flow from financing activities | (959,888) | (28,044) | - | (987,932) |
| Net decrease in cash | (39,443) | 10,617 | - | (28,826) |
| Cash at beginning of half-year | 291,683 | 17,085 | - | 308,768 |
| Cash at end of half-year | 252,240 | 27,702 | - | 279,942 |

13. CONTINGENT LIABILITIES

The Consolidated Entity currently has no contingent liabilities.

14. EVENTS SUBSEQUENT TO REPORTING DATE

- On 1 April 2015, 9,342,000 listed options expired unexercised.
- On 13 April 2015, the Company issued a prospectus to raise up to \$524,160 in ordinary share capital by way of a rights issue "Entitlement Offer" to existing shareholders. The Entitlement Offer is a conditionally underwritten, non-renounceable pro-rata offer of ordinary fully paid Shares at an issue price of 2 cents each to Eligible Shareholders on the basis of one new Share for every four Shares. The funds raised pursuant to the Entitlement Offer will be used to reduce debt, explore new initiatives in sustainable agricultural projects (including dairy) and for working capital purposes.
- On 21 April 2015, the Company repaid a further \$200,000 to the Noteholder, reducing outstanding notes to \$600,000.
- On 24 April 2015, the Company announced that it had successfully tendered for a 7 year contract with the Federal Government to sell ACCUs from one of the Company's projects into the Emission Reduction Fund.
- On 7 May 2015, the Company announced that the Entitlement Offer had closed with a shortfall of 18,866,865 shares.
- On 11 May 2015, the Company announced that \$146,825 had been raised from the issue of 7,341,232 fully paid ordinary shares. In accordance with Section 1.6 of the Prospectus, the remaining shares will be allocated to the Underwriter, CPS Capital Group Pty Ltd and at the discretion of the directors of the company.
- On 28 May 2015, the Company announced that the shortfall of \$377,335 (18,866,768 shares) had been placed to investors including \$247,229 to directors and management.
- On 28 May 2015, the Company announced that due to overwhelming interest in the shortfall, an additional \$121,200 (6,060,000 shares) had been placed to sophisticated investors under its placement capacity. As at this date shares on issue are 137,099,988.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 March 2015 and its performance for the half-year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Andrew McBain
Executive Director

Perth
Dated 28 May 2015



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Carbon Conscious Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carbon Conscious Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 March 2015, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Accountants | Business and Financial Advisers

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

HLB Mann Judd
Chartered Accountants

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

L Di Giallonardo
Partner

Perth, Western Australia
28 May 2015