



Our Ref: CO2 ASX Announce Media Release – Carbon price (301)

11 July 2011

Company Announcements Office
Australian Securities Exchange
Level 4,
20 Bridge Street
SYDNEY NSW 2000

ANNOUNCEMENT 301

By ASX Online
Number of pages: 2
(including this page)

Dear Sir

Carbon price major driver for CO2 Group's future growth

CO2 Group Limited ("CO2" or ASX: COZ); the nation's largest provider of forest carbon sink plantings, said today that the federal government's decision to put a \$23 price on carbon will provide substantial commercial opportunities for CO2, and underpins the company's business model.

"For the past eight years, CO2 has built a profitable and strong business in an environment of continued uncertainty around the federal government's policy on carbon. Today's policy announcement on the carbon price validates CO2's business model and provides us with a substantial growth platform," CO2 Group's Chief Executive Officer, Andrew Grant commented.

The \$23 per tonne price on carbon will be implemented on 1 July 2012 and includes an annual increase of 2.5% for three years.

"Certainty around government policy strengthens our existing contracts where we manage over 17,900 hectares of carbon plantings on behalf of our blue chip customer base. We expect that we will now be able to also expand some of these contracts, most of which are 30-50 years in length.

"More importantly, we have been working on a pipeline of new customer opportunities that have been dependent upon certainty around government policy, so we expect to see an increase in new plantings. Today's announcement revealed that the carbon price is likely to impact around 500 large carbon emitters in Australia, and with CO2 working with just 10 companies locally, our growth prospects are indeed compelling.

The Federal Government's carbon policy places special importance on carbon forestry allowing liable companies to reduce the carbon tax by up to 5 percent through purchasing Australian generated Kyoto credits. These credit types will largely be sourced from carbon forests."

"As well, CO2 has actively broadened its range of environmental services in anticipation of this legislation. Mine site rehabilitation, broader environmental plantings, carbon accounting, and carbon credit and renewable energy certificate trading initiatives will now be more actively marketed.

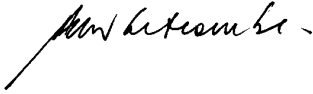
"We welcome this certainty around climate change legislation and are focused on capitalising on this opportunity for our shareholders," Mr. Grant said.

CO2 Group Limited

Level 11, 225 St Georges Terrace Perth WA 6000
PO Box 7312 Cloisters Square Perth WA 6850

Tel. 08 9321 4111 ABN 50 009 317 846
Fax. 08 9321 4411 www.co2australia.com.au

Yours faithfully
CO2 Group Limited

A handwritten signature in black ink, appearing to read 'Harley Whitcombe'.

Harley Whitcombe
Company Secretary

For more information contact:

Elise Margaritis: Marketing and Communications Manager, CO2 Australia
03 9928 5111 or 0408 359 977 or elise.margaritis@co2australia.com.au
www.co2australia.com.au