



Our Ref: CO2 ASX Announce Media Release – Takeover Offer WARL (350)

1 August 2012

ANNOUNCEMENT 350

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

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Dear Sir

### **Recommended takeover offer for Western Australian Resources Limited**

CO2 Group is pleased to announce a conditional off market takeover bid for all of the shares in Western Australian Resources Limited (**WARL**).

WARL is an Australian owned public unlisted company which aims to establish large scale integrated marine protein production operations in Australia through the farming of prawns and fish predominantly for Asian export markets.

CO2 Group has offered:

- five (5) CO2 Group shares for four (4) WARL shares held (Share Alternative); or
- \$0.1625 cash per WARL share (Cash Alternative).

The offer values 100% of WARL at approximately \$2.7 million, based on the Cash Alternative.

The WARL Directors have recommended that its shareholders accept the offer in the absence of a higher offer and carefully consider whether to accept the Cash Alternative or the Share Alternative. The common directors of WARL and CO2 Group have made no recommendation.

Mr Grant, CO2 Group CEO said: "The aquaculture project being developed by WARL fits within CO2 Group's environmental and sustainability philosophy as the whole production process is proposed to be developed onshore utilising leading environmental practices aimed at ensuring that there are no adverse environmental impacts on the ocean or ground water sources, and providing a high quality sustainable and renewable protein source for rapidly growing international food markets."

CO2 Group has extensive expertise in relation to the establishment of green-field's agricultural projects. Through its active involvement in the development of the carbon industry in Australia over the past 8 years, CO2 Group is adept at navigating the various regulatory and operations requirements, and the policy considerations necessary to establish large scale agricultural projects in Australia.

#### **CO2 Group Limited**

Level 11, 225 St Georges Terrace Perth WA 6000  
PO Box 7312 Cloisters Square Perth WA 6850  
CAR 420079

Tel. 08 9321 4111 ABN 50 009 317 846  
Fax. 08 9321 4411 [www.co2australia.com.au](http://www.co2australia.com.au)



The acquisition of WARL is a relatively small acquisition compared to the existing market capitalisation of CO2 Group and should not materially affect its existing operations.

Mr Robert Bell, the Managing Director of WARL, said: "The merger will be an excellent outcome for WARL Shareholders, providing greater flexibility and liquidity and provides WARL access to capital and the technical services base provided by CO2 Group."

The offer is conditional on CO2 Group obtaining a relevant interest in 90% of WARL shares, no material acquisitions or disposals and no prescribed occurrences by WARL. CO2 Group may waive these conditions.

### **About WARL**

WARL was formed in 2005 to acquire the mining tenements held by CO2 Group when CO2 Group was changing its business status to environmental services. CO2 Group retained an 11.22% interest in WARL.

Since 2005, WARL has been involved in a number of transactions which saw it funded to expand. The directors of WARL have been reviewing a range of opportunities in water resources, agriculture and aquaculture. Having completed a scoping study, the WARL directors have determined the aquaculture opportunity should be further analysed via a pre-feasibility study, however it currently has insufficient cash reserves to carry this out.

### **Takeover Documents**

A copy of the Bidder's Statement and Target Statement relating to the offer, along with a copy of WARL's annual financial report for the year ended 30 June 2012, are attached and contain full details of the offer. The offer will be sent to WARL shareholders on 3 August 2012.

### **Appendix 3B**

An appendix 3B in relation to the maximum number of CO2 Shares which may be issued under the offer is also attached.

Please telephone Harley Whitcombe on 08 9321 4111 should there be any queries in relation to this takeover offer.

Yours faithfully  
**CO2 Group Limited**

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

Harley Whitcombe  
Company Secretary



**For more information contact:**

Reshma Pollard: Marketing and Communications Manager, CO2 Australia  
03 9928 5111 or [reshma.pollard@co2australia.com.au](mailto:reshma.pollard@co2australia.com.au)  
[www.co2australia.com.au](http://www.co2australia.com.au)

**Corporate Authorisation Details**

CO2 Group Limited is a corporate authorised representative ("CAR") (Number 420079) of Valuestream Investment Management Limited (ACN 094 107 034 AFSL 246621). The Group's licence numbers are: CO2 Group Limited (CAR # 420079); Carbon Banc Limited (CAR # 420080); CO2 Australia Limited (CAR # 420081)

**About CO2 Group**

With more than 26,400 hectares under management across the country, plus 3,500 hectares of protected remnant native vegetation, CO2 Group is the largest provider of dedicated carbon sink plantings in Australasia. The company currently manages landmark commercial contracts for Qantas Airways, Eraring Energy, Macquarie Bank, Woodside Energy, INPEX Browse, Origin Energy, Newmont Mining and Wannon Water.

# BIDDER'S STATEMENT

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Offer by

**CO2 Group Limited**

ACN 009 317 846

to acquire all of Your WARL Shares in

**Western Australian Resources Limited**

ACN 116 812 634

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You can elect to receive:

5 CO2 Shares for every 4 WARL Shares you hold

OR

\$0.1625 cash for each WARL Share you hold

The Offer is dated 3 August 2012 and will close at 5.00 pm (Perth time) on Wednesday, 5 September 2012, unless extended or withdrawn

This is an important document and requires your immediate attention.

If you are in any doubt as to how to deal with it, please consult your stockbroker or legal or financial adviser.

If you have any queries about this document, the Offer or how to accept the Offer, please contact the Company Secretary of CO2 Group Limited on +618 9321 4111.

## Key dates

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Announcement Date	1 August 2012
Date that this Bidder's Statement was lodged with ASIC	1 August 2012
Date of the Offer	3 August 2012
Offer closes unless extended or withdrawn	5.00 pm (Perth time) Wednesday, 5 September 2012

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The closing date for the Offer may change as permitted by the Corporations Act.

## How to accept the Offer

**You may accept the Offer at any time during the Offer Period in the manner specified below.**

If you wish to accept the Offer, you may do so by completing the enclosed Acceptance Form by following the instructions provided on it, and returning the signed Acceptance Form in the enclosed self addressed envelope to either of the addresses below:

Postal delivery:

PO Box 7312  
Cloisters Square WA 6850  
Australia

Hand delivery:

Level 11, 225 St Georges Terrace  
Perth WA 6000  
Australia

Acceptance Forms must be received by CO2 Group no later than 5.00pm (Perth time) on the last day of the Offer Period.

The Offer is for all of Your WARL Shares. Your acceptance of the Offer will be treated as being for all Your WARL Shares registered as held by you at the date your acceptance is processed.

Further information on accepting the Offer is set out in section 9.3.

## Important notices

This Bidder's Statement is given by CO2 Group Limited ACN 009 317 846 (**CO2 Group**) under Part 6.5 of the Corporations Act and sets out certain disclosures required by the Corporations Act together with the terms of the Offer to acquire Your WARL Shares.

A copy of this Bidder's Statement was lodged with ASIC on 1 August 2012. Neither ASIC nor its officers take any responsibility for the content of this Bidder's Statement.

### Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 10, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

### Investment decisions

In preparing this Bidder's Statement, CO2 Group has not taken into account the individual objectives, financial situation or particular needs of individual WARL Shareholders. Accordingly, before making a decision whether or not to accept the Offer, you should consider seeking independent financial and taxation advice.

### Risks and forward looking statements

Some of the statements appearing in this Bidder's Statement are in the nature of forward looking statements, including statements of current intention (which include those in sections 3 and 5), statements of opinion and predictions as to possible future events.

You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. Forward looking statements and statements in the nature of forward looking statements are only predictions and are subject to inherent risks and uncertainties before actual outcomes are achieved. Those risks and uncertainties are not all within the control of CO2 Group and cannot be predicted by CO2 Group.

CO2 Group and WARL are subject to a range of risks including changes in circumstances or events that may cause objectives to change as well as risks, and circumstances and events specific to the industry, countries and markets in which CO2 Group and WARL operate.

Although CO2 Group believes that the expectations reflected in any forward looking statements included in this Bidder's Statement are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual outcomes, events or results may

differ materially from the outcomes, events or results expressed or implied in any forward looking statement and any statement in the nature of a forward looking statement in this Bidder's Statement.

See section 6 for a discussion of potential risk factors underlying and other information relevant to the forward looking statements and information.

To the extent permitted by law, none of CO2 Group, or its respective officers, its legal adviser or persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward looking statement, or any outcomes expressed or implied in any forward looking statement and any statement in the nature of a forward looking statement. You are cautioned not to place undue reliance on any forward looking statement or any statement in the nature of a forward looking statement having regard to the fact that the outcome may not be achieved. The forward looking statements and statements in the nature of forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

### Disclaimer as to WARL and CO2 Group information

The information on WARL and WARL's securities contained in this Bidder's Statement has been prepared by CO2 Group using information made available to CO2 Group by WARL.

The information in this Bidder's Statement concerning WARL and the assets and liabilities, financial position and performance, profits and losses and prospects of WARL, has been provided by WARL and has not been independently verified by CO2 Group.

The information on CO2 Group contained in this Bidder's Statement, to the extent that it incorporates or reflects information on WARL has also been prepared using information made available to CO2 Group by WARL.

### Risks

WARL Shareholders who accept the Offer will become shareholders in CO2 Group. The financial performance and operations of CO2 Group's businesses and the price and value of CO2 Shares will be influenced by a range of factors. Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many of these factors are beyond the control of CO2 Group and the CO2 Board. Many of these factors also affect the businesses of other companies operating in the same industry.

Please refer to section 3 of the 'Investment Overview' and detailed risk factor information in section 6 for further information in relation to risk factors associated with an investment in CO2 Group. WARL Shareholders should consider carefully these risk factors and the other information contained in this Bidder's Statement, and their personal circumstances. If necessary, WARL Shareholders should consult their legal, financial or other professional adviser before deciding whether to accept the Offer.

#### **Offers outside Australia and its external territories**

WARL Shareholders should note that the consideration under the Offer is CO2 Shares or cash. The Offer is therefore subject to disclosure requirements in Australia which are different from those applicable in other countries. WARL Shareholders whose address in WARL's register of members is not in Australia, its external territories or New Zealand, will not be entitled to receive CO2 Shares on acceptance of the Offer (unless CO2 Group determines otherwise). Foreign Ineligible Shareholders who accept the Offer and elect to receive the Share Alternative will receive a cash amount calculated in accordance with section 9.7.

This Bidder's Statement does not constitute an offer to issue or sell, or the soliciting of an offer to buy, any securities referred to in this Bidder's Statement in any jurisdiction in which the issue of such securities would be unlawful. This Bidder's Statement may not be distributed into any country outside Australia, its external territories and New Zealand, except as CO2 Group may determine is permissible under applicable law.

#### **Privacy**

CO2 Group has collected your information from the WARL register of securityholders for the purpose of making the Offer and, if accepted, administering your holding of WARL Shares. The type of information CO2 Group has collected about you includes your name, contact details and information on your securityholding in WARL. Without this information, CO2 Group will be hindered in its ability to carry out the Offer. The Corporations Act requires the name and address of securityholders to be held in a public register. Your information may be disclosed on a confidential basis to CO2 Group's related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by CO2 Group please contact CO2 Group at the following postal address: PO Box 7312, Cloisters Square WA 6850.

#### **Enquiries**

If you have any queries in relation to the Offer, you can call the Company Secretary of CO2 Group on +61 8 9321 4111.

If you are in any doubt as to how to deal with this document, you should contact your broker or your legal, financial or other professional adviser.

1 August 2012



Dear WARL Shareholder

**Offer by CO2 Group Limited to acquire all the shares in Western Australian Resources Limited**

I am pleased to enclose an Offer from CO2 Group Limited (CO2 Group) to acquire all of your shares in Western Australian Resources Limited (WARL).

Pursuant to the Offer, you can elect to receive 5 CO2 Shares for every 4 of Your WARL Shares or \$0.1625 in cash for each of Your WARL Shares. The Offer values 100% of WARL at \$2,721,445.68, based on the Cash Alternative.

The Aquaculture Project being studied and developed by WARL represents an exciting opportunity which CO2 Group believes has a better prospect of being successful with the financial resources, capital markets and agricultural project development expertise of the CO2 Group. Accordingly we have made an offer for your company and are offering you the right to liquidate your investment completely, by electing the cash alternative, or continue to share in the benefits of the development of the aquaculture project, albeit in a smaller way, as a shareholder of CO2 Group.

This Bidder's Statement explains the benefits associated with the Offer. In particular, you should note that:

- The Offer is at an attractive premium.
- The WARL Directors (other than the Interested Directors) have recommended that you accept the Offer in the absence of a higher offer and carefully consider whether to accept the Cash Alternative or Share Alternative. In making this recommendation, the WARL Directors note the Independent Expert's Report in which the Independent Expert concludes that the Cash Alternative is "fair and reasonable" and that the Share Alternative is "not fair but reasonable" to non associated WARL Shareholders. CO2 Group is not aware of any competing proposals to acquire Your WARL Shares.
- Irrespective of the Offer, WARL will require funding in the short term to fund the further studies and development of the Aquaculture Project. Such an issue may dilute the interests of existing WARL shareholders.
- WARL is an unlisted company with no active trading in its shares. The Offer provides



an opportunity for you to receive a certain value for Your WARL Shares or exchange your WARL Share for a share in an ASX listed company.

CO2 Group will declare the offer unconditional if it acquires an interest in 90% of WARL shares (provided no other conditions have been breached) and will then pay you within 7 days after acceptance and the date the Offer becomes unconditional (whichever is later).

This Offer is currently scheduled to close at 5.00 pm (Perth time) on Wednesday, 5 September 2012, unless extended or withdrawn. I urge you to read this Bidder's Statement carefully and accept the Offer.

To accept this Offer, please follow the instructions on the enclosed Acceptance Form.

Yours sincerely



**Mr Paul Favretto**

Non-executive Director, CO2 Group Limited

**CO2 Group Limited**

Level 11, 225 St Georges Terrace Perth WA 6000      Tel. 08 9321 4111      ABN 50 009 317 846

PO Box 7312 Cloisters Square Perth WA 6850      Fax. 08 9321 4411      [www.co2australia.com.au](http://www.co2australia.com.au)

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# Investment Overview

The information set out in this section is intended to provide an overview of CO2 Group, the Offer that CO2 Group is making for Your WARL Shares and its impact, and the risks that you should consider.

The information in this section is not intended to be comprehensive and should be read in conjunction with the detailed information contained in this Bidder's Statement.

The information is set out by way of response to a series of questions. Each answer has, where appropriate, cross references to other questions in this Investment Overview and parts of this Bidder's Statement that contain more information that you might find useful or relevant.

## 1. Summary of the Offer

Question	Answer	Further information
1.1 <b>What is the Offer?</b>	CO2 Group is offering to acquire all of Your WARL Shares.	section 9
1.2 <b>What will you receive if you accept the Offer?</b>	<p>If you accept the Offer, and the conditions to the Offer are satisfied or waived, you will receive, at your election:</p> <ul style="list-style-type: none"> <li>• 5 CO2 Shares for every 4 WARL Shares you hold (<b>Share Alternative</b>);</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• \$0.1625 cash for each of Your WARL Shares (<b>Cash Alternative</b>).</li> </ul> <p>If you fail to make an election, or your election is unclear, you will be deemed to have elected the Cash Alternative.</p>	<p>section 9.1</p> <p>Question 1.21 'What happens if I become entitled to a fraction of a CO2 Share or a fraction of a cent?' above</p>
1.3 <b>How did the Offer arise?</b>	<p>WARL has a number of existing links with CO2 Group, including some common directors, common major shareholders and shared administrative services.</p> <p>Given WARL's need to fund the pre-feasibility study for its Aquaculture Project and its existing relationship with CO2 Group, WARL management engaged with CO2 Group in June 2012 to assess whether CO2 Group would be interested in funding the development of the Aquaculture Project. This engagement has led to the Offer contained in this Bidder's Statement.</p> <p>CO2 Group has conducted due diligence investigations into the Aquaculture Project and WARL for the purposes of the Offer. CO2 Group has had the opportunity to conduct due diligence on WARL and its activities, and WARL has had the opportunity to conduct due diligence on CO2 Group and its activities.</p>	section 2
1.4 <b>What choices do I have as a WARL</b>	<p>You have the following alternatives as a WARL Shareholder:</p> <ul style="list-style-type: none"> <li>• accept the Offer and elect to receive the Share</li> </ul>	

Question	Answer	Further information
<b>Shareholder?</b>	<p>Alternative;</p> <ul style="list-style-type: none"> <li>• accept the Offer and elect to receive the Cash Alternative;</li> <li>• subject to complying with the WARL Constitution, you are able to sell Your WARL Shares. However, you should be aware that as the WARL Shares are not listed on any securities exchange, this may be difficult for you to do; or</li> <li>• do nothing.</li> </ul>	
<b>1.5 What do the WARL Directors recommend?</b>	<p>The WARL Directors (other than the Interested Directors) have recommended that you accept the Offer in the absence of a higher offer and carefully consider whether to accept the Cash Alternative or Share Alternative. In making this recommendation, the WARL Directors note the Independent Expert's Report in which the Independent Expert concludes that the Cash Alternative is "fair and reasonable" and that the Share Alternative is "not fair but reasonable" to non associates WARL Shareholders. It is noted that the WARL Directors consider the prospect of a competing offer arising as being very low.</p>	
<b>1.6 What do the WARL Directors and CO2 Directors intend to do in respect of their WARL Shares?</b>	<p>Each of the WARL Directors and CO2 Directors who hold WARL Shares has advised that he intends to accept the Offer and elect to receive the Share Alternative in relation to all WARL Shares held.</p>	
<b>1.7 What is this Bidder's Statement?</b>	<p>This Bidder's Statement was prepared by CO2 Group for distribution to WARL Shareholders. It sets out the terms of the Offer for Your WARL Shares and information relevant to your decision on whether or not to accept the Offer.</p>	<p>Inside Front Cover</p>
<b>1.8 What is the Target's Statement?</b>	<p>The Target's Statement is a document issued by WARL under Part 6.5 Division 3 of the Corporations Act in response to CO2 Group's Bidder's Statement and Offer. It contains additional information that is relevant to your decision on whether or not to accept the Offer, including the recommendation of the WARL Directors (other than the Interested Directors) in respect of the Offer.</p>	<p>Target's Statement accompanying this Bidder's Statement</p>
<b>1.9 How do I accept the Offer?</b>	<p>To accept the Offer, you should follow the instructions set out in this Bidder's Statement and the enclosed Acceptance Form.</p>	<p>section 9.3 Acceptance Form</p>
<b>1.10 If I accept the Offer, when will I</b>	<p>Generally, CO2 Group will provide the consideration to you under this Offer on or before the earlier of:</p>	<p>section 9.6</p>

Question	Answer	Further information
<b>receive the cash or the CO2 Shares?</b>	<ul style="list-style-type: none"> <li>• one month after this Offer is accepted or one month after all of the conditions to this Offer have been freed or fulfilled (whichever is the later); and</li> <li>• 21 days after the end of the Offer Period.</li> </ul> <p>However, in the event that CO2 Group acquires a Relevant Interest in 90% of all WARL Shares during the Offer Period (provided no conditions are breached), CO2 Group intends to:</p> <ul style="list-style-type: none"> <li>• waive all conditions; and</li> <li>• pay the cash consideration or issue the share consideration within 7 days of acceptance or the Offer becoming unconditional (whichever is the later).</li> </ul>	
<b>1.11 Will I need to pay brokerage or stamp duty if I accept the Offer?</b>	You will not incur any brokerage fees or be obliged to pay stamp duty in connection with your acceptance of the Offer.	sections 7 and 9.15
<b>1.12 What are the conditions of the Offer?</b>	<p>In summary, the Offer is subject to the following conditions:</p> <ul style="list-style-type: none"> <li>• CO2 Group having relevant interests in at least 90% of WARL Shares;</li> <li>• no prescribed occurrences between the Announcement Date and the end of the Offer Period; and</li> <li>• no material acquisitions or disposals of assets by WARL.</li> </ul> <p>Please note that this is only a summary of the conditions of the Offer.</p> <p>CO2 Group may choose to waive any of the Offer conditions.</p>	sections 9.8 and 9.10
<b>1.13 What are the tax implications of acceptance?</b>	A general summary of the likely Australian tax consequences of accepting the Offer is set out in section 7. CO2 Group recommends that you seek independent professional advice in relation to your own particular circumstances.	section 7

Question	Answer	Further information
1.14 <b>Can I accept the Offer for part of my holding?</b>	No. You cannot accept the Offer for part of your holding. You may only accept the Offer for all of Your WARL Shares.  However, if you hold one or more parcels of WARL Shares as trustee or nominee, refer to section 9.1(j) of this Bidder's Statement.	sections 9.1(a) and 9.3  section 9.1(j)
1.15 <b>When does the Offer close?</b>	The Offer is currently scheduled to close at 5.00 pm (Perth time) on Wednesday, 5 September 2012 unless extended or withdrawn.	section 9.2
1.16 <b>Can CO2 Group extend the Offer Period?</b>	Yes, the Offer Period can be extended at the election of CO2 Group. WARL Shareholders will be sent written notice of any extension.	section 9.2
1.17 <b>Can I withdraw my acceptance?</b>	Under the terms and conditions of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offer, the bid remains conditional or CO2 Group varies the Offer in a way that postpones, for more than one month, the time when CO2 Group has to meet its obligations under the Offer.	section 9.5(a)
1.18 <b>What happens if the conditions of the Offer are not satisfied or waived?</b>	If the conditions of the Offer, which are set out in detail in section 9.8, are not satisfied or waived before the Offer closes, the Offer will lapse. CO2 Group will notify WARL and ASIC if the conditions of the Offer are satisfied or waived during the Offer Period.	sections 9.8, 9.9 and 9.10(b)
1.19 <b>What happens if I do not accept the Offer and CO2 Group achieves a Relevant Interest in 90% of the WARL Shares?</b>	If you do not accept the Offer and CO2 Group acquires a Relevant Interest in at least 90% of all of the WARL Shares and the other conditions of the Offer are satisfied or waived, CO2 Group intends to compulsorily acquire Your WARL Shares. If this occurs, unless you have previously elected otherwise, you will be paid the Cash Alternative at the conclusion of the compulsory acquisition process. In these circumstances, you would have received the Offer consideration (as elected) sooner, if you had accepted the Offer prior to its close.	section 3.2



Question	Answer	Further information
<b>1.20</b> If I elect to receive CO2 Shares, will they have the same rights and liabilities as all other CO2 Shares?	Yes. The new CO2 Shares issued under this Offer will rank equally (including rights relating to dividends) with existing CO2 Shares.	section 1.10
<b>1.21</b> What happens if I become entitled to a fraction of a CO2 Share or a fraction of a cent?	If the number of WARL Shares you hold is such that your entitlement to: <ul style="list-style-type: none"> <li>CO2 Shares under this Offer is not a whole number, your entitlement to CO2 Shares will be rounded down to the nearest whole number of CO2 Shares; or</li> <li>cash consideration under this Offer is not a whole number; your entitlement to cash will be rounded down to the nearest whole cent.</li> </ul>	section 9.1(d)
<b>1.22</b> Can I sell my WARL Shares?	Yes, subject to complying with the WARL Constitution, you are able to sell Your WARL Shares. You should be aware that as the WARL Shares are not listed on any securities exchange, this may be difficult for you to do.  You cannot sell Your WARL Shares after you have accepted the Offer, unless that acceptance is withdrawn in a manner permitted under the Offer.	Question 1.17 'Can I withdraw my acceptance?' above

## 2. CO2 Group and the impact of the Offer

Question	Answer	Further information
<b>2.1</b> Who is CO2 Group?	CO2 Group is an ASX-listed environmental services company with a market capitalisation of approximately \$60 million as at 30 July 2012.	section 1
<b>2.2</b> Who are the directors of CO2 Group and what experience do they have?	The CO2 Directors are: <ul style="list-style-type: none"> <li>Mr Ian Trahar (Executive Chairman, Director);</li> <li>Mr Andrew Grant (CEO, Executive Director);</li> <li>Mr Harley Whitcombe (Executive Director, CFO);</li> <li>Dr Christopher Mitchell (Executive Director);</li> <li>Dr Malcom Hemmerling (Non-Executive Director); and</li> <li>Mr Paul Favretto (Non-Executive Director).</li> </ul>	section 1.3

Question	Answer	Further information
	The CO2 Directors have extensive experience in establishing new agricultural businesses including in respect of financing, structuring and regulatory compliance.	
<b>2.3 What is CO2 Group's strategy in relation to the WARL business?</b>	CO2 Group intends to progress the pre-feasibility studies currently being conducted by WARL into the Aquaculture Project. Further development of the Aquaculture Project is dependent on the outcome of these studies.	section 3.2(c)
<b>2.4 What will be the effect of the acquisition on CO2 Group?</b>	The acquisition of WARL is a relatively small acquisition compared to the existing market capitalisation of CO2 Group and is not expected to adversely affect its existing operations. The cash reserves of CO2 Group will be diminished by an amount equal to the cash consideration payable under the Offer (a maximum of approximately \$2.41 million) and, assuming the Offer is successful, CO2 Group will also expend funds to progress the pre-feasibility studies for the Aquaculture Project.	section 5
<b>2.5 What is the Impact of the Offer on the capital structure and control of CO2 Group?</b>	<p>The number of CO2 Shares issued under the Offer will depend on the extent to which WARL Shareholders elect to receive the Share Alternative.</p> <p>If all WARL shareholders (other than CO2 Group) elected to receive the Share Alternative and no Options are exercised during the Offer Period, they would hold 4.14% of the post acquisition issued shares of CO2 Group.</p> <p>As a major shareholder in both CO2 Group and WARL, Mr Trahar's Relevant Interest in CO2 Group may increase if the offer is successful. The increase in Mr Trahar's Relevant Interest will not exceed 1% of the post Offer issued capital of CO2 Group.</p>	section 5.4
<b>2.6 Do the CO2 Directors own any WARL securities?</b>	<p>Yes, as follows:</p> <ul style="list-style-type: none"> <li>• Mr Ian Trahar or entities associated with him hold approximately 36.3% of the WARL Shares (on an undiluted basis);</li> <li>• Mr Andrew Grant holds approximately 1.5% of the WARL Shares (on an undiluted basis);</li> <li>• Mr Harley Whitcombe or entities associated with him hold approximately 3% of the WARL Shares (on an undiluted basis) and 200,000 Options;</li> <li>• Dr Christopher Mitchell or entities associated with him hold 200,000 Options; and</li> <li>• Mr Paul Favretto or entities associated with him hold approximately 2.9% of the WARL Shares (on an undiluted basis).</li> </ul>	section 2.16

Question	Answer	Further information
	In total, the CO2 Directors (and their associates, as applicable) hold approximately 43.7% of the WARL Shares (on an undiluted basis) and 400,000 Options.	
<b>2.7 Do the WARL Directors have any interests in WARL securities?</b>	<p>Yes, as follows:</p> <ul style="list-style-type: none"> <li>• Mr Ian Trahar or entities associated with him hold approximately 36.3% of the WARL Shares (on an undiluted basis);</li> <li>• Dr Christopher Mitchell or entities associated with him hold 200,000 Options; and</li> <li>• Mr Richard Dickson or entities associated with him hold approximately 2.99% of the WARL Shares (on an undiluted basis) and 200,000 Options;</li> <li>• Mr Ian Longson or entities associated with him hold 100,000 Options; and</li> <li>• Mr Robert Bell or entities associated with him hold 400,000 Options.</li> </ul> <p>In total, the above-mentioned WARL Directors (and their associates, as applicable) hold approximately 39.3% WARL Shares (on an undiluted basis) and 900,000 Options.</p>	section 2.15

### 3. Overview of risks

Risk	Description	Further information
<b>3.1 What are the risks?</b>	<p>Section 6 of this Bidder's Statement provides detailed explanations of the key risk factors known to CO2 Group. These risks are categorised as follows:</p> <ul style="list-style-type: none"> <li>• risks associated with the Offer;</li> <li>• risks associated with holding shares in CO2 Group; and</li> <li>• risks associated with an investment in WARL. You are already exposed to these risks as a WARL Shareholder.</li> </ul>	section 6
<b>3.2 Key risks associated with the Offer</b>	<ul style="list-style-type: none"> <li>• If the Offer is successful and you elect to receive the Share Alternative, you will be a shareholder in CO2 Group. There are risks in holding CO2 Shares.</li> <li>• If you accept the Offer you will no longer have any exposure (if you elect to receive the Cash Alternative), or you will have a significantly reduced exposure (if you elect to receive the Share Alternative), to the Aquaculture Project.</li> <li>• If the Offer is successful, the Aquaculture Project will be controlled by CO2 Group, not your current</li> </ul>	section 6.2

Risk	Description	Further information
	<p>Board. CO2 Group has a number of different businesses and competing priorities. Accordingly, CO2 Group's allocation of funds will take into account the requirements of the business as a whole, not just the Aquaculture Project.</p>	
<p><b>3.3 Key risks associated with owning shares in CO2 Group</b></p>	<p>If the Offer is successful and you elect the Share Alternative, you will be issued with new CO2 Shares and will obtain an interest in CO2 Group. There are risks in holding CO2 Shares.</p> <p>Like all listed shares, the trading price of CO2 Shares and the performance of CO2 Group are impacted by a range of factors outside of the control of CO2 Group. Some of the factors affecting CO2 Group include global and local economic conditions, investor sentiment, legislative changes, government policy, market conditions affecting customers and prospective customers of CO2 Group and reliance on key management. They also include general economic conditions, acts of terrorism, health epidemics, prevailing exchange rates and interest rates and conditions in the financial markets.</p> <p>In particular, the introduction of regulation on carbon emissions implemented by the Australian Federal Government in July 2012 under the Clean Energy Act has been a welcome development for CO2 Group as it imposes a cost on carbon emissions and allows offsets to be created through sequestration, such as CO2 Group's existing plantations. It should be noted however that the Liberal party (currently in opposition) has indicated that if it wins the next Australian Federal election, it may seek to wind back or abolish the Carbon Tax.</p> <p>While there are many regulatory obligations in addition to the Carbon Tax, which are likely to require large emitters to implement offset arrangements, a wind back or abolition of the Carbon Tax may have some adverse impact on CO2 Group.</p>	<p>section 6.4</p>
<p><b>3.4 Key risks associated with owning shares in WARL</b></p>	<p>There are risks which relate to holding WARL Shares. You are already exposed to these risks.</p>	<p>section 6.3</p>

## 4. Other relevant questions

Question	Answer	Further information
<p><b>4.1 What will happen to the Options on issue in</b></p>	<p>The Options are held by 6 executives and former executives of WARL.</p> <p>CO2 Group intends to negotiate the acquisition or</p>	<p>section 8.1</p>

Question	Answer	Further information
WARL?	cancellation of the Options after the Offer closes.	
<b>4.2 How have CO2 Group and WARL dealt with conflicts that arise through cross-shareholdings and cross-directorships?</b>	<p>There are a number of common directors on the Boards of WARL and CO2 Group (<b>Interested Directors</b>). Both CO2 Group and WARL have established takeover sub-committees of the Board to deal with all material issues relating to the Offer.</p> <p>In addition, WARL has put in place a formal conflict protocol to address the potential for conflicts to arise through the bid process. The Interested Directors have agreed to comply with this protocol.</p>	

## Why you should accept the Offer

The CO2 Directors believe that there are very compelling reasons to accept the Offer. These reasons, which are summarised below, are explained in further detail in this section.

- The Offer represents an attractive premium for Your WARL Shares.
- The WARL Directors (other than the Interested Directors) have recommended that you accept the Offer in the absence of a higher offer and carefully consider whether to accept the Cash Alternative or Share Alternative. In making this recommendation, the WARL Directors note the Independent Expert's Report in which the Independent Expert concludes that the Cash Alternative is "fair and reasonable" and that the Share Alternative is "not fair but reasonable" to non associates WARL Shareholders.
- The opportunity to develop WARL's Aquaculture Project should be enhanced.
- The Offer provides an opportunity for you to sell Your WARL Shares for a certain value.
- You may elect to have ongoing exposure to WARL, albeit on a smaller scale by selecting the Share Alternative.

***If you elect the Share Alternative, these reasons should be considered in conjunction with the risks associated with holding shares in CO2 Group. These are summarised in section 3 of the Investment Overview and set out in detail in section 6 of this Bidder's Statement.***

## The Offer represents an attractive premium for Your WARL Shares

### **WARL value measures**

As WARL is not a listed company and has no recent material arms length share trading activity, it is not possible to clearly estimate the market value of a WARL Share based on trading history<sup>1</sup>.

Based on information provided by WARL (as at 30 June 2012):

- the net assets of WARL is 8.20 cents per WARL share<sup>2</sup>; and
- the cash backing of WARL is 7.67 cents per WARL share.<sup>2</sup>

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<sup>1</sup> An explanation of the low level of recent WARL Share trading details is set out in section 2.17(a).

<sup>2</sup> Based on the WARL financial statements dated 30 June 2012, which accompany this Bidder's Statement, and using the issued ordinary shares of WARL (ie. ignoring performance shares and options); see also section 2.10.

### **Share Alternative value measures**

Based on the ASX trading prices of CO2 Shares, the Share Alternative represents a value of:

- 17.5 cents per WARL Share based on the closing price of CO2 Shares on 30 July 2012 (**ASX Closing Price**) of 14 cents; and
- 17.2 cents per WARL Share based on the 3 month VWAP of CO2 Shares prior to 30 July 2012, of 13.73 cents.

CO2 Group is of the view that the trading price of CO2 Shares is the most appropriate measure of value for a CO2 Share given that the trading price of CO2 shares has historically traded at prices in excess of the net asset backing of a CO2 Share and that, even with relatively low trading volumes, the ASX price is considered to be a better reflection of the prices at which a shareholder is may be able to liquidate its investment in CO2 Group.

### **Cash Alternative**

The Cash Alternative is 16.25 cents per WARL Share.

### **Premium based on various measures**

The extent of the premium represented by the Offer is demonstrated below

WARL Value Measure	Premium (%)		
	Cash Alternative	Share Alternative (based on ASX Closing Price)	Share Alternative (based on 3 month VWAP price)
Net asset backing per WARL Share - 8.20 cents	98.2%	113.4%	109.8%
Cash backing per WARL Share - 7.67 cents	111.9%	128.2%	124.3%

### **WARL's Independent expert's view**

It is noted that the Independent Expert appointed by WARL prefers to:

- assess the value of a CO2 Shares based on the net asset backing of a CO2 Share (which it values at between at 6.8 cents and 7.3 cents per CO2 Share); and
- assess the value of a WARL Share by including all expenditure attributable to the Aquaculture Project as forming part of the value of a WARL Share. CO2 group notes that there is no carrying value of the Aquaculture Project in the WARL 30 June 2012 audited financial statements.

WARL Shareholders should read the Independent Expert Report in its entirety.

## **The WARL Directors (other than the Interested Directors) have recommended that you accept the Offer in the absence of a higher offer**

The reasons for the recommendation of the WARL Directors, other than the Interested Directors, are set out in the Target's Statement accompanying this Bidder's Statement. In making this recommendation, the WARL Directors note the Independent Expert's Report in which the Independent Expert concludes that the Cash Alternative is "fair and reasonable" and that the Share Alternative is "not fair but reasonable" to non associates WARL Shareholders.

Importantly, the WARL Directors note that they are not aware of any competing proposal and consider the prospect of a competing proposal arising during the Offer Period is very low.

The Interested Directors of WARL are Messrs Trahar and Mitchell, who are also directors of CO2 Group. Messrs Trahar and Mitchell have declined to make any recommendation on the Offer, due to their interests in CO2 Group.

Each of the Directors of WARL (other than the Interested Directors) who hold shares in WARL have indicated that they intend to accept the Offer and elect to receive the Share Alternative.

## **The opportunity to develop WARL's Aquaculture Project should be enhanced**

The combined management expertise and project experience of WARL and CO2 Group together with additional sources of development capital, shared resources and improved access to markets in which CO2 Group operates, should facilitate the development of the Aquaculture Project.

CO2 Group had cash reserves as at 30 June 2012 of \$27.3 million. As a listed company, CO2 Group also has greater access to capital markets and the ability to raise further equity funding for the Aquaculture Project, if considered appropriate in the future. WARL's cash reserves at 30 June 2012 were \$1.3 million.

CO2 Group has extensive expertise in relation to the establishment of green fields agricultural projects (such as its oil mallee plantations in Western Australia and New South Wales). Through its active involvement in the development of the carbon industry in Australia over the past 8 years, CO2 Group is adept at navigating the various regulatory and operational requirements, and policy considerations necessary to establish large scale agricultural projects in Australia.

The credibility associated with having an established ASX listed parent company should better position WARL in negotiations with strategic development partners to assist in developing the Aquaculture Project, or with off-take parties.



## **The Offer provides an opportunity for you to sell Your WARL Shares for a certain value**

The Offer allows you to realise your investment at a substantial and attractive premium in what has historically been, and still is, an illiquid security.

WARL is an unlisted company and there is no active market for trading Your WARL Shares.

The Offer provides certain value for Your WARL Shares through the offer of 100% cash consideration under the Cash Alternative. By electing the Cash Alternative when accepting the Offer, you will receive \$.01625 in cash for each of Your WARL Shares.

By electing to receive the Share Alternative, you will obtain a more liquid security in the CO2 Shares than Your WARL Shares.

## **You may elect to have ongoing exposure to WARL, albeit on a smaller scale, by selecting the Share Alternative**

The Offer allows you to continue to retain exposure to, and share in the benefits associated with the WARL Aquaculture Project by accepting the Share Alternative. CO2 Group currently intends to actively progress the development of the WARL business.

If all WARL Shareholders (other than CO2 Group) accepted the Share Alternative, they would hold 4.14% of the post acquisition issued shares of CO2 Group

## Detailed information sections

The information in the previous sections of this Bidder's Statement is only a summary of the Offer and is qualified by the detailed information set out in the remainder of this Bidder's Statement.

You should read the entire Bidder's Statement before deciding whether to accept the Offer.

### 1 Information on CO2 Group

#### 1.1 Corporate information

The bidder under the Offer is CO2 Group.

CO2 Group is an ASX listed environmental services company with a market capitalisation of approximately \$60 million as at 30 July 2012.

#### 1.2 Principal activities of CO2 Group

##### **Establishment and management of forest carbon sinks**

CO2 Australia (a wholly owned subsidiary of CO2 Group) is the Australian market leader in the establishment and management of forest carbon sinks intended for registration under formal emissions reduction schemes.

CO2 Australia is now managing carbon planting estates of approximately 22,300 hectares for its blue chip customer base, with a further 4,100 hectares planned for the 2012 planting season.

CO2 Australia has established forest carbon sinks for Country Energy and Eraring Energy, a joint venture with Macquarie Bank Limited, the Victorian Department of Sustainability and Environment, Qantas Airways, Woodside Energy, the City of Sydney, EDS Australia, the Big Day Out, INPEX/Total Browse JV, Newmont Mining Corporation, Rip Curl Pro, Santos, Newcrest Mining, Bundaberg Brewed Beverages, Woodside Energy and ACTEW Corporation Wannon Water.

CO2 Australia, which is the main operating entity of CO2 Group, was the first reforestation company to be accredited under the NSW Greenhouse Gas Abatement Scheme, in 2004. In 2005, it became the first Australian Associate Member and a listed Offset Provider under the Chicago Climate Exchange, and in 2007 became an accredited abatement provider under the Australian Government's Greenhouse Friendly™ program. CO2 Australia is currently advancing with its Carbon Farming Initiative Methodology approval process. Once approved, this methodology will allow for carbon accounting and Australian Carbon Credit Unit production from a wide range of existing and future forest carbon projects. The methodology utilises a flexible in-field measurement approach to carbon accounting that allows for large-scale, cost-

effective and accurate application for CO2 Australia's plantings.

### **CO2 New Zealand**

CO2 Group has partnered with Maori commercial development company Tukia Group, and New Zealand based investment and advisory firm Carbon & Energy Partners to establish CO2 New Zealand. This venture is based upon tailoring IP, business systems and planting technologies developed in Australia to fit the New Zealand landscape and its carbon trading scheme.

### **Advisory Services**

CO2 Group provides a range of expert technical, carbon and environmental services including forestry mapping and management, mine site rehabilitation, carbon accounting and inventory management activities.

### **Carbon Banc**

Carbon Banc is an environmental trading business owned by CO2 Group that provides an access point for customers looking to access environmental units to manage their environmental obligations under state and federal-based emissions trading schemes. Carbon Banc is a Corporate Authorised Representative (CAR # 420080) with access to an Australian Financial Services Licence.

### **Yonderr**

Yonderr is an online service operated by CO2 Group that provides carbon offsets to the voluntary carbon market, catering to individuals and organisations that purchase carbon offsets.

## **1.3 Directors of CO2 Group**

Brief profiles of the directors and officers of CO2 Group as at the date of this Bidder's Statement are as follows.

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<b>Mr Ian Trahar</b> <b>Director and Executive Chairman</b>	Mr Trahar has a resource and finance background. He is a director and significant shareholder of Avatar Industries Limited. He is also a member of the Australian Institute of Company Directors.
<b>Mr Andrew Grant</b> <b>Executive Director and CEO</b>	Mr Grant has been at the forefront of climate change science and carbon trading for 12 years. Leading CO2 Group and its related entities since 2005, Mr Grant has grown the company into the leading carbon business in Australasia. Prior to that he was the National Head of Ernst and Young's environmental advisory division, and fulfilled this same role at Arthur Anderson in previous years. Earlier, Mr Grant was Executive Manager in Sustainable Packaging at Visy Industrial Packaging. When the New South Wales Government developed the Greenhouse Gas Reduction Scheme, Mr Grant was their lead advisor and for three years, from 2006 to 2009, he was Chairman of the Port Phillip Western Port Catchment Management Authority. Mr Grant has advised many large companies across Australia and has also undertaken design and audit roles in a variety of carbon trades. Mr Grant was previously an independent director of the Cooperative Research Centre for Greenhouse Accounting and a director of the Banksia Environmental Foundation, and is currently a non-executive director

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of the Earthwatch Institute. Mr Grant has a first class honours degree in Science and a Graduate Diploma of Business Management at Executive level. In 2011 he graduated from the Australian Institute of Company Directors.

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**Mr Harley  
Whitcombe**  
**Executive Director  
and Company  
Secretary**

Mr Whitcombe has had many years of commercial and finance experience, providing company secretarial services to publicly-listed companies. He is a CPA certified accountant, and is also member of the Australian Institute of Company Directors.

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**Dr Christopher  
Mitchell**  
**Executive Director**

Dr Mitchell has a PhD in biology from the University of Melbourne, is a graduate of the Australian Institute of Company Directors and has a 20 year involvement in Australian and international climate change research. He is an Adjunct Professor at the School of Environmental Science Murdoch University. Prior to joining CO2 Group full-time Dr Mitchell was Foundation Director of the Centre for Australian Weather and Climate Research - a partnership between CSIRO and the Bureau of Meteorology, and was CEO of the Cooperative Research Centre for Greenhouse Accounting. He chaired the Victorian Climate Change Minister's Reference Council on Climate Change Adaptation and is on the CSIRO's Environment and Natural Resources Sector Advisory Committee.

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**Dr Malcolm  
Hemmerling**  
**Non-executive  
Director**

Dr Hemmerling is currently a consultant to government and private sectors. Dr Hemmerling has had extensive experience in leadership and management positions, having been the Commissioner for Consumer and Business Affairs in Adelaide, Chief Executive Officer of the Adelaide City Council, Chairman of the National Basketball League, Chief Executive Officer for the Sydney Organising Committee for the Olympic Games, Chief Executive Officer of the Australian Formula One Grand Prix in South Australia and Chief Executive Officer of Bob Jane TMarts. Dr Hemmerling has also been the head of the Premier's Cabinet Office in South Australia, non-executive Director of the South Australian Housing Trust and Chairman of the Playford Alive Steering Committee.

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**Mr Paul Favretto**  
**Non-executive  
Director**

Mr Favretto was previously Managing Director of Avatar Industries Limited. Before that Mr Favretto worked for 20 years in the financial services industry holding senior management positions with Citibank Limited (1976 to 1985) and Bankers Trust Australia Limited (1986 to 1994).

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## **1.4 Financial Information**

The key financial statistics set out below is historical financial information for CO2 Group only and does not reflect any impact of the Offer or the proposed acquisition of WARL. The key financial statistics set out below are a summary only. The full financial accounts with the notes to the accounts can be found in CO2 Group's Annual Report for the period ending 30 September 2011 and the half yearly report for the half year period ended 31 March 2012. Copies of those financial reports are available from the CO2 Group website at <http://www.co2australia.com.au>.

<b>Cash as at 30 June 2012</b>	\$27,283,806
<b>Net assets per share (as at 31 March 2012)</b>	8.62 cents
<b>Earnings per share for the half year to 31 March 2012</b>	
• Basic earnings per share (cents)	0.42 cents
• Diluted earnings per share (cents)	0.40 cents
<b>Revenue from operations for the half-year to 31 March 2012</b>	\$32,702,747
<b>Profit before income tax for the half-year to 31 March 2012</b>	\$2,306,395
<b>Profit after income tax for the half-year to 31 March 2012</b>	\$1,624,214

A copy of the unaudited management statement of the financial position of CO2 Group as at 30 June 2012 is set out in section 5.3.

## 1.5 CO2 Group's issued securities

The total number of securities in each class in CO2 Group at the date of this Bidder's Statement is:

- (a) 429,451,319 fully paid ordinary shares;
- (b) 30,150,189 CO2 Convertible Preference Shares<sup>3</sup>;
- (c) 13,715,586 CO2 Performance Rights<sup>4</sup>; and
- (d) 6,080,000 CO2 Options<sup>5</sup>.

## 1.6 Interests of CO2 Directors in CO2 securities

As at the date of this Bidder's Statement, the following CO2 Directors have the following Relevant Interests in CO2 Shares:

Director, and/or their associates	Number of CO2 Shares	% of issued CO2 Shares	Number of CO2 Options	Number of CO2 Performance Rights
<b>Mr Ian Trahar</b>	206,791,564	48.15%	N/A	N/A
<b>Mr Andrew Grant</b>	2,946,432	0.69%	N/A	5,589,150
<b>Dr Christopher Mitchell</b>	40,000	0.009%	3,000,000	2,794,575
<b>Mr Harley Whitcombe</b>	11,387,157	2.65%	N/A	N/A
<b>Mr Paul Favretto</b>	20,125,010	4.69%	N/A	N/A
<b>Dr Malcolm Hemmerling</b>	575,625	0.13%	1,500,000	N/A

<sup>3</sup> Each CO2 Convertible Preference Share was issued at an issue price of \$0.00001, carries voting rights in limited circumstances, may be converted into 1 CO2 Share at any time at the election of the holders by the payment of \$0.06499 to CO2 Group and receives a priority upon winding up which is equal to the issue price.

<sup>4</sup> CO2 has issued Performance Rights to eligible directors and employees under the CO2 Group Limited Employee Incentive Plan, each of which convert into a CO2 Share upon vesting. Vesting of the CO2 Performance Rights is subject to the satisfaction of certain performance conditions, which relate to the holders' continuous employment within the CO2 Corporate Group and the achievement by CO2 Group of specified returns on capital.

<sup>5</sup> CO2 has issued CO2 Options to a number of key management personnel. There are 2 tranches of CO2 Options remaining on issue, being 1,580,000 CO2 Options with an exercise price of \$0.49 which expire on 30 November 2012, and 4,500,000 CO2 Options with an exercise price of \$0.52 which expire on 2 December 2012.

## 1.7 CO2 Group's major shareholders

### (a) Top 10 registered shareholders as at 30 June 2012

CO2 Shareholder	Number of CO2 Shares	% of CO2 Shares on issue
Gabor Holdings Pty Ltd <Tricorp A/C>	104,575,625	24.35%
Avatar Industries Pty Ltd	89,960,018	20.95%
Crestpark Investments Pty Ltd	23,276,545	5.42%
Pinnacle Superannuation Pty Ltd <PJF SF A/G>	20,125,010	4.69%
Ms Susan Elizabeth Wallwork	14,545,188	3.39%
Gabor Holdings Pty Ltd	10,904,046	2.54%
City Lane Pty Ltd <The Whitcombe Family A/C>	9,674,557	2.25%
Cogent Nominees Pty Ltd	9,550,266	2.22%
Pershing Australia Nominees Pty Ltd <Argonaut Account>	7,010,003	1.63%
MRC Services Pty Ltd <Cooper Family Fund A/c>	3,278,616	0.76%

### (b) Substantial Shareholders as at 30 June 2012

CO2 Shareholder	Number of CO2 Shares	% of CO2 Shares on issue
<b>Mr Ian Trahar and entities associated with him<sup>6</sup></b>	206,791,564	48.15%
<b>Crestpark Investments Pty Ltd and entities associated with it</b>	23,276,545	5.42%

## 1.8 Dividends

CO2 Group has not paid a dividend since its inception.

## 1.9 Risks

The performance and operations of CO2 Group and the price of CO2 Shares may be affected by a range of risk factors. CO2 Group plans to take prudent measures to mitigate its exposure to these risks, such as using safeguards and appropriate systems and controls, and obtaining insurance coverage in some instances. However, some risks are outside of CO2 Group's control and cannot be mitigated or insured against.

The occurrence of one or more of the risks outlined in this Bidder's Statement may have a material impact on the assets and liabilities and the capacity to obtain funding and continue to operate and the prospects of CO2 Group.

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<sup>6</sup> Including entities such as Gabor Holdings Pty Ltd and Avatar Industries Pty Ltd. Mr Ian Trahar also has a Relevant Interest in CO2's shareholding in WARL, but this has not been included due to CO2's holding not being subject to the Offer. A copy of the substantial shareholders notice showing the entities through which Mr Trahar holds his interest is available through ASX at [www.asx.com.au](http://www.asx.com.au).

A summary of material risks associated with this Offer is set out in section 6 and includes the risks outlined below. The list is not exhaustive.

- (a) Regulatory risks and changing government policy in relation to carbon
- (b) Normal commercial and market risks.
- (c) Agricultural risk (for carbon forestry these relate to weather and climate risk, fire risk and pests and disease).
- (d) Access to land.
- (e) Usual business risks, such as risks in relation to litigation, counterparties, employees, industrial action, reliance on staff, etc.
- (f) Usual financial risks, such as interest rates, change in laws, borrowing risks, general economic and market risks.

## **1.10 Rights and liabilities attaching to CO2 Shares**

### **(a) Rights and liabilities**

The rights and liabilities attaching to the CO2 Shares which will be issued as the consideration pursuant to the Share Alternative under the Offer are set out in the CO2 Constitution and the Corporations Act. A copy of the CO2 Constitution can be obtained from CO2 Group (free of charge) by contacting the Company Secretary of CO2 Group Limited on +618 9321 4111 during the Offer Period.

The main rights and liabilities attaching to CO2 Shares are summarised below.

### **(b) The CO2 Constitution**

Under section 140(1) of the Corporations Act, the CO2 Constitution has effect as a contract between CO2 Group and each CO2 Shareholder, and between a CO2 Shareholder and each other CO2 Shareholder. Accordingly, if you accept the Offer and receive CO2 Shares as consideration, you will become contractually bound to comply with the CO2 Constitution. However, since the CO2 Shares that will be provided as consideration under the Offer will be issued as fully paid, ordinary shares, no monetary liability attaches to them.

### **(c) Meetings of security holders and voting rights**

Subject to the provisions of the CO2 Constitution, a CO2 Shareholder is entitled to receive notice of, and to attend and vote at every meeting of CO2 Shareholders.

At a general meeting, every person present who is a CO2 Shareholder or a proxy, attorney or representative of a CO2 Shareholder has one vote on a show of hands and one vote on a poll for each fully paid share held (with adjusted voting rights for partly paid shares). Voting at any general meeting of CO2 Shareholders is by a show of hands unless a poll is demanded by at least 5 CO2 Shareholders entitled to vote on the resolution, or CO2 Shareholders entitled to cast at least 5% of the votes that may be cast on the resolution on a

poll, or the chairman.

**(d) Dividends**

Subject to the Corporations Act, the CO2 Constitution and the rights of any person entitled to shares with special rights to dividends (of whom there are presently none), the CO2 Board may from time to time determine that an interim or final dividend is payable to CO2 Shareholders. Each CO2 Share has the same dividend rights as other shares on issue, subject to any special rights, arrangements or restrictions attached to the shares.

**(e) Winding up**

If CO2 Group is wound up, the liquidator may, with the sanction of a special resolution, divide the assets of CO2 Group among the members of CO2 Group in kind.

**(f) Transfer of shares**

Holders of CO2 Shares may transfer CO2 Shares by a written transfer in the required form or by a proper transfer affected in accordance with the ASX Settlement Operating Rules and ASX requirements. All transfers must comply with the CO2 Constitution, the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act. The directors may refuse to register a transfer of shares in circumstances permitted by the CO2 Constitution, the ASX Listing Rules or the Corporations Act. The directors must refuse to register a transfer of shares if required to do so by the ASX Listing Rules or the ASX Settlement Operating Rules.

**(g) Variation of rights**

Subject to sections 246C and 246D of the Corporations Act, a variation or cancellation of rights attached to CO2 Shares is allowed with either the written consent of the holders of a majority of the issued shares of the affected class, or the sanction of an ordinary resolution passed at a meeting of the holders of the issued shares of the affected class. In either case, the holders of not less than 10% of the votes in the class of shares whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

At present, there are two classes of shares in CO2 Group on issue (that is, the CO2 Shares which are fully paid and the CO2 Convertible Preference Shares).

**(h) Alteration of share capital**

Subject to the Corporations Act, the CO2 Directors may alter CO2 Group's share capital to give effect to any resolution. This includes, where a shareholder becomes entitled to a fraction of a share on a consolidation, making cash payments and determining that fractions may be disregarded.



(i) **Amendments**

The CO2 Constitution may be amended only by a special resolution passed by at least three quarters of the votes cast by CO2 Shareholders entitled to vote on the resolution. At least 28 days written notice specifying the intention to propose the resolution must be given.

(j) **Unmarketable parcels**

Once in any 12 month period, the CO2 Board can give written notice to those shareholders who hold CO2 Shares that have an aggregate market value less than a marketable parcel under the ASX Listing Rules (**Unmarketable Parcel**), stating that the CO2 Board intend to sell the Unmarketable Parcel. The shareholder has 6 weeks after the notice is given (or lesser period where required by the CO2 Constitution) at which time, unless the shareholder notifies CO2 Group that their shares are not to be sold, CO2 Group may sell the Unmarketable Parcel.

The power to sell lapses if a takeover is announced after the CO2 Board gives notice and before they enter into an agreement to sell the shares.

The CO2 Board are entitled to sell the Unmarketable Parcel on-market or in any other way they decide. CO2 Group must send the proceeds of sale to the CO2 Shareholder after deducting the costs associated with the sale.

In addition, to the CO2 Board's right to sell an Unmarketable Parcel under the ASX Listing Rules, the CO2 Board may remove or change a shareholders voting rights or rights to receive dividends from an Unmarketable Parcel, provided that:

- the Unmarketable Parcel is a new holding created by a transfer of a parcel of shares in a class of shares in CO2 that was less than a marketable parcel at the time the transfer was initiated; and
- the net proceeds of sale and any withheld dividends (subject to the former member delivering proof of title) are sent to the former member after the sale.

## 1.11 Trading in CO2 Shares

CO2 Shares are quoted on ASX.

Set out below is a table showing relevant trading prices of CO2 Shares on ASX:

<b>Comparative trading period price of CO2 Shares</b>	<b>Price of CO2 Shares A\$</b>
Highest trading price in the 4 months prior to the date this Bidder's Statement was lodged with ASIC (28 March 2012)	18.5 cents
Lowest trading price in the 4 months prior to the date this Bidder's Statement was lodged with ASIC (20 June 2012)	10 cents
Closing trading price on the last trading day before the Announcement Date on 30 July 2012 (being the latest practicable trading date prior to the Announcement Date)	14 cents
The 3 month VWAP prior to the last trading day before the Announcement Date of 30 July 2012 (being the latest practicable trading date prior to the Announcement Date)	13.73 cents

## 1.12 Announcement by CO2 Group in relation to the Offer

On 1 August 2012, CO2 Group made a public announcement to ASX in relation to the Offer. A copy of that announcement is available to WARL Shareholders at request to CO2 Group and free of charge, or alternatively, can be accessed at <http://www.co2australia.com.au/>.

## 2 Information about WARL

### 2.1 Responsibility for WARL Information

The information on WARL and Your WARL Shares contained in this section 2 has been prepared based on a review of information made available to CO2 Group by WARL. WARL has consented to the inclusion of this information in the Bidder's Statement.

Information in this Bidder's Statement concerning WARL's businesses has not been independently verified by CO2 Group.

Further information relating to WARL's businesses may be included in the Target's Statement accompanying this Bidder's Statement.

### 2.2 Overview, brief history and principal activities of WARL

#### (a) Overview

WARL is an Australian owned public unlisted company which aims to establish large scale integrated marine protein production operations in Australia through the farming of prawns and finfish predominantly for Asian export markets.

#### (b) Brief history and principal activities of WARL

WARL was established in October 2005. WARL initially operated in the natural resources exploration and development sector and held several joint ventures in minerals exploration programs as well as interests in water and natural resources developments.

In 2011, WARL embarked on a new business direction to investigate opportunities for new water projects, agribusiness and food development projects and has recently completed a concept feasibility study (**Concept Study**) for the development of large-scale aquaculture production systems in northern Australia (**Aquaculture Project**).

WARL has existing strong links with CO2 Group. There are 2 common directors between the Boards of WARL and CO2 Group (see section 2.9) and CO2 Group is one of WARL's major shareholders. Entities associated with Mr Ian Trahar are the largest shareholders in WARL and CO2 Group. In addition, the two companies have many common shareholders and WARL and CO2 Group share administrative and some technical resources.

### 2.3 Directors of WARL

#### (a) Details of Directors

The following people are directors of WARL:

- (i) Mr Ian Trahar;
- (ii) Mr Richard Dickson;
- (iii) Dr Christopher Mitchell;
- (iv) Mr Ian Longson; and

(v) Mr Robert Bell.

Mr Harley Whitcombe is the Company Secretary of WARL.

Further information on the background of each WARL Director is set out in section 2.9.

(b) **Interests of directors**

Mr Ian Trahar and Dr Christopher Mitchell (**Interested Directors**), being directors of CO2 Group as well as directors of WARL, have declined to make a recommendation in relation to the Takeover Bid.

## 2.4 **Overview of the market**

Compelling global food security, population growth and economic development drivers underpin the growth of aquaculture and the opportunity for WARL.

(a) **Large strategic growth opportunity**

The strategic market opportunity for aquaculture derives from major global development trends. These trends include:

- (i) large existing demand and forecast growth in demand for aquaculture products in Asian markets, particularly, but not limited to, China;
- (ii) food security having emerged as a national priority for China;
- (iii) demographic changes including global population growth (forecast to be 9 billion by 2050) coupled with increases in the middle class and associated food preferences; and
- (iv) the inability of wild-caught fisheries to meet demand coupled with the risk of over-exploitation of wild fish-stocks leading to increased pressure on supply of high-demand seafood.

(b) **Aquaculture's role in future food production**

Aquaculture already produces approximately 65-70 Mtpa of seafood. Globally, about half the fish consumed directly by people is farmed.

Large scale aquaculture operations are well established in a number of overseas countries with farmed prawns being the largest single globally traded seafood commodity in value terms. Asian Countries (China, Thailand, Vietnam and Indonesia, are the world's largest producers of farmed prawns. Aggregation consisting of over 10,000 hectares of ponds (producing in excess of 80,000 tpa of protein) has been demonstrated.

Globally, aquaculture is the fastest growing food protein production sector.

(c) **Global competition**

There is competition in global markets for Australian fish, and import competition in local markets. Australia is a net importer of fisheries products in both volume and value terms. However, the composition of fishery product exports is different to imports. Australia mostly exports high value products,

while importing lower valued products. WARL is targeting export markets.

Aquaculture is relatively well developed globally compared with Australia. China, as the world's largest producer of aquaculture product, was responsible for 37 Mt in 2010, some 60% of global production. Notwithstanding this massive domestic production, the Chinese government has predicted that it will need to import approximately 1 Mtpa of seafood from 2012, rising to possibly 30 Mtpa by 2050.

The other major suppliers of tropical aquaculture products are Vietnam, Thailand, Indonesia and Saudi Arabia. Despite all South East Asian suppliers having faced contamination and disease challenges at various times, the industry is expected grow. Nonetheless demand is still expected to outstrip supply.

(d) **Barriers to entry**

Historically, Australia has been a small scale producer of aquaculture products. Currently only 1000 hectares of prawn farms exist in Australia and these are located on the east coast.

(i) Regulatory barriers

Within Australia, significant regulatory barriers to the establishment of land-based aquaculture exist. It is a highly regulated industry and new projects require numerous approvals from a range of regulatory authorities at the Local, State and Federal levels. In its 2004 review entitled 'Assessing Environmental Regulatory Arrangements for Aquaculture', the Productivity Commission concluded that the development of the aquaculture industry is subject to an unnecessarily complex array of legislation and regulatory agencies.

(ii) Capital investment required

In addition to regulatory barriers, the WARL large-scale aquaculture concept is capital intensive. The integrated production model outlined in section 2.5 requires capital investment in the construction of hatchery facilities, grow-out ponds, feed-mill, logistics and other ancillary infrastructure. The structure of the Australian tropical aquaculture industry has hitherto not been of sufficient scale to attract significant third-party investment.

(iii) Technological developments

The developments in the commercial application of aquaculture technologies have been especially rapid during the past decade. Through its investigations with CSIRO, WARL has identified a number of recent but proven innovations in the areas of nutrient and pollution control, genetic improvement, and animal nutrition that when brought together in a green-fields development will lead to significant production efficiencies and significantly reduced environmental impact.

(e) **Australia has a number of aquaculture advantages**

There are a number of factors which put Australian-based projects in a sound position to take advantage of this growing market. These include:

- (i) significant areas of land with accessible high quality seawater of suitable temperature and salinity that are not subject to competing high value land-uses;
- (ii) unusual conditions in which suitable sites are relatively remote from areas of high population density and therefore significant point sources of city and industrial pollution, but relatively well located in relation to key economic infrastructure that supports large-scale export, such as ports and bulk handling facilities;
- (iii) a small but high quality resource of globally-leading aquaculture (and seafood) science, engineering and marketing capabilities that has a demonstrated a globally significant track-record of impact;
- (iv) an environment with a low risk of disease or contamination, and excellent biosecurity regulatory environment and quarantine protocols; and
- (v) that Australia is particularly well positioned to deliver product that meets growing awareness of and concern for, food safety in target markets.

## **2.5 WARL's Development Model**

WARL seeks to develop the Aquaculture Project using existing technology and know-how to successfully raise cultured species in suitable Australian locations for established markets.

The key differences are that WARL is planning to develop its production systems in less environmentally-sensitive locations using recently-developed nutrient management technologies at productions scales of a significantly larger scale than those previously conducted in Australia.

WARL has completed its Concept Study and is progressing with its feasibility studies, and is seeking funding for this purpose.

Based on its Concept Study, the preferred model is an integrated system for protein production. This model consists of the elements outlined below.

- (a) Broodstock facilities & hatcheries – to breed and raise fish and crustacean larvae and fingerlings to be transferred into the production systems. These also include facilities to produce food for the larval and juvenile stages.
- (b) Feed mill(s) – these are to produce nutritionally specialised pelletised feed products to feed the animals in the production systems. It is proposed that products from some of the fish production systems will be utilised to produce fish meal – a key component of fish and prawn feeds – but which has historically been derived from wild-caught fish.
- (c) Land-based, pond growout facilities.
  - (i) The initial 18,000 hectare production farm is expected to comprise 10,000 hectares of production ponds and up to 8,000 hectares of additional water treatment ponds/canals and other infrastructure.

- (ii) Pond systems are designed as 'zero net discharge' with water returned to the environment having the same nutrient and suspended solids concentrations as the water brought into the system.
  - (iii) The project is readily scalable by the addition of more farms in the future. There is a preference for diversification of sites, to minimise the impact of climatic and environmental factors on the company's operations.
- (d) Product processing facilities – the large quantities of fish and prawns produced from the production systems are required to be processed efficiently, hygienically and at as low a cost as possible. The intention is to process minimally for export.
- (e) Product export and transportation facilities – loading and transporting the large volumes of seafood produced from the processing facilities is another component. WARL is currently undertaking detailed studies into potential port access, logistics and transportation costs from the ports, as well as air freight options. Local transport infrastructure (road) and export infrastructure (airport, port/dock/handling equipment) is being assessed.
- (f) Support infrastructure.
- (i) Power is needed to drive pumps, aeration systems and for the feed mill, as well as for cold chain management and the processing facilities. WARL's concept planning has identified a number of options for delivering power requirements.
  - (ii) The Aquaculture Project will be a major employer and WARL is assessing the labour requirements and opportunities – in terms of both skills and availability. Accommodation options for staff will also be an important consideration for the location of projects.

## **2.6 Species selection**

The WARL Concept Study has identified domesticated prawn and finfish species that are suited to large-scale aquaculture production. The domesticated prawn species have been proven to be suitable for commercial production and are well-accepted in international markets.

Similarly, WARL has identified domesticated finfish species suitable for culturing within the environmental conditions associated with the preferred areas. All target species intended for export have proven aquaculture production track-record and high market acceptance.

## **2.7 Initial project**

WARL is progressing with its pre-feasibility studies which are focused on development of an initial 10,000 hectares of production ponds producing an estimated 80,000 – 100,000 tonnes per annum of prawns and finfish. Additional tonnages would be added to this production when at full capacity.

It is estimated that the initial 10,000 hectare development could be producing seafood in less than three years from the start of construction and be in full production by year seven.

Subsequent farms of similar scale are expected to replicate the initial 10,000 hectare project.

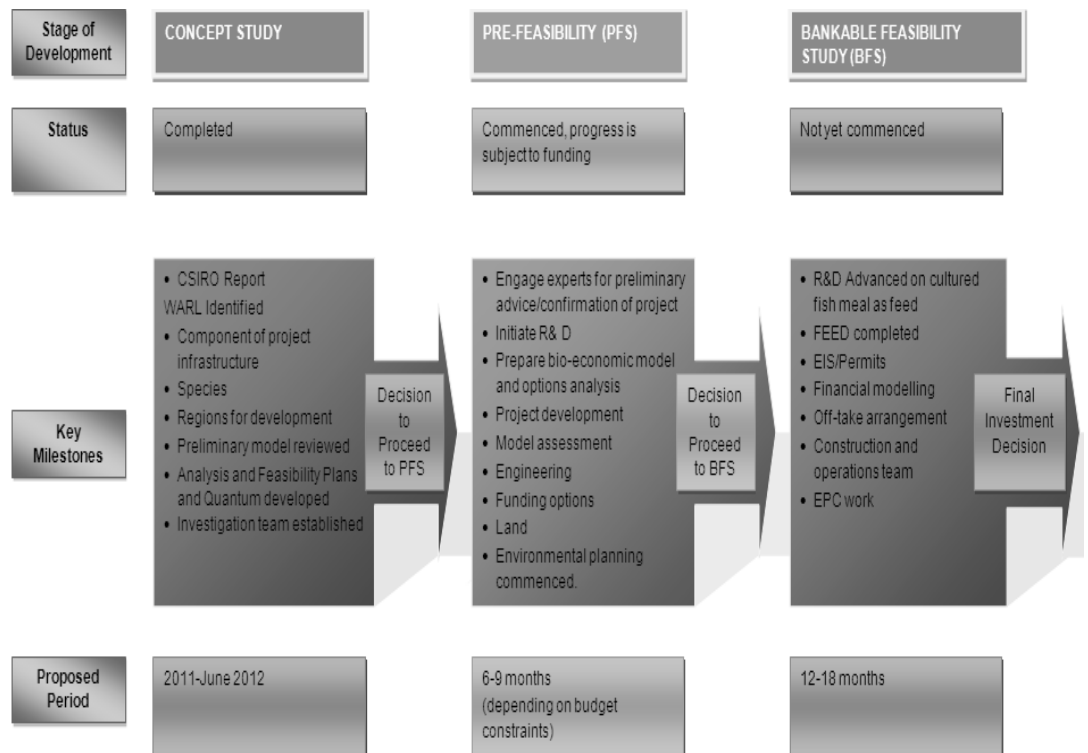
The enterprise is designed to meet high-volume, high-quality, long term supply arrangements with reputable established customers, providing them with food supply security into the future. These long term arrangements will be required to support the large financial investment required to establish and develop the project.

The feasibility studies will assess project viability and how each component of the model will be delivered (i.e. owned and developed by WARL or outsourced to appropriate service providers, either initially or for the longer term).

## 2.8 Aquaculture Project progress to date

### (a) Project development process

Set out below is an overview of the process to be conducted by WARL to assess the Aquaculture Project.



### (b) Status and milestones achieved

In July 2012, the WARL Board approved the Concept Study and, subject to funding, authorised management to progress to pre-feasibility study.

To date WARL has:

- (i) expended approximately \$800,000 in relation to the Aquaculture



Project and the various preliminary studies and investigations relating to it;

- (ii) completed an initial concept study in May 2012, conducted by CSIRO on behalf of WARL;
- (iii) conducted a review and refinement of the CSIRO initial concept study, and completed its Concept Study;
- (iv) completed preliminary market analysis;
- (v) engaged a team suitable for the progress of the pre-feasibility study, including its managing director, Mr Robert Bell and leading experts and advisers to assist with the Aquaculture Project (see section 2.9(b));
- (vi) initiated certain aspects of the pre-feasibility study works;
- (vii) begun negotiating agreements with CSIRO, the Kimberley Institute of Training and the Western Australian Department of Fisheries on specific research and development plans (the quantum and progress of this research and development is largely dependent on WARL's ongoing funding); and
- (viii) completed an assessment of funding options for the pre-feasibility study.

(c) **Funding implementation**

Implementation and timing of the pre-feasibility studies and bankable feasibility studies is dependent on the funding of the studies. With appropriate funding, the expected timetable for the pre-feasibility study is 6 – 9 months.

However, the timeframe for the pre-feasibility study work is largely dependent on the available budget. With the limited funding currently available, the extent of works which can be conducted will be significantly curtailed until further funding is obtained. WARL has developed a priority list of actions to progress during this period.

Details on the current financial position of WARL are set out in section 2.10.

(d) **Site selection**

WARL has conducted investigations into the appropriate regions to locate the initial 10,000 hectares of production ponds and the related infrastructure. To date the north west of Western Australia has been identified as being most prospective.

## **2.9 WARL's team**

(a) **WARL Board:**

Brief profiles of the directors and officers of WARL who are directors of CO2 Group (being Mr Ian Trahar, Chairman and Dr Christopher Mitchell, Executive Director) are set out in section 1.3. Details of the other directors of WARL as at the date of this Bidder's Statement are as follows.

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**Robert Bell**  
**Director and Chief Executive Officer**

Mr Bell is a lawyer and environmental advisor with over 20 years experience in the resources sector. He specialises in the management of government approvals for major projects and has been responsible for strategy development and delivery of constructible approvals for some of Australia's largest resources projects. His earlier careers were as a marine biologist and an environmental scientist.

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**Mr Richard Dickson**  
**Non executive Director**

Mr Dickson is a director of Grant Thornton and has had over 40 years experience in all aspects of accounting with particular expertise in tax accounting. Richard also has extensive experience in providing expert advice in relation to mergers and acquisitions and the evaluation of existing businesses and new business opportunities. Richard is a Fellow of the Institute of Chartered Accountants.

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**Mr Ian Longson**  
**Non executive Director**

Mr Longson is currently a business development consultant and was previously on the Executive team of the Department of Agriculture and Director General of the Western Australian Department of Agriculture and Food. His mix of private and public sector experience includes the provision of business analyses and advisory services for agriculture, agribusiness and food processing businesses in Western Australia, and a wide range of economic and policy studies for Australian and international businesses and government agencies.

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(b) **Key consultants:**

WARL has utilised a range of consultants and advisers to assist with the Aquaculture Project, in the following key discipline areas:

- (i) Science;
- (ii) Engineering;
- (iii) Technical;
- (iv) Legal;
- (v) Commercial; and
- (vi) Air Freight & Logistics.

## **2.10 Financial information on WARL**

The key financial statistics set out below are historical financial information for WARL only. It is a summary only. The full financial accounts with the notes to the accounts can be found in WARL's full year accounts for the period ending 30 June 2012.

<b>Cash as at 30 June 2012</b>	<b>\$1,284,550</b>
<b>Cash backing per WARL Share</b>	<b>\$0.077/ share</b>
<b>Net assets (as at 30 June 2012)</b>	<b>\$1,372,838</b>
<b>Net assets per WARL Share</b>	<b>\$0.082 / share<sup>7</sup></b>
<b>Debt</b>	<b>Nil</b>

## 2.11 Risks

The business risks which currently affect WARL and an investment in WARL Shares will continue to affect WARL, whether or not it becomes a subsidiary of CO2 Group. By accepting the Offer, you will diversify some of your risk away from the risks associated with WARL.

Some of the potential risks associated with an investment in WARL are explained in section 6.3 and include the following; however this list is by no means exhaustive.

- (a) The Aquaculture Project is at an early stage of development and so should be considered highly speculative.
- (b) The success of the project is likely to be dependent on the ability to raise sufficient capital to fund development.
- (c) A long term off-take partner is likely to be required to support the capital required to establish the project.
- (d) A significant number of government and environmental approvals are required for the development of the Aquaculture Project.
- (e) As is the case for many aquaculture projects, there are risks arising from threats to the health and safety of live finfish stock
- (f) Seasonal, climatic and environmental conditions may impact the success of the project.
- (g) Disruption to supplies and adverse price movements including in relation to fingerlings, larvae and feedstock.
- (h) Prawn and fish prices and competition.
- (i) Dependence upon key personnel.

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<sup>7</sup> Based on the undiluted share capital as at 30 June 2012.

## 2.12 WARL's issued securities

The total number of securities in each class of WARL securities at the date of this Bidder's Statement is as follows:

WARL Shares	Options	Performance share (held by CO2 Group) <sup>8</sup>
16,747,358	1,300,000	1

## 2.13 WARL's major shareholders

### (a) Registered shareholders as at 30 June 2012

As at the date of this Bidder's Statement, the substantial registered holders of WARL Shares were as follows:

WARL Shareholder	WARL Shares held	
Gabor Holdings Pty Ltd	5,889,501	35.16%
Crestpark Investments Pty Ltd	2,642,592	15.78%
CO2 Group Limited	1,898,735	11.22%
Susan Wallwork	930,000	5.55%
Quarles Pty Ltd	500,001	2.99%
City Lane Pty Ltd	456,812	2.73%
MRC Services Pty Ltd	405,784	2.42%

### (b) Substantial WARL Shareholders as at 30 June 2012

As at the date of this Bidder's Statement, the substantial holders of Relevant Interests in WARL Shares were as follows:

WARL Shareholder	WARL Shares in which Relevant Interest held	
Mr Ian Trahar and entities associated with him <sup>9</sup>	6,081,406	36.31%
Crestpark Investments Pty Ltd and entities associated with it <sup>10</sup>	2,642,592	15.78%
Susan Wallwork	930,000	5.55%

<sup>8</sup> WARL has issued a performance share to CO2 Group, which carries no voting rights or rights to dividends, does not confer on CO2 Group any right to participate in the surplus profits or assets of WARL upon its winding up, and is non-transferable. The performance share converts into 3,750,000 WARL Shares in the event that WARL Shares are included on the official list of ASX and achieve a share price on ASX of at least \$0.20 (based on an average weighted trading price of the shares over 30 trading days) on or before 1 July 2014.

<sup>9</sup> Including entities such as Gabor Holdings Pty Ltd and Avatar Industries Pty Ltd. Mr Ian Trahar also has a Relevant Interest in CO2's shareholding in WARL, but this has not been included due to CO2's holding not being subject to the Offer. A copy of the substantial shareholders notice showing the entities through which Mr Trahar holds his interest in CO2 Group is available through ASX at [www.asx.com.au](http://www.asx.com.au).

<sup>10</sup> Including MRC Services Pty Ltd.

## 2.14 CO2 Group's interests in WARL's securities

	At the date of this Bidder's Statement	At the date the first Offer is sent
Voting power in WARL	1,898,735 shares (11.2%)	1,898,735 shares (11.2%)
Relevant Interest in Shares	1,898,735 shares (11.2%)	1,898,735 shares (11.2%)

## 2.15 Interests of WARL Directors and WARL's Company Secretary in WARL securities

As at the date of this Bidder's Statement, the following WARL Directors have a Relevant Interest in WARL Shares:

Director, and/or their associates	WARL Shares	Options
Mr Ian Trahar, Director <sup>9</sup>	6,081,406	N/A
Mr Richard Dickson, Director	500,001	200,000
Dr Christopher Mitchell, Director	N/A	200,000
Mr Ian Longson, Director	N/A	100,000
Mr Robert Bell, Director	N/A	400,000
Mr Harley Whitcombe, Company Secretary	500,882	200,000

## 2.16 Interests of CO2 Directors in WARL securities

As at the date of this Bidder's Statement, the following CO2 Directors have a Relevant Interest in WARL Shares:

Director, and/or their associates	WARL Shares	Options
Mr Ian Trahar <sup>9</sup>	6,081,406	N/A
Dr Christopher Mitchell	N/A	200,000
Mr Harley Whitcombe	500,882	200,000
Mr Paul Favretto	484,569	N/A
Mr Andrew Grant	250,000	N/A

## 2.17 Past dealings in WARL Shares

### (a) Share trading history

WARL's Shares are thinly traded, with no more than 4 transfers lodged for registration in the last 2 years, all for no consideration. As a result, no referable market price is able to be obtained based on those transfers.

### (b) No trading in previous four months by CO2 Group

Neither CO2 Group nor any of its associates has provided, or agreed to provide, consideration for WARL Shares under any purchase or agreement during the four months before the date of this Bidder's Statement.

Neither CO2 Group nor any of its associates has provided, or agreed to provide, consideration for WARL Shares under any purchase or agreement

during the period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Offer.

**2.18 No pre-Offer benefits**

During the period of 4 months before the date of this Bidder's Statement, neither CO2 Group nor any of its associates gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- (a) accept the Offer; or
- (b) dispose of WARL Shares,

and which is not offered to all holders of the WARL Shares under the Offer.

**2.19 No escalation agreements**

Neither of CO2 Group nor any of its associates has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

**2.20 Further information on WARL's securities**

Further information relating to WARL can be found in the Target's Statement, which accompanies this Bidder's Statement.

## 3 Intentions in relation to WARL

### 3.1 Introduction

This section 3 sets out CO2 Group's intentions in relation to the following:

- (a) the continuation of the business of WARL;
- (b) any major changes to the business of WARL and any redeployment of the fixed assets of WARL; and
- (c) the future employment of the current employees of WARL.

### 3.2 Intentions if CO2 Group acquires 90% or more of the WARL Shares

This section 3.2 sets out CO2 Group's current intentions if, at the end of the Offer Period, it has a Relevant Interest in 90% or more of the WARL Shares and is entitled to proceed to compulsory acquisition of the outstanding WARL Shares in accordance with Part 6A.1 of the Corporations Act.

#### (a) **Compulsory acquisition**

If it becomes entitled to do so under the Corporations Act, CO2 Group intends to proceed with compulsory acquisition of any outstanding WARL Shares in accordance with Part 6A.1 of the Corporations Act, including any WARL Shares which are issued after the close of the Offer.

#### (b) **Directors and executive officers**

CO2 Group intends to retain the existing WARL Board. A review of the WARL Board will be conducted within 12 months after the close of the Offer.

#### (c) **WARL strategy**

CO2 Group intends to progress the pre-feasibility studies currently being conducted by WARL into the Aquaculture Project. Further development of the Aquaculture Project is dependent on the outcome of the studies.

#### (d) **Operations and assets**

CO2 Group's present intention is to dispose of the mining tenements currently held by WARL as they are considered to be non-core assets of WARL.

#### (e) **Managing Director and staff of WARL**

CO2 Group intends that Mr Robert Bell will continue to serve in the role of Managing Director of WARL and no redundancies of staff are intended as a result of the transaction.

#### (f) **Options held by WARL Directors and officers**

If the Options are exercised during the Offer Period and the holders are issued WARL Shares, the holders will be entitled to accept under the Offer. In circumstances where the Options are not exercised, CO2 Group intends to negotiate the acquisition or cancellation of the Options after the Offer closes.

(g) **Early payment**

Generally, CO2 Group will provide the consideration to you under this Offer on or before the earlier of:

- one month after this Offer is accepted or one month after all of the conditions to this Offer have been freed or fulfilled (whichever is the later); and
- 21 days after the end of the Offer Period.

However, in the event that CO2 Group acquires a Relevant Interest in 90% of all WARL Shares during the Offer Period (provided no conditions are breached), CO2 Group intends to:

- waive all conditions; and
- pay the cash consideration or issue the share consideration within 7 days of acceptance or the Offer becoming unconditional (whichever is the later).

**3.3 Intentions if CO2 Group acquires effective control but less than 90% of the WARL Shares**

CO2 Group reserves its right to declare the Offer free from the 90% minimum acceptance condition. However, CO2 Group has not decided whether it will free the Offer from the 90% minimum acceptance condition (or any other condition to the Offer).

This section 3.3 sets out CO2 Group's intentions if, at the end of the Offer Period:

- CO2 Group has a Relevant Interest in less than 90% of the WARL Shares but CO2 Group has declared the Offer free from the 90% minimum acceptance condition; and
- acquires effective control of WARL, but is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, CO2 Group's current intentions are as follows:

(a) **Active major WARL Shareholder**

Subject to the Corporations Act, CO2 Group intends to become actively involved in determining WARL's capital management policies and controlling the strategic direction of the business of WARL. Additionally, if CO2 Group receives acceptances under the Offer that bring its holding to more than 75% of WARL Shares, it will be in a position to cast the votes required for a special resolution at meetings of WARL Shareholders. This would enable it to pass resolutions, for example, to amend the WARL Constitution.

(b) **Directors**

CO2 Group intends to retain the existing WARL Board. A review of the WARL Board will be conducted within 12 months after the close of the Offer.



**(c) Compulsory acquisition**

It is possible that even if CO2 Group is not entitled to proceed to compulsory acquisition after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act, for example, as a result of acquisitions of WARL Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act. If so, CO2 Group currently intends to exercise those rights of compulsory acquisition.

**(d) Other intentions**

CO2 Group's preparedness to fund the WARL business would need to be reconsidered depending upon the level of ownership obtained by CO2 Group. Otherwise, CO2 Group will seek to procure that WARL implements the strategies and goals outlined in section 3.2 to the extent possible and appropriate in the circumstances.

**(e) Limitations in giving effect to intentions**

The ability of CO2 Group to implement the intentions set out in this section 0 will be subject to the legal obligation of WARL Directors to have regard to the interests of WARL and all WARL Shareholders and the requirements of the Corporations Act relating to transactions between related parties. These may limit or modify the implementation of the intentions outlined above.

Also, as a result of those requirements, the approval of minority WARL Shareholders may be required for the implementation of some of the intentions outlined above.

**3.4 Intentions for WARL if not controlled by CO2 Group**

The Offer is subject to a condition that, at the end of the Offer Period, CO2 Group has Relevant Interests in at least 90% of the WARL Shares (see section 9.8 for more information on the conditions of the Offer).

CO2 Group does not currently intend to waive the 90% minimum acceptance condition to the Offer but reserves the right to do so.

If CO2 Group waives the 90% minimum acceptance condition and, at the end of the Offer Period, has a Relevant Interest in less than 90% of the WARL Shares, the interest in WARL will become an investment of CO2 Group which will be reviewed by CO2 Group in accordance with its usual investment policies.

CO2 Group intends to retain the existing WARL Board. A review of the Board will be conducted within 12 months after the close of the Offer.

CO2 Group's preparedness to fund the WARL business would need to be reconsidered depending upon the level of ownership obtained by CO2 Group.

### **3.5 Intentions generally**

Subject to the matters described above in this section 3 and elsewhere in this Bidder's Statement, it is the intention of CO2 Group, on the basis of facts and information concerning WARL that are known to it and the existing circumstances affecting the assets and operations of WARL at the date of this Bidder's Statement, that:

- (a) the business of WARL will be conducted in substantially the same manner as at the date of the Bidder's Statement;
- (b) there will be no major changes made to the business of WARL nor any redeployment of the fixed assets of WARL; and
- (c) the current Managing Director and staff of WARL will be retained.

## 4 Funding

### 4.1 Consideration under the Offer

The consideration for the acquisition of Your WARL Shares will be funded by the issue of CO2 Shares and/or by the payment of cash.

### 4.2 Maximum consideration

Based on the number of WARL Shares on issue at the date of this Bidder's Statement:

- (a) the maximum number of CO2 Shares which may need to be issued in accordance with the Offer, if acceptances were received for all WARL Shares and all WARL Shareholders (other than CO2 Group) elect to receive the Share Alternative, is 18,560,778 CO2 Shares;
- (b) the maximum amount of cash that CO2 Group would be required to pay under the Offer if acceptances were received for all WARL Shares and all WARL Shareholders (other than CO2 Group) elect to receive the Cash Alternative, is \$2,412,901.24; and
- (c) as the WARL and CO2 Directors have indicated that they currently intend to elect to receive the Share Alternative, the maximums under the Offer will be as follows:<sup>11</sup>
  - (i) the maximum number of CO2 Shares which would be issued assuming all other WARL Shareholders also accept the Share Alternative is 18,560,778 CO2 Shares; and
  - (ii) the maximum amount of cash that CO2 Group would be required to pay assuming all other WARL Shareholders (other than CO2 Group, and the CO2 and WARL Directors) accept the Cash Alternative is \$1,142,661.81.

### 4.3 Ability to issue the share consideration

CO2 Group has the capacity to issue the maximum number of CO2 Shares which it may be required to issue under the Offer. No shareholder approvals or third party consents are required for the issue of those shares.

### 4.4 Sources of cash consideration

The necessary funds to pay the maximum consideration of \$2,412,901.24 and all associated transaction costs for the acquisition of WARL Shares pursuant to the Offer will be met through existing cash reserves.

These funds are freely available and are not currently required for any other purpose.

### 4.5 Provision of consideration

On the basis of the arrangements described in this section 4, CO2 Group is of the opinion that it has a reasonable basis for holding the view, and holds the view that CO2 Group will be able to provide the consideration offered under the Offer.

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<sup>11</sup> On the assumption that no Options are exercised during the Offer Period.

## 5 Effect of acquisition on CO2 Group

### 5.1 Impact of the acquisition on CO2 Group Operations

In addition to the key impacts which are disclosed elsewhere in this Bidder's Statement, the acquisition of WARL, if successful, is expected to have the following effects on CO2 Group operations:

- (a) based on the acquisition value, the WARL business will represent approximately 5% of CO2 Group;
- (b) the existing operations of CO2 Group are not expected to be materially affected by the acquisition;
- (c) CO2 Group's operations will be further diversified by the opportunity to progress and, if appropriate, develop the Aquaculture Project;
- (d) the CO2 Group management team, will be bolstered by the addition of Mr Rob Bell;
- (e) the cash reserves of CO2 Group will be reduced by the amount paid to WARL Shareholders pursuant to the Cash Alternative. The maximum amount if all shareholders (other than CO2 Group, the CO2 Directors and the WARL Directors who have indicated that they intend to accept the Share Alternative) is \$1,142,661.81;
- (f) the issued capital of CO2 Group will increase by the number of CO2 Shares issued to WARL shareholders who accept the Share Alternative. The maximum number of CO2 Shares that may be issued to WARL Shareholders is 18,560,778;<sup>12</sup>
- (g) the assets (other than cash) of CO2 Group will be increased by the increase in its investment in WARL; and
- (h) the major shareholder of CO2 Group, being entities associated with Mr Ian Trahar, may increase marginally (by less than 1%).

### 5.2 Forecast financial information

CO2 Group has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information for CO2 Group. The CO2 Directors have concluded that, as at the date of this Bidder's Statement, information regarding future profitability is not sufficiently certain to enable the provision of forecast financial information for CO2 Group. Financial forecasts for CO2 Group will be influenced by various factors that are outside the control of the directors and that cannot, at this time, be predicted with the requisite confidence to enable a forecast to be included.

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<sup>12</sup> On the assumption that no Options are exercised during the Offer Period.

### **5.3 Pro forma statement of financial position**

The unaudited pro forma statement of financial position provided in this section 5.3 illustrates the key financial impacts on CO2 Group of CO2 Group acquiring all of the WARL Shares that it does not already own. By its nature, pro forma financial information is only illustrative of the types of impacts which a particular set of assumed transactions can have on underlying financial information. The information may not represent the financial position if and when the transaction is implemented.

The unaudited pro forma statement of financial position has been prepared to give effect to the pro forma adjustments resulting from the transaction as if the transaction (and other material events, as disclosed in the notes below) had occurred on 30 June 2012. The unaudited pro forma statement of financial position should be read in conjunction with the notes and assumptions set out below.

In considering the pro forma information, WARL Shareholders should take into account the following matters:

- (a) the carrying value of WARL assets have not been subjected to impairment reviews by CO2 Group and no fair value adjustments have been made in relation to the WARL assets as a result of the acquisition;
- (b) the Offer price is as stated under the terms of the Offer;
- (c) it is assumed that 100% ownership of WARL is achieved under the Offer, hence the accounts of CO2 Group and WARL may be fully consolidated on a line-by-line basis;
- (d) it is assumed that all WARL Shareholders elect to receive the Share Alternative. To the extent that WARL Shareholders accept the Cash Alternative, cash assets will be reduced by the amount of cash paid under the Cash Alternative and issued capital will reduce by a corresponding amount;
- (e) the unaudited pro forma statement of financial position for CO2 Group has been prepared based on the CO2 Group unaudited management statement of financial position as at 30 June 2012 and a WARL audited statement of financial position as at 30 June 2012; and
- (f) transaction costs and costs of acquiring WARL options have been ignored.

The accounting policies adopted by CO2 Group for the purposes of the pro forma statement of financial position are the same as those set out in its half year financial report for the period ended 31 March 2012 which was lodged with ASX on 14 May 2012. The pro forma information should be read in conjunction with these accounting policies and the notes set out above.

**Unaudited Pro Forma Statement Of Financial Position  
of CO2 Group at 30 June 2012**

	CO2 Group June Mgt Accounts \$	WARL June Audited Accounts \$	Adjustments	Proforma Accounts \$
<b>Current Assets</b>				
Cash and cash equivalents	27,283,806	1,284,550	0	28,568,356
Trade & other receivables	1,673,974	0	0	1,673,974
Macquarie plantings	2,842,137	0	0	2,842,137
Land	1,965,640	0	0	1,965,640
Accrued income	405,027	0	0	405,027
Seed inventory	164,117	0	0	164,117
Other current assets	3,591,844	3,793	0	3,595,637
<b>Total Current Assets</b>	<b>37,926,545</b>	<b>1,288,343</b>	<b>0</b>	<b>39,214,888</b>
<b>Non Current Assets</b>				
Other financial assets	313,593	9,355	(313,593)	9,355
Exploration and evaluation	0	98,832	0	98,832
Investments in associates	28,308	0	0	28,308
Plant & Equip - WDV	358,364	999	0	359,363
Intangible assets	2,078,554	0	1,348,607	3,427,161
Deffered tax assets	7,169,542	0	0	7,169,542
2005 Planting (Origin)	2,422,540	0	0	2,422,540
2006 Planting (Carbon Estate)	625,338	0	0	625,338
Freehold land	709,799	0	0	709,799
<b>Total Non Current Assets</b>	<b>13,706,038</b>	<b>109,186</b>	<b>1,035,014</b>	<b>14,850,238</b>
<b>Total Assets</b>	<b>51,632,583</b>	<b>1,397,529</b>	<b>1,035,014</b>	<b>54,065,126</b>
<b>Current Liabilities</b>				
Accounts payable	1,016,739	1,177	0	1,017,916
Accruals	1,486,604	0	0	1,486,604
PAYG Payable	152,418	23,514	0	175,932
Payroll liabilities	(46,804)	0	0	(46,804)
Deferred income	7,835,432	0	0	7,835,432
GST payable	(146,534)	0	0	(146,534)
Borrowings	18,336	0	0	18,336
Provisions	587,902	0	0	587,902
Income tax payable	2,952,694	0	0	2,952,694
<b>Total Current Liabilities</b>	<b>13,856,787</b>	<b>24,691</b>	<b>0</b>	<b>13,881,478</b>
<b>Non Current Liabilities</b>				
Long term provisions	71,203	0	0	71,203
<b>Total Non Current Liabilities</b>	<b>71,203</b>	<b>0</b>	<b>0</b>	<b>71,203</b>
<b>Total Liabilities</b>	<b>13,927,990</b>	<b>24,691</b>	<b>0</b>	<b>13,952,681</b>
<b>Net Assets</b>	<b>37,704,593</b>	<b>1,372,838</b>	<b>1,035,014</b>	<b>40,112,445</b>
<b>Equity</b>				
Issued Capital (CPS)	301			301
Issued Capital (FPS)	41,617,424	666,084	1,750,067	44,033,575
Other Reserves	1,761,012	63,528	(126,806)	1,697,734
Share Option Expense (A-IFRS)	3,652,526	0	0	3,652,526
Retained Earning	(11,460,025)	643,226	(643,226)	(11,460,025)
Current Year Profit (loss)	2,133,355	0	54,979	2,188,334
<b>Total Equity</b>	<b>37,704,593</b>	<b>1,372,838</b>	<b>1,035,014</b>	<b>40,112,445</b>

## 5.4 Capital structure

Assuming that 100% acceptances are received for the Offer and that no Options are exercised during the Offer Period, the Offer will have the following effect on CO2 Group's capital structure:

	If all WARL Shareholders select the Share Alternative	If all WARL Shareholders select the Cash Alternative	WARL Directors and CO2 Directors select the Share Alternative and all others select Cash Alternative
<b>Current Issued CO2 Shares</b>	429,451,319	429,451,319	429,451,319
<b>CO2 Shares to be issued under the Offer</b>	18,560,778	0	9,514,335
<b>Total Issued shares after Offer</b>	448,012,097	429,451,319	438,965,654
<b>Current Issued CO2 Convertible Preference Shares</b>	30,150,189	30,150,189	30,150,189
<b>CO2 Unlisted Options</b>	6,080,000	6,080,000	6,080,000
<b>CO2 Performance Rights</b>	13,715,586	13,715,586	13,715,586

Following completion of the Offer, and assuming CO2 Group acquires 100% of the WARL Shares it does not already own, and all WARL Shareholders accept the Share Alternative for 100% of their holdings, then existing CO2 Shareholders will hold 95.86% of the CO2 Shares on issue and former WARL Shareholders will hold 4.14% of the CO2 Shares on issue.

## 5.5 Interests of CO2 Group Directors in CO2 Group securities after the Offer

Assuming acquisition by CO2 Group of 100% of the WARL Shares, all WARL Directors and CO2 Directors accept the Share Alternative for their holdings, and all other WARL Shareholders (other than CO2 Group) elect the Cash Alternative, the CO2 Group Directors will have the following Relevant Interests in CO2 Shares and CO2 Options after the Offer<sup>13</sup>:

Director, and/or their associates	Number of CO2 Shares <sup>14</sup>	Number of Options
<b>Mr Ian Trahar</b>	214,393,321	48.88%
<b>Mr Andrew Grant</b>	3,258,932	0.74%
<b>Dr Christopher Mitchell</b>	40,000	0.01%
<b>Mr Harley Whitcombe</b>	12,013,259	2.74%
<b>Mr Paul Favretto</b>	20,730,721	4.73%
<b>Dr Malcolm Hemmerling</b>	575,625	0.13%

<sup>13</sup> Nb. These figures assume that no Options are exercised during the Offer Period.

<sup>14</sup> Percentage figures assume the issued capital after the Offer is 448,037,098 CO2 Shares.

## **5.6 Quotation of CO2 Shares**

CO2 Group will make application within seven days after the date of this Bidder's Statement to ASX for admission to quotation of the CO2 Shares that may be issued under the Offer. Quotation is not guaranteed or automatic but will depend on ASX exercising its discretion under the ASX Listing Rules.

CO2 Group has already been admitted to the official list of ASX and shares in CO2 Group of the same class as those to be issued under the Offer are already quoted on the official list of the ASX. CO2 Group cannot guarantee, and does not represent or imply, that the CO2 Shares to be issued under the Offer will be quoted. In accordance with the Corporations Act, the quotation of the CO2 Shares to be issued under the Offer is a condition to the Offer under section 9.14.



## 6 Risks associated with the Offer and electing the Share Alternative

### 6.1 Overview

If the Offer becomes unconditional, WARL Shareholders who accept the Offer and elect to receive CO2 Shares will become CO2 Shareholders in CO2 Group. In those circumstances, WARL Shareholders will:

- (a) be exposed to additional risks associated with the Offer;
- (b) be exposed to additional risks associated with CO2 Group; and
- (c) continue to be exposed to the risks associated with an investment in WARL as a result of your indirect interest in WARL through CO2 Group.

The performance and operations of CO2 Group and the price of CO2 Shares may be affected by a range of risk factors. CO2 Group plans to take prudent measures to mitigate its exposure to these risks, such as using safeguards and appropriate systems and controls, and obtaining insurance coverage in some instances. However, some risks are outside of CO2 Group's control and cannot be mitigated or insured against. Many of these risks also apply, to varying degrees, to other entities in the same industry.

The occurrence of one or more of the risks may have a material impact on CO2 Group's assets, liabilities, prospects, capacity to obtain funding and capacity to continue to operate.

The summary of material risks below is not exhaustive. It has been prepared based on the knowledge of CO2 Directors at the date of the Bidder's Statement. As circumstances change, some risks may take on greater importance and others may become less relevant.

### 6.2 Risks associated with the Offer

#### (a) Roll-over relief

If CO2 Group does not acquire the number of WARL Shares sufficient to bring its total interest in WARL to at least 80%, scrip-for-scrip CGT roll-over relief will not be available to WARL Shareholders who accept the Offer and elect the Share Alternative.

#### (b) Taxation risks

The taxation consequences and risks of the Offer depend upon the specific circumstances of each WARL Shareholder. WARL Shareholders should obtain their own independent professional taxation advice regarding the applicable law in respect of the Offer.

#### (c) Accuracy of WARL information

There is a risk that the information provided by WARL and utilised by CO2 Group in formulating the Offer and preparing this Bidder's Statement is not materially correct. CO2 Group has conducted a high level due diligence

process on WARL and WARL has consented to and takes responsibility for the WARL information in this Bidder's Statement.

### **6.3 Risks relating to WARL and the Aquaculture Project**

The business and sector specific risks which currently affect WARL, affect the future operating and financial performance of WARL and an investment in WARL Shares will continue to affect WARL, whether or not it becomes a subsidiary of CO2 Group. By accepting the Offer, you will diversify some of your risk away from the risks associated with WARL.

Some of the potential risks associated with an investment in WARL are set out below; however this list is by no means exhaustive.

#### **(a) The Aquaculture Project is an early stage opportunity**

WARL's Aquaculture Project is at an early stage of its pre-feasibility studies. There can be no assurance that the studies will be successful or that any development in regard to Aquaculture Project will result in a project being developed and, if developed, being a profitable operation.

#### **(b) Ability to raise sufficient capital to fund development**

The continued development of the Aquaculture Project after the completion of the pre-feasibility study will be dependent upon the ability to access funds to study, and if applicable, develop the project, including the capacity to obtain debt and/or equity financing. There is a risk that access to capital on terms that make the project economically viable will not be available. Even if finance is available it may be on terms that materially dilute your equity position.

CO2 Group has funding to progress the pre-feasibility studies, and as an established ASX listed company involved in environmental services and agriculture, is expected to have greater capacity than WARL to raise equity capital, debt finance and attract a substantial strategic partner to assist with the development funding for the Aquaculture Project.

#### **(c) Long term off-take partner required**

The viability of the Aquaculture Project is most likely to be best achieved if the product can be sold via a long term supply agreement with an off-take partner who is prepared to commit to such a relationship. Such a relationship has benefits for both parties. The off-take partner gets a long-term, secure supply at a known price formula. With a long term income model secured, the supplier can confidently invest in its production model and seek to back-to-back the sales arrangements with similar timescale input supply agreements to lock in costs. These types of supply off-take arrangements are common in high-capital infrastructure projects.

#### **(d) Land availability and access**

Land availability and access to land is a potential risk to the Aquaculture Project. However, WARL has identified areas and as part of the pre-feasibility will continue to identify potential areas best suited for its operations.

(e) **Development approvals**

The development of the Aquaculture Project will require a range of State and local government approvals. Should these not be achieved, the project may not progress in the form proposed, or at all.

(f) **Project development risks**

Assuming WARL is successful in achieving investment based on a feasibility study, approvals have been obtained, and capital is in place to develop the project, WARL faces the usual project development risks including those associated with engineering, unforeseen project construction delays or site specific challenges.

(g) **Aquaculture Project risks**

Aquaculture is a form of primary production and therefore investors should recognise that the normal and usual risks associated with primary production apply. These risks include but are not limited to, weather and climate risk, disease risk, risk of natural catastrophe such as storm surge or wind damage; risks from pest and disease, sudden changes in environmental conditions that lead to poor growth performance, or even death arising from failures in plant and equipment that produce adverse changes in water temperature oxygen concentrations or salinity levels.

These risks are well understood in an operational context and are managed within the parameters of project design and production management.

(h) **Supply risks**

WARL intends to source all fingerlings and larvae from its own hatchery to be developed as part of the project in order to better manage this risk. If a problem should occur in the hatchery, WARL would seek secure alternative supplies. However, if these could not be sourced it could have a material adverse impact on WARL's business, financial condition and results of operations.

A significant component of WARL's costs of growing product is expected to be represented by the cost of feed. Feed costs are primarily a function of the cost of production of suitable fish meal and fish oil and the United States Dollar (USD) exchange rate. WARL may purchase all of its fish feed requirements from local or international suppliers, however it plans to manufacture its own feed in a dedicated feed mill.

(i) **Prawn and fish price risks**

If and when the Aquaculture Project is developed, the financial performance of WARL is expected to be influenced by variations in the domestic and international prices paid for product produced by WARL. Major factors that can influence demand and supply in the market and, therefore, the price of product include:

- (i) an increase in supply of fish/prawns from either domestic or offshore competitors, or increased competition from alternative fish species and food sources;
- (ii) the level of world prawn and finfish production relative to consumption requirements;
- (iii) the rate of world economic development, and in particular, economic growth in Asian (principally Japan and China), North and South American and Northern European countries;
- (iv) changes in AQIS restrictions and other country import restrictions; and
- (v) movements in exchange rate relativities between the currencies of the major seafood export and import countries.

**(j) Dependence upon key personnel**

WARL's future success is reliant upon its key management personnel. The loss of the services of certain personnel could have an adverse effect on WARL, as it may not be able to recruit replacements for the key personnel within a short time frame.

**(k) Environmental regulations**

National and local environmental laws and regulations affect nearly all of WARL's proposed operations. These laws and regulations set various standards governing certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards.

Notwithstanding that WARL has environmental monitoring protocols in place, significant liability could be imposed on WARL for damages or penalties for non-compliance by WARL with environmental laws or regulations.

## **6.4 Risks associated with holding shares in CO2 Group**

**(a) Acquisition of less than 90% of WARL Shares**

If CO2 Group were to declare the Offer free from conditions, there is a chance that CO2 Group could acquire less than 90% of all WARL Shares under the Offer. This would prevent CO2 Group compulsorily acquiring all remaining WARL Shares in accordance with Part 6A.1 of the Corporations Act. The impact on CO2 Group acquiring less than 90% will depend on the ultimate level of ownership acquired. However, the existence of a minority interest in WARL may have an impact on CO2 Group's capacity to realise operational benefits from the acquisition of WARL.

**(b) Voting only in CO2 Group**

WARL Shareholders who accept the Offer and elect to receive CO2 Shares will no longer have a direct interest in WARL and as such will lose the voting rights and other rights previously held as holders of WARL Shares. Instead, WARL Shareholders who accept the Offer and elect to receive CO2 Shares will have a right to vote shares in CO2 Group only and CO2 Group will acquire the rights

attached to the WARL Shares that it acquires under the Offer.

(c) **Dilution**

Future capital raisings or equity funded acquisitions by CO2 Group may dilute the holdings of CO2 Shareholders.

## **6.5 Risks associated with CO2 Group's business**

(a) **Regulatory Risks**

The national and international carbon market is largely a function of agreements between governments, national legislation, sub-national legislation and regulations including environmental legislation. Accordingly CO2 Group in common with other carbon market participants is subject to regulatory risk. CO2 Group closely monitors public statements by political parties and manages these risks through its presence in a number of carbon market segments including the voluntary market.

(b) **Market Risks**

Aside from the regulatory nature of the carbon market described above the carbon market otherwise carries normal commercial and market risks. Such risks include commodity price risk (carbon price risk) largely a function of market supply and demand. As with any other commodity and in any other industry CO2 Group Ltd competes with other suppliers to the market. The Australian carbon market is at present thinly supplied, however other competitors and competing technologies will emerge over time. Counterparty risk is managed by CO2 Group through careful assessment of counterparties and its contractual terms.

The Group also participates in environmental markets through its environmental trading business, Carbon Banc. Carbon Banc operates within a strict set of closely supervised trading protocols and does not leverage its positions.

(c) **Agricultural Risks**

Within its contractual arrangements CO2 Group's clients take on the agricultural risk (for carbon forestry these relate to weather and climate risk, fire risk and pests and disease) associated with the plantings once establishment has been achieved. In addition to well developed and proven operational protocols, insurance policies are used to manage agricultural risks through the establishment phase.

(d) **Access to land**

Although access to land is perceived by the market as a significant risk, surveys of the Australian land mass continue to identify millions of hectares as potentially suitable for carbon forestry. CO2 Group undertakes an active R&D program aimed at diversifying species and landscapes suitable for carbon forestry.

(e) **Other business risks**

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of CO2 Group.

## **6.6 Usual financial and economic risks**

There are a series of usual financial risks which may apply to CO2 Group and its business and WARL and the Aquaculture Project to varying degrees. These include:

(a) **Interest Rates**

As interest rates may rise, this exposes an investment to higher interest costs on borrowings. This risk can be reduced by fixing the rate on borrowings. Similarly lower rates will magnify the return to investors.

(b) **Changing Tax Laws**

Changes in relation to direct or indirect taxes may have a detrimental effect on an investor's individual position. It is recommended that each investor seek their own taxation advice.

(c) **Borrowing Risk**

Loan facilities are obtained for fixed periods of time. On expiry of any loan facility the same terms as were initially obtained may not be available in the future, or at all. If refinance is not available, the Aquaculture Project may need to be sold and there is a risk that the sale price may be insufficient to repay debt.

(d) **General economic conditions**

Economic conditions, both domestic and global, may affect the performance of CO2 Group and/or WARL. Factors such as fluctuations in currencies, commodity prices, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. CO2 Group's and/or WARL's future possible revenues and share price can be affected by these factors, all of which are beyond the control of CO2 Group and/or WARL.

(e) **Equity market conditions**

CO2 Group is listed on ASX. Securities listed on the stock market can experience extreme price and volume fluctuations that are often unrelated to the operating performances of such companies. The market price of securities may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general.

General factors that may affect the market price of securities include economic conditions in both Australia and internationally, investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

(f) **Changes in Australian government policy and legislation**

Any material adverse changes in relevant government policies or legislation of Australia may affect the viability and profitability of CO2 Group and/ or WARL, and consequent returns to investors. The activities of CO2 Group and/or WARL will be subject to various federal, state and local laws.

## 7 Taxation considerations

### 7.1 Introduction

The following is a general outline of the main Australian income tax consequences for an Australian resident individual WARL Shareholder resulting from acceptance of the Offer and the acquisition, ownership and disposal of CO2 Shares.

The outline is not exhaustive of all income tax considerations which could apply in the circumstances of any given WARL Shareholder and there are a number of limitations to the outline including that:

- (a) it applies only to Australian resident individual taxpayers. It does not cover the tax treatment for any other class of taxpayer including individuals who are non-residents of Australia for tax purposes, companies, insurance organisations, superannuation funds, trusts or employees of WARL or its associated companies who acquired their WARL Shares in respect of their employment;
- (b) it applies only where WARL Shareholders hold their WARL Shares on capital account. It does not apply where the WARL Shares are held on revenue account (eg. WARL Shares held by WARL Shareholders as trading stock or otherwise on revenue account); and
- (c) it is based on current Australian tax law. It does not take into account or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

This outline does not constitute, and should not be construed as, taxation advice. CO2 Group and its officers and advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Offer or in respect of the taxation consequences themselves.

All WARL Shareholders, and particularly those WARL Shareholders not specifically covered by this outline as noted above (ie. WARL Shareholders other than Australian resident individuals), should consult their own independent professional taxation advisers regarding the Australian and, if applicable, foreign income tax consequences of disposing of WARL Shares given the particular circumstances which apply to them.

### 7.2 Capital gains tax

The transfer of WARL Shares to CO2 Group pursuant to the Offer will trigger a capital gains tax (**CGT**) event for you. The income tax implications for you will depend on whether you elect the Share Alternative and choose to obtain scrip-for-scrip roll-over relief under Subdivision 124-M of the Income Tax Assessment Act 1997 (**ITAA 1997**) in relation to the disposal of Your WARL Shares. Broadly, you may choose to obtain scrip-for-scrip roll-over relief where CO2 Group becomes the owner of 80% or more of all the WARL Shares and you:



- (a) receive CO2 Shares;
- (b) hold Your WARL Shares on capital account;
- (c) acquired Your WARL Shares on or after 20 September 1985; and
- (d) would, apart from the application of the roll-over, make a capital gain from the disposal of Your WARL Shares.

### **7.3 Where scrip-for-scrip roll-over relief is chosen**

Where the above conditions are met, WARL Shareholders who wish to obtain scrip-for-scrip roll-over relief must choose to obtain the roll-over relief.

Where scrip-for-scrip roll-over relief is chosen, any capital gain arising from the disposal of Your WARL Shares will be disregarded and deferred until a CGT event occurs in respect of the CO2 Shares acquired by you under the Offer. The CGT cost base and reduced cost base of each CO2 Share received will be determined by apportioning, on a reasonable basis, the cost base and reduced cost base of Your WARL Shares disposed of pursuant to the Offer.

If you can apply the discount CGT rules in Division 115 of the ITAA 1997 and you choose scrip-for-scrip roll-over relief, your CO2 Shares will be taken to have been acquired at the time Your WARL Shares were originally acquired for the purposes of applying the CGT discount rules.

Where a capital loss arises, you will not be eligible to obtain scrip-for-scrip roll-over relief.

### **7.4 Where scrip-for-scrip roll-over is not available or not chosen**

Scrip-for-scrip roll-over relief will not be available where you elect the Cash Alternative.

Where scrip-for-scrip roll-over relief is not available or not chosen, you will make a capital gain equal to the market value of the CO2 Shares you are entitled to less the CGT cost base of Your WARL Shares. In determining your capital gain, the market value of your CO2 Shares should be determined using the market value of those shares on the date you accept the Offer.

You may be entitled to concessional CGT treatment under Division 115 of the ITAA 1997. This will depend upon your individual circumstances.

If your reduced cost base is greater than the market value of the CO2 Shares you are entitled to, you may realise a capital loss.

Where scrip-for-scrip roll-over relief is not available or not chosen, the cost base of the CO2 Shares will be equal to their market value, as determined on the date the Offer is accepted.

Where scrip-for-scrip roll-over relief is not available or not chosen, the acquisition date of the CO2 Shares for CGT purposes will be the date on which the Offer is accepted.

## **7.5 Stamp Duty**

If you accept the Offer you will not be required to pay any stamp duty on the disposal of Your WARL Shares under the Offer, on the acquisition of CO2 Shares under the Offer, or on a subsequent disposal of CO2 Shares.

## **7.6 GST**

None of the following transactions is subject to Australian GST:

- (a) the transfer of WARL Shares pursuant to the Offer (except brokerage if any);
- (b) the payment of dividends on CO2 Shares; and
- (c) a disposal of CO2 Shares (except brokerage if any).

## **8 Other material information**

### **8.1 Options held by WARL Directors and officers**

If the Options are exercised during the Offer Period and the holders are issued WARL Shares, the holders will be entitled to accept under the Offer. In circumstances where the Options are not exercised, CO2 Group intends to negotiate the acquisition or cancellation of the Options after the Offer closes.

### **8.2 Date for determining holders of WARL Shares**

For the purposes of section 633 of the Corporations Act, the date for determining the persons to whom information is to be sent under items 6 and 12 of section 633(1) is the Register Date.

### **8.3 CO2 Group is a disclosing entity**

Due to the fact that CO2 Group is offering CO2 Shares as consideration for the acquisition of WARL Shares under the Offer, the Corporations Act requires that this Bidder's Statement must include all information that would be required for a prospectus for an offer of CO2 Shares under sections 710 to 713 of the Corporations Act.

Neither CO2 Group nor WARL need to issue a prospectus for the Offer of the CO2 Shares as the Offer is occurring under a takeover bid.

CO2 Group is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all disclosing entities, CO2 Group is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of CO2 Shares.

CO2 Shares have been quoted on the Official List of ASX during the 3 months prior to the date of this Bidder's Statement. For this reason, CO2 Group is only required to disclose information in this Bidder's Statement that would usually be required where CO2 Shares have been continuously quoted securities.

In general terms where CO2 Shares are continuously quoted securities the Bidder's Statement is only required to contain information in relation to the effect of the Offer on the rights and liabilities attaching to CO2 Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company unless such information has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and it is information:

- (a) that investors and their professional advisers would reasonably require for the purposes of making an informed assessment of such matters; and
- (b) relating to the rights and liabilities attaching to the CO2 Shares.

Having made such enquiries as are reasonable, CO2 Group believes that it has complied with the general and specific requirements of ASX as applicable

from time to time throughout the 12 months before the issue of this Bidder's Statement which required CO2 Group to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Bidder's Statement, other than that which is considered necessary to make this Bidder's Statement complete.

CO2 Group, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to CO2 Group (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Bidder's Statement and the date the Offer closes:
  - (i) the annual financial report most recently lodged by CO2 Group with ASIC;
  - (ii) any half year financial report lodged with ASIC by CO2 Group after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Bidder's Statement with ASIC; and
  - (iii) any documents used to notify ASX of information relating to CO2 Group during that period in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with ASIC in relation to CO2 Group can be inspected at the registered office of CO2 Group during normal office hours.

CO2 Group has lodged the following announcements with ASX since 30 September 2011. Copies of these announcements are available from CO2 Group's website at <http://www.co2australia.com.au> or alternatively from the ASX at [www.asx.com.au](http://www.asx.com.au).

Date	Description
30/07/2012	Market Update – Trading Performance
04/06/2012	CO2 Group Change of Director's Interest Notice
24/05/2012	CO2 Group Change of Director's Interest Notice
16/05/2012	CO2 Group Announces Half-Year Results Broadcast
14/05/2012	CO2 Group 2012 Half-Year Results Commentary
14/05/2012	CO2 Group announces Appendix 4D Half-Year Report
08/05/2012	CO2 Group Announces Biodiversity Fund Grants

<b>Date</b>	<b>Description</b>
19/04/2012	CO2 Group AFSL Access Clarification
19/04/2012	CO2 Group Board Room Radio Bundaberg Agreement
18/04/2012	CO2 Group Obtains an AFSL
16/04/2012	CO2 Group enters Queensland Market with Bundaberg
06/03/2012	CO2 Group AGM Presentation by CEO
24/02/2012	CO2 Group AGM Resolutions
24/02/2012	CO2 Group AGM Addresses to Shareholders
18/01/2012	CO2 Group Notice of Annual General Meeting/Proxy
30/12/2011	CO2 Group Change of Director's Interest Notice
14/12/2011	CO2 Group Environmental Markets Award
28/11/2011	CO2 Group 2011 Full Year Report Broker Presentation
28/11/2011	CO2 Group 2011 Full Year Report Media Release
28/11/2011	CO2 Group 2011 Full Year Statutory Accounts and 4E
22/11/2011	CO2 Group secures contract with Tasmanian Government
21/11/2011	CO2 Group Change in Substantial Shareholder Notices
21/11/2011	CO2 Group Appendix 3Y Change of Directors Interests
21/11/2011	CO2 Group Appendix 3B Listed Opt Exercise and Top 20
16/11/2011	CO2 Group Appendix 3B Listed Option Exercise
09/11/2011	CO2 Group Appendix 3B Listed Option Exercise
08/11/2011	CO2 Group Welcomes Clean Energy Bill Becoming Law
07/11/2011	CO2 Group Option Trading Now Ceased
07/11/2011	CO2 Group New Zealand Carbon Project and Update
04/11/2011	CO2 Group Listed Options Trading Expiry
02/11/2011	CO2 Group Appendix 3B Listed Option Exercise
27/10/2011	CO2 Group Environmental Broadcast by CEO Andrew Grant
26/10/2011	CO2 Group Appendix 3B Listed Option Exercise
25/10/2011	CO2 Group Environmental Markets Update
18/10/2011	CO2 Group Listed Option Exercise Appendix 3B
12/10/2011	CO2 Group Welcomes Passing of Clean Energy Bills
05/10/2011	CO2 Group Listed Option Expiry Notice

## 8.4 Consents

The following persons have consented to being named in this Bidder's Statement in the form and context in which their names appear and have not withdrawn their consent prior to the lodgement of this Bidder's Statement with ASIC:

- (a) Deloitte Touche Tomatsu – to be named as independent auditor to CO2 Group;
- (b) Computershare Investor Services Pty Ltd – to be named as security registrar to CO2 Group; and
- (c) Corrs Chambers Westgarth – to be named as legal adviser to CO2 Group.

This Bidder's Statement also contains statements made by, or statements based on statements made by:

- (a) WARL, which has consented to the inclusion of:
  - (i) each statement it has made; and
  - (ii) each statement which is based on a statement it has made, which forms part of the WARL Information in the form and context in which those statements appear and has not withdrawn that consent before lodgement of this Bidder's Statement with ASIC.
- (b) BDO Corporate Finance (WA) Pty Ltd, which has consented to the inclusion of each reference to its report and conclusions from its report contained in this Bidder's Statement in the form and context in which those statements appear, and has not withdrawn that consent before lodgement of this Bidder's Statement with ASIC.
- (c) Moore Stephens, which has consented to the inclusion of each reference to the audited accounts of WARL as at 30 June 2012 in the form and context in which those statements appear, and has not withdrawn that consent before lodgement of this Bidder's Statement with ASIC.

Each person named in this section as having given its consent to the inclusion of a statement or to being named in this Bidder's Statement:

- (a) does not make, or purport to make, any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Bidder's Statement with the consent of that person; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Bidder's Statement with the consent of that party.

This Bidder's Statement also includes or is accompanied by statements which

are made in or based on statements made in documents lodged with ASIC or ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Bidder's Statement.

Copies of relevant parts of reports and statements of third parties which have been lodged with ASIC or ASX and which are referred to in this Bidder's Statement without the consent of those third parties but in accordance with ASIC Class Order 01/1543 will be provided free of charge to any CO2 Shareholder who requests a copy during the Offer Period. If you would like to receive a copy of any of these reports or statements, please contact the Company Secretary of CO2 Group Limited on +618 9321 4111.

## **8.5 Disclosure of interests of certain persons**

Other than as set out elsewhere in this Bidder's Statement, no:

- (a) director or proposed director of CO2 Group;
- (b) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- (c) promoter of CO2 Group; or
- (d) underwriter to the issue of CO2 Shares or financial services licensee named in this Bidder's Statement as being involved in the issue of CO2 Shares,

(together, the **Interested Persons**) holds at the date of this Bidder's Statement or held at any time during the last two years, any interest in:

- (e) the formation or promotion of CO2 Group;
- (f) property acquired or proposed to be acquired by CO2 Group in connection with its formation or promotion, or the offer of CO2 Shares under the Offer; or
- (g) the offer of CO2 Shares under the Offer.

## **8.6 Disclosure of fees and benefits received by certain persons**

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- (a) to a director or proposed director of CO2 Group to induce them to become, or to qualify as, a director of CO2 Group (other than director's fees and remuneration in the ordinary course); or
- (b) for services provided by an Interested Person in connection with the formation or promotion of CO2 Group or the offer of CO2 Shares under the Offer.

Corrs Chambers Westgarth has acted as legal adviser to CO2 Group in connection with the Offer. CO2 Group estimates that it will pay approximately

A\$100,000 (excluding GST and disbursements) to Corrs Chambers Westgarth for services performed up to the date of this Bidder's Statement. Further amounts may be paid to Corrs Chambers Westgarth in accordance with its normal time-based charges.

### **8.7 Expiry date**

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

### **8.8 ASIC modifications and exemptions**

ASIC has published various 'class order' instruments providing for modifications and exemptions that apply generally to all persons, including CO2 Group, in relation to the operation of Chapter 6 of the Corporations Act.

Among others, CO2 Group has relied on the modification to section 636(3) of the Corporations Act set out in paragraph 11 of ASIC Class Order 01/1543 'Takeover Bid' to include in this Bidder's Statement, without obtaining specific consents, statements which are made in, or based on statements made in, documents lodged with ASIC (see clause 8.4 above).

In addition, as permitted by ASIC Class Order 03/635, this Bidder's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

CO2 Group has not obtained from ASIC any modifications or exemptions from the Corporations Act in relation to the Offer.

### **8.9 Social security and superannuation implications of the Offer**

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist financial advice.

### **8.10 Consent to early dispatch of Bidder's Statement and Offers**

WARL Directors have consented to the early dispatch of the Bidder's Statement and Offers to WARL Shareholders on or after 3 August 2012.

### **8.11 Other material information**

Except as disclosed elsewhere in this Bidder's Statement, there is no other information that is:

- (a) material to the making of a decision by a WARL Shareholder whether or not to accept the Offer;
- (b) known to CO2 Group; and
- (c) which has not previously been disclosed to WARL Shareholders.



## 9 The terms and conditions of the Offer

### 9.1 Offer

- (a) CO2 Group is offering to acquire all of Your WARL Shares on and subject to the terms and conditions set out in this section 9.
- (b) Subject to section 9.1(e), the consideration under the Offer is:
  - (i) 5 CO2 Shares for every 4 of Your WARL Shares (**Share Alternative**); or
  - (ii) \$0.1625 cash for each of Your WARL Shares (**Cash Alternative**).You can elect to receive either form of consideration as indicated on the Acceptance Form.
- (c) If you accept the Offer you must choose between alternative forms of consideration set out in section 9.1(b) by making an election on the Acceptance Form. You must elect only one of the alternative forms of consideration (and not both). **If you fail to make an election or your election is unclear, you will be deemed to have elected the Cash Alternative, being \$0.1625 cash for each of Your WARL Shares.**
- (d) If the aggregate consideration payable to you would include:
  - (i) part of a CO2 Share, the number of CO2 Shares to be issued to you will be rounded down to the nearest whole number; or
  - (ii) part of a cent, your entitlement to cash will be rounded down to the nearest whole cent.
- (e) If, at the time this Offer is made to you, you are a Foreign Ineligible Shareholder, you will not receive any CO2 Shares. Instead, you will receive in respect of any CO2 Shares a cash amount determined in accordance with section 9.7.
- (f) The CO2 Shares to be issued as consideration under the Offer are ordinary shares in the capital of CO2 Group and will be credited as fully paid and have the rights summarised in section 1.9.
- (g) By accepting this Offer, you undertake to transfer to CO2 Group not only the WARL Shares to which the Offer relates, but also all Rights attached to those WARL Shares (see section 9.5(c)(vi) and section 9.6(c)).
- (h) This Offer is being made to each person registered as the holder of WARL Shares in the register of WARL Shareholders at 5.00 pm (Perth time) on the Register Date. It also extends to:
  - (i) any WARL Shares that are issued during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, securities which are on issue as at the Register Date; and
  - (ii) any person who becomes registered, or entitled to be registered,

as the holder of Your WARL Shares during the Offer Period.

- (i) If, at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of the WARL Shares to which this Offer relates:
  - (i) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those WARL Shares;
  - (ii) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to you in respect of any other WARL Shares you hold to which the Offer relates; and
  - (iii) this Offer will be deemed to have been withdrawn immediately at that time.
- (j) If at any time during the Offer Period you are registered or entitled to be registered as the holder of one or more parcels of WARL Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate offer on the same terms and conditions as this Offer had been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance Form, please call the Company Secretary of CO2 Group Limited on +618 9321 4111 to request those additional copies.
- (k) If Your WARL Shares are registered in the name of a broker, investment adviser or dealer, bank, trust company or other nominee, you should contact them for assistance in accepting the Offer.
- (l) The Offer is dated 3 August 2012.

## **9.2 Offer Period**

- (a) Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 5.00 pm (Perth time) on the later of:
  - (i) Wednesday, 5 September 2012; or
  - (ii) any date to which the Offer Period is extended.
- (b) CO2 Group reserves the right to extend the Offer Period in accordance with the Corporations Act.
- (c) If, within the last 7 days of the Offer Period, either of the following events occurs:
  - (i) the Offer is varied to improve the consideration offered; or
  - (ii) CO2 Group's voting power in WARL increases to more than 50%,

then the Offer Period will be automatically extended so that it ends 14 days after the event in accordance with section 624(2) of the Corporations Act.

### **9.3 How to accept this Offer**

#### **(a) General**

- (i) Subject to section 9.1(i) and section 9.1(j), you may accept this Offer only for all of Your WARL Shares.
- (ii) You may accept this Offer at any time during the Offer Period by completing and signing the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form.
- (iii) You must ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

#### **(b) WARL Shares of which you are entitled to be registered as holder**

To accept this Offer for WARL Shares which are not held in your name, but of which you are entitled to be registered as holder, you must:

- (i) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (ii) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

#### **(c) Acceptance Form and other documents**

- (i) The Acceptance Form forms part of the Offer.
- (ii) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by CO2 Group at one of the addresses shown on the Acceptance Form before the end of the Offer Period.
- (iii) The postage of the Acceptance Form and other documents is at your own risk.

### **9.4 Validity of acceptances**

- (a) Subject to this section 9.4, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in section 9.3.

- (b) CO2 Group will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. CO2 Group is not required to communicate with you prior to making this determination. The determination of CO2 Group will be final and binding on all parties.
- (c) Notwithstanding section 9.3, CO2 Group may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Your WARL Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by CO2 Group.
- (d) Where you have satisfied the requirements for acceptance in respect of only some of Your WARL Shares, CO2 Group may, in its sole discretion, regard the Offer to be accepted in respect of those of Your WARL Shares but not the remainder.
- (e) CO2 Group will provide the consideration to you in accordance with section 9.6, in respect of any part of an acceptance determined by CO2 Group to be valid.

## **9.5 The effect of acceptance**

- (a) Once you have accepted this Offer, you will not be able to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your WARL Shares from the Offer or otherwise dispose of Your WARL Shares, except as follows:
  - (i) if, by the end of the relevant times specified in section 9.5(b), the conditions in section 9.8 have not all been fulfilled or freed, this Offer will automatically terminate and Your WARL Shares will be returned to you; or
  - (ii) if the Offer Period is varied in a way that postpones for more than one month the time when CO2 Group has to meet its obligations under the Offer and, at the time, this Offer is subject to one or more of the conditions in section 9.8, you may be able to withdraw your acceptance and Your WARL Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.
- (b) The relevant times for the purposes of section 9.5 are:
  - (i) in relation to the condition in section 9.8(b) (no prescribed occurrences), the end of the third Business Day after the end of the Offer Period; and
  - (ii) in relation to all other conditions in section 9.8, the end of the Offer Period.

- (c) By signing and returning the Acceptance Form, or otherwise accepting this Offer pursuant to section 9.3, you will be deemed to have:
- (i) accepted this Offer (and any variation of it) in respect of Your WARL Shares, and, subject to all of the conditions to this Offer in section 9.8 being fulfilled or freed, agreed to transfer Your WARL Shares to CO2 Group (even if the number of WARL Shares specified on the Acceptance Form differs from the number of Your WARL Shares), subject to section 9.1(i) and section 9.1(j);
  - (ii) represented and warranted to CO2 Group, as a fundamental condition of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your WARL Shares (including any Rights) to CO2 Group is registered, that all Your WARL Shares are and will be free from all mortgages, charges, liens, Encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in Your WARL Shares (including any Rights) to CO2 Group, and that you have paid to WARL all amounts which at the time of acceptance have fallen due for payment to WARL in respect of Your WARL Shares;
  - (iii) irrevocably authorised CO2 Group (and any director, secretary or nominee of CO2 Group) to alter the Acceptance Form on your behalf by inserting correct details of Your WARL Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by CO2 Group to make it an effective acceptance of this Offer or to enable registration of Your WARL Shares in the name of CO2 Group;
  - (iv) irrevocably authorised and directed WARL to pay to CO2 Group, or to account to CO2 Group for, all Rights in respect of Your WARL Shares, subject, if this Offer is rescinded or rendered void, to CO2 Group accounting to you for any such Rights received by CO2 Group;
  - (v) irrevocably authorised CO2 Group to notify WARL on your behalf that your place of address for the purpose of serving notices upon you in respect of Your WARL Shares is the address specified by CO2 Group in the notification;
  - (vi) with effect from the date on which all the conditions to this Offer in section 9.8 have been fulfilled or freed, to have irrevocably appointed CO2 Group (and any director, secretary or nominee of CO2 Group) severally from time to time as your agent and attorney to exercise all your powers and Rights in relation to Your WARL Shares, including (without limitation) powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings of WARL and to request WARL to register, in the name of CO2 Group or its

nominee, Your WARL Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable);

- (vii) with effect from the date on which all the conditions to this Offer in section 9.8 have been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting of WARL or to exercise or purport to exercise any of the powers and rights conferred on CO2 Group (and its directors, secretaries and nominees) in section 9.5(c)(vi);
  - (viii) agreed that in exercising the powers and rights conferred by the powers of attorney granted under section 9.5(c)(vi), the attorney will be entitled to act in the interests of CO2 Group as the beneficial owner and intended registered holder of Your WARL Shares;
  - (ix) agreed to do all such acts, matters and things that CO2 Group may require to give effect to the matters the subject of this section 9.5(c) (including the execution of a written form of proxy to the same effect as this section 9.5(c) which complies in all respects with the requirements of the WARL Constitution) if requested by CO2 Group;
  - (x) represented and warranted to CO2 Group that, unless you have notified it in accordance with section 9.1(j), Your WARL Shares do not consist of separate parcels of WARL Shares;
  - (xi) agreed, subject to the conditions of this Offer in section 9.8 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that CO2 Group may consider necessary or desirable to convey Your WARL Shares registered in your name and Rights to CO2 Group; and
  - (xii) agreed to accept the CO2 Shares to which you have become entitled by acceptance of this Offer subject to the CO2 Constitution and have authorised CO2 Group to place your name on its register of securityholders in respect of those CO2 Shares.
- (d) The undertakings and authorities referred to in section 9.5(c) will remain in force after you receive the consideration for Your WARL Shares and after CO2 Group becomes registered as the holder of Your WARL Shares.

## **9.6 Payment of consideration**

- (a) Subject to section 9.4(a), 9.7 and 9.8, this section 9.6, and the Corporations Act, CO2 Group may provide the consideration due to you for Your WARL Shares on or before the earlier of:
  - (i) one month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within

- one month after this Offer becomes unconditional; and
- (ii) 21 days after the end of the Offer Period.
- (b) Where the Acceptance Form requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):
- (i) if that document is given with your Acceptance Form, CO2 Group will provide the consideration in accordance with section 9.6(a);
  - (ii) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is subject to a defeating condition, CO2 Group will provide the consideration due to you on or before the earlier of one month after this Offer becomes unconditional and 21 days after the end of the Offer Period;
  - (iii) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is not subject to a defeating condition, CO2 Group will provide the consideration due to you on or before the earlier of 21 days after that document is given and 21 days after the end of this Offer Period; and
  - (iv) if that document is given after the end of the Offer Period, and the Offer is not subject to a defeating condition, CO2 Group will provide the consideration within 21 days after that document is delivered. However, if at the time the document is given, the Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in section 652C(1) or (2) of the Corporations Act, CO2 Group will provide the consideration due to you within 21 days after the Offer becomes unconditional.
- (c) If you accept this Offer, CO2 Group is entitled to all Rights in respect of Your WARL Shares. CO2 Group may require you to provide all documents necessary to vest title to those Rights in CO2 Group, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to CO2 Group, or if you have received the benefit of those Rights, CO2 Group will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by CO2 Group) of those Rights, together with the value (as reasonably assessed by CO2 Group) of the franking credits, if any, attached to the Rights.
- (d) If you have accepted the Offer and you are a Foreign Ineligible Shareholder you will receive your share of proceeds from the sale of the CO2 Shares in accordance with section 9.7.
- (e) Payment of any cash amount to which you are entitled under the Offer will be paid to you by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas securityholders, by airmail) at the address as shown on your Acceptance Form.
- (f) The obligation of CO2 Group to issue and allot any CO2 Shares to which

you are entitled will be satisfied by CO2 Group:

- (i) procuring that your name is entered on the register of members of CO2 Group; and
  - (ii) dispatching or procuring the dispatch to you by pre-paid post to your address recorded in WARL's register of members at 8.00 am (Perth time) on the Register Date, an uncertificated holding statement in your name. If Your WARL Shares are held in a joint name, an uncertificated holding statement will be issued in the name of, and forwarded to, the holder whose name appears first in WARL's register of members at 8.00 am (Perth time) on the Register Date.
- (g) If at the time you accept the Offer or at the time the consideration is provided under it, any of the following:
- (i) Banking (Foreign Exchange) Regulations 1959 (Cth);
  - (ii) Part 4 of the Charter of the United Nations Act 1945 (Cth);
  - (iii) Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
  - (iv) any other regulations made under Part 4 of the Charter of the United Nations Act 1945 (Cth); or
  - (v) any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other Public Authority be obtained before you receive any consideration for Your WARL Shares, or would make it unlawful for CO2 Group to provide any consideration to you for Your WARL Shares, you will not be entitled to receive any consideration for Your WARL Shares until all requisite authorities, clearances or approvals have been received by CO2 Group.

## 9.7 Foreign Ineligible Shareholders

- (a) If you are a Foreign Ineligible Shareholder, you will not be entitled to receive CO2 Shares as the consideration for Your WARL Shares as a result of accepting this Offer, and CO2 Group will:
- (i) arrange for the issue to a nominee approved by ASIC (**Nominee**) of the number of CO2 Shares to which you and all other Foreign Ineligible Shareholders would have been entitled but for section 9.1(e) and the equivalent provision in each other offer under the Offer;
  - (ii) cause the CO2 Shares so issued to be offered for sale by the Nominee on the ASX as soon as practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee; and
  - (iii) cause the Nominee to pay to you the amount ascertained in



accordance with the formula:

$$N \times YS / TS$$

where:

'N' is the amount which is received by the Nominee upon the sale of all CO2 Shares under this section 9.7 less brokerage and sale expenses;

'YS' is the number of CO2 Shares which would, but for section 9.1(e), otherwise have been allotted to you; and

'TS' is the total number of CO2 Shares allotted to the Nominee under this section 9.7.

- (b) You will receive your share of the proceeds of the sale of CO2 Shares by the Nominee in Australian currency.
- (c) Payment will be made by cheque posted to you at your risk by ordinary mail (or in the case of overseas securityholders, by airmail) at the address provided on your Acceptance Form within the period required by the Corporations Act.
- (d) Under no circumstances will interest be paid on your share of the proceeds of the sale of CO2 Shares by the Nominee, regardless of any delay in remitting these proceeds to you.

## 9.8 Conditions of this Offer

Subject to section 9.10(a), the completion of this Offer and any contract that results from an acceptance of this Offer, are subject to the fulfilment of the conditions set out below:

### (a) Minimum acceptance

During, or at the end of, the Offer Period, CO2 Group and its associates have Relevant Interests (disregarding any Relevant Interests that CO2 Group has in all of the WARL Shares merely because of the operation of section 608(3) of the Corporations Act) in at least 90% of all of the WARL Shares.

### (b) No prescribed occurrences

None of the following events happens during the period beginning on the date the Bidder's Statement is given to WARL and ending at the end of the Offer Period:

- (i) WARL converts all or any of the WARL Shares into a larger or smaller number of WARL Shares;
- (ii) WARL resolves to reduce its share capital in any way;
- (iii) WARL:
  - (A) enters into a buy-back agreement; or

(B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;

(iv) WARL:

(A) issues shares or units or agrees to issue shares or units; or

(B) grants an option over its shares or units or agrees to grant an option over its shares or units;

(v) WARL issues, or agrees to issue, convertible notes;

(vi) WARL disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;

(vii) WARL charges, or agrees to charge, the whole, or a substantial part, of its business or property;

(viii) WARL resolves to be wound up;

(ix) the appointment of a liquidator or provisional liquidator of WARL;

(x) a court makes an order for the winding up of WARL;

(xi) an administrator of WARL is appointed under section 436A, 436B or 436C of the Corporations Act;

(xii) WARL executes a deed of company arrangement; or

(xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of WARL,

provided that it will not include any occurrence:

(xiv) fairly disclosed to CO2 Group on or before the date of this document;

(xv) occurring as a result of any matter, event or circumstance required by this document, the bid or the transactions contemplated by them; or

(xvi) approved in writing by CO2 Group.

(c) **No material acquisitions, disposals, etc.**

None of the following events occur during the period from the Announcement Date to the end of the Offer Period:

(i) WARL acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than \$10,000 or makes an announcement about such an acquisition;

(ii) WARL disposes, offers to dispose or agrees to dispose of, or creates, or offers to create an equity interest in one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than \$10,000 or makes an announcement about such a disposal;

(iii) WARL enters into, offers to enter into or announces that it

proposes to enter into any agreement, joint venture, partnership, farm-in agreement, farm-out agreement, management agreement or commitment involving the disposal of a legal, beneficial or economic interest in or right to, or in connection with, the Aquaculture Project or makes an announcement about such a commitment unless CO2 Group has given its prior written consent; and

- (iv) WARL incurs or commits to, or grants to another person a right the exercise of which would involve WARL incurring or committing to any capital expenditure or liability for an amount in aggregate greater than \$10,000 or makes an announcement about such a commitment.

## **9.9 Nature and benefit of conditions**

- (a) The conditions in section 9.8 (inclusive) are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period, prevent a contract to sell Your WARL Shares from arising, but entitles CO2 Group by written notice to you, to rescind the contract resulting from your acceptance of this Offer.
- (b) Subject to the Corporations Act, CO2 Group alone is entitled to the benefit of the conditions in section 9.8, or to rely on any non-fulfilment of any of them.
- (c) Each condition in section 9.8 is a separate, several and distinct condition. No condition will be taken to limit the meaning or effect of any other condition.

## **9.10 Freeing the Offer of conditions**

- (a) CO2 Group may free this Offer, and any contract resulting from its acceptance, from the conditions in section 9.8, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to WARL declaring the Offer to be free from the relevant condition or conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:
  - (i) in the case of the condition in section 9.8(b) (no prescribed occurrences), not less than 3 Business Days after the end of the Offer Period; and
  - (ii) in the case of all the other conditions in section 9.8, not less than 7 days before the end of the Offer Period.
- (b) If, at the end of the Offer Period (or in the case of the conditions in section 9.8(b) (no prescribed occurrences), not less than 3 Business Days after the end of the Offer Period), the conditions in section 9.8 have not been fulfilled and CO2 Group has not declared the Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

### **9.11 Notice of status of conditions**

The date for giving the notice on the status of the conditions required by section 630(1) of the Corporations Act is Tuesday, 28 August 2012 (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

### **9.12 Withdrawal of this Offer**

- (a) This Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, CO2 Group will give notice of the withdrawal to WARL and will comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, this Offer has been freed from all the conditions in section 9.8, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (c) If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the conditions in section 9.8, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).
- (d) A withdrawal pursuant to this section 9.12 will be deemed to take effect:
  - (i) if the withdrawal is not subject to conditions imposed by ASIC, after the date that consent in writing is given by ASIC; or
  - (ii) if the withdrawal is subject to conditions imposed by ASIC, after the date those conditions are satisfied.

### **9.13 Variation of this Offer**

CO2 Group may vary this Offer in accordance with the Corporations Act.

### **9.14 Statutory condition**

- (a) The Offer and any contract that results from your acceptance of it are subject to the further condition that:
  - (i) an application is made to ASX within seven days after the date of this Bidder's Statement for admission to official quotation by ASX of the CO2 Shares to be issued under the Offer; and
  - (ii) permission for admission to official quotation by ASX of the CO2 Shares to be issued for the Offers which are accepted under the Share Alternative, is granted no later than seven days after the end of the Offer Period.
- (b) This condition is not a defeating condition for the purposes of the Corporations Act and is not of the same nature as the Conditions set out in section 9.8. The Offer cannot be freed of this condition and subsequently no statements made by CO2 Group can be taken to waive that condition. If this condition is not fulfilled, all contracts resulting from

the acceptance of the Offer under the Share Alternative will be void automatically.

**9.15 No stamp duty or brokerage charges**

- (a) CO2 Group will pay any stamp duty on the transfer of Your WARL Shares to it.
- (b) As long as Your WARL Shares are registered in your name and you deliver them directly to CO2 Group, you will not incur any brokerage charges in connection with your acceptance of this Offer.

**9.16 Governing laws**

This Offer and any contract that results from your acceptance of it are to be governed by the laws in force in Western Australia, Australia.

## 10 Definitions and interpretation

### 10.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below.

<b>Term</b>	<b>Meaning</b>
<b>Acceptance Form</b>	the transfer and acceptance form enclosed with this Bidder's Statement.
<b>Aquaculture Project</b>	has the meaning given to that term in section 2.2(b).
<b>Announcement Date</b>	the date of the announcement of the Offer to acquire all of the WARL Shares by CO2 Group, being 1 August 2012.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ACN 008 624 691 or the financial market known as the Australian Securities Exchange operated by ASX Limited, as the context requires.
<b>AQIS</b>	Australian Quarantine and Inspection Service.
<b>Bidder's Statement</b>	this document, being the statement of CO2 Group under Part 6.5 Division 2 of the Corporations Act relating to the Offer.
<b>Business Day</b>	a day on which banks are open for business in Perth, excluding a Saturday, Sunday or public holiday.
<b>Carbon Banc</b>	Carbon Banc Limited ACN 107 322 832.
<b>Carbon Tax</b>	the tax imposed by the <i>Clean Energy Act 2011</i> (Cth).
<b>Cash Alternative</b>	has the meaning given to that term in section 9.1(b).
<b>CGT</b>	capital gains tax.
<b>Clean Energy Act</b>	<i>Clean Energy Act 2011</i> (Cth).
<b>CO2 Australia</b>	CO2 Australia Ltd ACN 102 990 803.
<b>CO2 Board</b>	the board of directors of CO2 Group.
<b>CO2 Director</b>	a director of CO2 Group.
<b>CO2 Convertible Preference Share</b>	a convertible preference share issued by CO2 Group, at an issue price of \$0.00001, which carries voting rights in limited circumstances, and which may be converted into a CO2 Share at any time at the election of the holder by the payment of \$0.06499 to CO2 Group and receives a priority upon winding up which is equal to the issue price.
<b>CO2 Constitution</b>	the constitution of CO2 Group, as amended from time to time.
<b>CO2 Corporate Group</b>	CO2 Group and its Subsidiaries.
<b>CO2 Group</b>	CO2 Group Limited ACN 009 317 846.
<b>CO2 New Zealand</b>	CO2 New Zealand Limited ACN 111 072 309.
<b>CO2 Option</b>	an option to subscribe for a CO2 Share.

<b>Term</b>	<b>Meaning</b>
<b>CO2 Performance Right</b>	a performance right issued under the CO2 Group Limited Employee Incentive Plan (approved by the CO2 Board on 29 July 2011) to subscribe for or be transferred a CO2 Share.
<b>CO2 Share</b>	a fully paid ordinary share in the capital of CO2 Group and all Rights attaching to it.
<b>CO2 Shareholder</b>	a person holding CO2 Shares.
<b>Concept Study</b>	has the meaning given to that term in section 2.2(b).
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth) as amended from time to time.
<b>CSIRO</b>	the Commonwealth Scientific and Industrial Research Organisation.
<b>Encumbrance</b>	<ol style="list-style-type: none"> <li>1 a mortgage, charge, pledge, lien, hypothecation or a title retention arrangement;</li> <li>2 a notice under section 255 of the Income Tax Assessment Act 1936 (Cth), subdivision 260-A in schedule 1 to the Taxation Administration Act 1953 (Cth) or any similar legislation;</li> <li>3 any other interest in or right over property (including a right to set off or withhold payment of a deposit or other money);</li> <li>4 any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or</li> <li>5 an agreement to create anything referred to above or to allow any of them to exist.</li> </ol>
<b>Foreign Ineligible Shareholder</b>	a WARL Shareholder whose address as shown in the register of members of WARL is in a jurisdiction other than Australia or its external territories or New Zealand, unless CO2 Group otherwise determines (in its absolute discretion) after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to a WARL Shareholder in the relevant jurisdiction and to issue CO2 Shares to such a WARL Shareholder on acceptance of the Offer, and that it is not unlawful for such a WARL Shareholder to accept the Offer in such circumstances in the relevant jurisdiction.
<b>Independent Expert</b>	BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045.
<b>Independent Expert's Report</b>	the independent expert's report prepared by the Independent Expert and dated 30 July 2012, incorporated as Annexure A to the Target's Statement.
<b>Interested Directors</b>	has the meaning given in section 2.3(b).
<b>Interested Persons</b>	has the meaning given in section 8.5.
<b>Mt</b>	million tonnes.
<b>Mtpa</b>	million tonnes per annum.
<b>Nominee</b>	has the meaning given in section 9.7(a)(i).
<b>Offer</b>	the offer for WARL Shares under the terms and conditions contained in section 9.

<b>Term</b>	<b>Meaning</b>
<b>Offer Period</b>	the period during which the Offer will remain open for acceptance in accordance with section 9.2.
<b>Option</b>	an option to subscribe for a WARL Share.
<b>Register Date</b>	the date set by CO2 Group under section 633(2) of the Corporations Act, being 1 August 2012.
<b>Relevant Interest</b>	has the same meaning as given in sections 608 and 609 of the Corporations Act.
<b>Rights</b>	all accretions, rights or benefits of whatever kind attaching to or arising from the WARL Shares directly or indirectly at or after the date of this Bidder's Statement, including, without limitation, all dividends and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by WARL.
<b>Share Alternative</b>	has the meaning given to that term in section 9.1(b).
<b>Subsidiary</b>	has the meaning given in section 9 of the Corporations Act but on the basis that: <ol style="list-style-type: none"> <li>1 an entity will also be considered to be a Subsidiary of a body corporate if it is controlled by that body corporate (expressions used in this paragraph have the meanings given for the purposes of Division 6 of Part 1.2 of the Corporations Act);</li> <li>2 a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and</li> <li>3 a body corporate or trust may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a body corporate.</li> </ol>
<b>Takeover Bid</b>	the off market takeover bid constituted by the dispatch of the Offer in accordance with the Corporations Act.
<b>Target's Statement</b>	the target's statement issued by WARL in accordance with the Corporations Act in response to the Offer.
<b>tpa</b>	tonnes per annum.
<b>VWAP</b>	the volume weighted average price of CO2 Shares sold on ASX's trading platform.
<b>WARL</b>	Western Australian Resources Limited ACN 116 812 634.
<b>WARL Board</b>	the board of directors of WARL.
<b>WARL Constitution</b>	the constitution of WARL, as amended from time to time.
<b>WARL Director</b>	a director of WARL.



<b>Term</b>	<b>Meaning</b>
<b>WARL Information</b>	<p>means the following statements or reference to which WARL consents (in accordance with section 8.3):</p> <ol style="list-style-type: none"> <li>1 in the 'Important notices', the 1<sup>st</sup> paragraph in the section entitled 'Disclaimer as to WARL and CO2 Group information';</li> <li>2 in the 'CO2 Group Letter to WARL Shareholders', the 2<sup>nd</sup>, 4<sup>th</sup> and 5<sup>th</sup> dot-points;</li> <li>3 in the 'Investment Overview': <ol style="list-style-type: none"> <li>a. the 2<sup>nd</sup> paragraph of the answer to question 1.3;</li> <li>b. the answer to question 1.6, to the extent relating to the WARL Directors;</li> <li>c. all of the answers to questions 1.5 and 2.7;</li> <li>d. the 1<sup>st</sup> paragraph of the answer to question 4.1;</li> <li>e. the 2<sup>nd</sup> dot-point under the heading 'Why you should accept the Offer';</li> <li>f. all information under the heading 'The WARL Directors (other than the Interested Directors) have recommended that you accept the Offer in the absence of a higher offer'; and</li> <li>g. the 2<sup>nd</sup> paragraph under the heading 'The Offer provides an opportunity for you to sell Your WARL Shares for a certain value';</li> </ol> </li> <li>4 section 2;</li> <li>5 section 5.3, to the extent that it relates to WARL's audited accounts as at 30 June 2012; and</li> <li>6 section 6.3.</li> </ol>
<b>WARL Share</b>	a fully paid ordinary share in WARL and all Rights attaching to it.
<b>WARL Shareholder</b>	a person holding WARL Shares.
<b>Yonderr</b>	Yonderr Pty Ltd ACN 150 045 944
<b>Your WARL Shares</b>	the WARL Shares held by a WARL Shareholder

## 10.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, the following rules of interpretation apply unless the contrary intention appears or the context requires otherwise:

- (a) a reference to time is a reference to Perth time;
- (b) headings are for convenience only and do not affect interpretation;
- (c) the singular includes the plural and conversely;
- (d) a reference to a section is to a section of this Bidder's Statement;
- (e) a gender includes all genders;
- (f) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (g) A\$, \$, dollars or cents is a reference to the lawful currency in Australia, unless otherwise stated;
- (h) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (i) a reference to a person includes a reference to the person's executors,

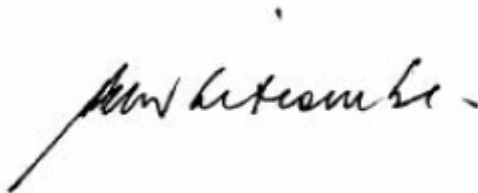
- administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns;
- (j) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
  - (k) a reference to any instrument or document includes any variation or replacement of it;
  - (l) a term not specifically defined in this Bidder's Statement has the meaning given to it (if any) in the Corporations Act; and
  - (m) a reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually.

## Approval of Bidder's Statement

This Bidder's Statement has been approved by a unanimous resolution passed by the directors of CO2 Group.

Date: 1 August 2012

Signed for and on behalf of **CO2 Group Limited**

A handwritten signature in black ink, appearing to read 'Harley Whitcombe', written over a horizontal line.

Mr Harley Whitcombe  
Executive Director

# Corporate Directory

## **Directors**

Mr Ian Trahar, Director and Executive Chairman

Mr Andrew Grant, Executive Director and CEO

Mr Harley Whitcombe, Executive Director

Dr Christopher Mitchell, Executive Director

Dr Malcolm Hemmerling, Non-executive Director

Mr Paul Favretto, Non-executive Director

## **Legal Adviser**

Corrs Chambers Westgarth

Level 15

240 St Georges Terrace

Perth WA 6000

## **Company Secretary**

Mr Harley Whitcombe

## **Independent Auditor**

Deloitte Touche Tomatsu

550 Bourke Street

Melbourne VIC 3000

## **Registered Office / Principal Place of Business**

Level 11

225 St Georges Terrace

Perth WA 6000

Tel: (08) 9321 4111

Fax: (08) 9321 4411

## **Registry**

Computershare Registry Services

45 St Georges Tce

Perth, WA 6000


Tel: (08) 93232000

## **Who to contact with queries**

The Company Secretary of CO2 Group Limited on +61 8 9321 4111

000001  
000  
SAM  
MR JOHN SMITH 1  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030


## Return your Form:

 **By Mail:**  
CO2 Group Limited  
PO Box 7312  
Cloisters Square WA 6850

**By hand delivery to:**  
CO2 Group Limited  
Level 11, 225 St Georges Terrace  
Perth WA 6000

Neither CO2 Group Limited nor Computershare accepts any responsibility if you lodge this form at any other address or by any other means. Neither CO2 Group Limited nor Computershare will be responsible for delays incurred by this process. This form must be received by the end of the offer period.

## For all enquiries:

 **Phone:**  
+61 8 9321 4111

## Acceptance Form

ISSUER

 **Your form must be received by the end of the Offer Period.**

This is a personalised form for the sole use of the holder recorded above. It is an important document and requires your immediate attention. If you are in doubt about how to deal with it, please consult your financial or other professional advisor.

This form relates to an offer (**Offer**) by CO2 Group Limited (**CO2 Group**) to acquire all of your shares (**WARL Shares**) in Western Australian Resources Limited (**WARL**) pursuant to a Bidder's Statement dated 1 August 2012, as replaced or supplemented (**Bidder's Statement**). Capitalised terms used in this form have the same meaning as in the Bidder's Statement, unless the context requires otherwise.

### Step 1: Registration Name

Your consideration will be issued in the name(s) as they appear on the latest copy of the WARL register, as provided to CO2 Group. The current address recorded is printed above and overleaf. If you have recently bought or sold shares your holding may differ from that shown. If you have already sold all your shares in WARL, do not complete or return this form.

### Step 2: Consideration

You will be deemed to have accepted the Offer in respect of all your WARL Shares on the terms and conditions set out in the Bidder's Statement and this form if you sign and return this form. You cannot accept the Offer for part of your holding of WARL Shares.

### Step 3: Signing Instructions

**Individual:** Where the holding is in one name, the shareholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders must sign.

**Power of Attorney:** Please attach a certified photocopy of the Power of Attorney to this form when you return it. If this form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.

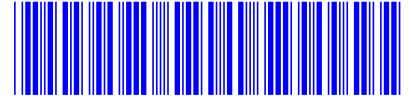
**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person in the box labelled 'Sole Director and Sole Company Secretary'. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone as 'Sole Director'. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held and delete title as applicable.

**Deceased Estate:** All executors must sign and a certified copy of Probate or Letters of Administration must accompany this form.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

**Turn over to complete the form →**

# Acceptance Form



I 123456789

IND

For your security keep your SRN/HIN confidential.

**Change of address.** If incorrect, mark this box and make the correction in the space to the left.

## STEP 1 Registration Name & Shareholder Details

Registration Name: MR JOHN SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

Shareholder Details: Subregister:

Issuer

Your current WARL shareholding

1234567890

## STEP 2 Consideration

You must elect only **ONE** of the alternative forms of consideration. If you fail to make an election or your election is unclear, you will be deemed to have elected the Cash Alternative.

**Share Alternative**  
5 CO2 Group Shares for every 4 of your WARL Shares

OR

**Cash Alternative**  
\$0.1625 cash for each of Your WARL Shares

## STEP 3 Signature of Shareholder(s) *This section must be completed.*

I/We accept the Offer made by CO2 Group for shares in WARL and I/we agree to be bound by the terms and conditions of the Offer and transfer ALL of my/our shares as per the above instruction.

Individual or Shareholder 1

Director

Shareholder 2

Director/Company Secretary

Shareholder 3

Sole Director and Sole Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Email Address \_\_\_\_\_

## Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS) as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS using the details provided above or email [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

WAR\_TKO

**This is an important document and requires your immediate attention.**

**If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.**

# **Western Australian Resources Limited**

**(ACN 116 812 634)**

## **Target's Statement**

**This Target's Statement has been issued in response to the Offer by CO2 Group Limited (ACN 009 317 846) for all the ordinary shares in Western Australian Resources Limited.**

Your Directors (other than the Interested Directors) have recommended that you accept the Offer in the absence of a higher offer and carefully consider whether to accept the Cash Alternative or Share Alternative.

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**Key dates**

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Date of CO2 Group's Offer	<b>1 August 2012</b>
Date of this Target's Statement	<b>1 August 2012</b>
Offer closes (unless extended or withdrawn)	<b>5.00pm (Perth time) 5 September 2012</b>

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**Important notices****Nature of this document**

This document is a Target's Statement issued by Western Australian Resources Limited (**WARL**) under Part 6.5 Division 3 of the Corporations Act in response to CO2 Group's Bidder's Statement and Offer.

A copy of this Target's Statement was lodged with ASIC on 1 August 2012. Neither ASIC nor its officers take any responsibility for the content of this Target's Statement.

**Defined terms**

A number of defined terms are used in this Target's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 7, words and phrases in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

**No account of personal circumstances**

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

**Disclaimer as to forward looking statements**

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

**Disclaimer as to information**

WARL has prepared the information concerning CO2 Group contained in this Target's Statement using information provided to it by CO2 Group. WARL has not independently verified the information concerning CO2 Group contained in this Target's Statement..

**Privacy**

WARL has collected your information from the WARL register of WARL Shareholders for the purpose of providing you with this Target's Statement. The type of information WARL has collected about you includes your name, contact details and information on your shareholding in WARL. Without this information, WARL would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of WARL Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (such as print and mail service providers) and may be required to be disclosed to regulators (such as ASIC and the ASX). If you would like to obtain details of the information held about you by WARL, please contact WARL's Company Secretary at the address shown below. A copy of WARL's privacy policy is available on request by contacting WARL's Company Secretary on +618 9321 4111. The address for WARL is c/- PO Box 7312, Cloisters Square WA 6850.

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**WARL Shareholder information**

WARL Shareholders may contact the Company Secretary of WARL on +618 9321 4111 if they have any queries in relation to CO2 Group's Offer.

Further information relating to CO2 Group's Offer can be obtained from CO2 Group's website at [www.co2australia.com.au/](http://www.co2australia.com.au/)



**WESTERN AUSTRALIAN RESOURCES LIMITED**  
ABN 79 116 812 634

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Level 11 | 225 St Georges Terrace | Perth | WA 6000  
PO Box 7312 Cloisters Square | Perth | WA 6850  
Phone: (08) 9321 4117  
Fax: (08) 9321 4411

1 August 2012

Dear Shareholders

**Takeover offer by CO2 Group**

On 1 August 2012, CO2 Group and WARL announced a takeover offer of:

- \$0.1625 for each of your WARL Shares (**Cash Alternative**);

OR

- 5 CO2 Shares for every 4 of your WARL Shares (**Share Alternative**),  
(the **Offer**).

**The WARL Directors (other than the Interested Directors) recommend that shareholders accept the Offer in the absence of a higher offer and carefully consider whether to accept the Cash Alternative or Share Alternative.**

The key reasons for our recommendation are explained in this Target's Statement.

Your Directors also note that the Independent Expert, BDO Corporate Finance (WA) Pty Ltd, has concluded that the Cash Alternative is "fair and reasonable" and that the Share Alternative is "not fair but reasonable" to non associated WARL Shareholders. Accordingly you should carefully consider which alternative to select if you propose to accept the Offer.

If you decide to accept the Offer and elect to receive CO2 Shares, it is important that you carefully assess CO2 Group. Initially, if the takeover offer is successful, the Aquaculture Project will form a small part of the assets of CO2 Group, so shareholders should carefully consider the benefits and risks associated with CO2 Group's other businesses and operations. Information regarding CO2 Group is set out in the Bidder's Statement which accompanies this Target's Statement.

As is usual in these circumstances, the Interested Directors have declined to make any recommendation.

In considering whether to accept the Offer, I encourage you to:

- read this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement;

- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Offer and obtain taxation advice on the effect of accepting the Offer.

Yours sincerely

A handwritten signature in black ink, appearing to read "R. Bell", written in a cursive style.

Robert Bell  
Managing Director

## 1 Bidder's Statement information

The Bidder's Statement and the Target's Statement should be read in conjunction with each other.

WARL has contributed to the content of the Bidder's Statement and has consented to the inclusion of the information relating to WARL in that document.

## 2 Directors' recommendations and reasons for recommendations

### 2.1 Directors

As at the date of this Target's Statement, your Directors are:

- Mr Ian Trahar;
- Mr Richard Dickson;
- Dr Christopher Mitchell;
- Mr Ian Longson; and
- Mr Robert Bell.

Mr Harley Whitcombe is the Company Secretary of WARL.

### 2.2 Interested Directors

Mr Ian Trahar and Dr Christopher Mitchell (**Interested Directors**) are both directors of CO2 Group. Due to their interests as directors of CO2 Group, the Interested Directors have declined to make a recommendation.

### 2.3 Directors' recommendation

Each of your Directors (other than those who are Interested Directors) recommend that you accept the Offer, in the absence of a higher offer.

Your Directors' reasons for their recommendations are set out below.

#### (a) The Independent Expert's conclusions

Your Directors appointed BDO Corporate Finance (WA) Pty Ltd, the Independent Expert, to prepare an independent assessment of the Offer.

In summary, the Independent Expert has concluded that:

#### **Cash Alternative**

- the Cash Alternative of 16.25 cents per WARL Share is fair and reasonable to WARL Shareholders who are not associated with CO2 Group;
- the value of a WARL Share is 13.1 cents, based on the aggregate of the net assets of WARL as at 30 June 2012 (of \$1,372,838) plus the amount it assessed

as being expended by WARL on the Aquaculture Project as at 30 June 2012 (of \$816,752); and

- the Cash Alternative represents a premium of 24.05% to the value of a WARL Share.

#### **Share Alternative**

- the Share Alternative of 5 CO2 Shares for every 4 WARL Shares is not fair but reasonable to WARL Shareholders who are not associated with CO2 Group;
- the value of 5 CO2 Shares is between 6.8 cents and 7.3 cents with a preferred value of 7.0 cents, based on the net tangible assets of CO2 Group (which it assessed as \$39,191,197) less a minority discount;
- on the basis of the values above, the 5 CO2 Shares offered as the Share Alternative is valued at a preferred value of 35 cents as compared to the value of the 4 WARL shares of 52.4 cents, and so the Share Alternative is not fair; and
- the Independent Expert also concludes that the position of WARL Shareholders, if they accept the Share Alternative, is more advantageous than the position if they do not accept the Share Alternative and that in the absence of other relevant information and/or a superior proposal, the Share Alternative is reasonable for WARL Shareholders.

A complete copy of the Independent Expert's Report is contained in Annexure 1 to this Target's Statement.

Your Directors encourage you to read the Independent Expert's Report in full.

#### **(b) The Cash Alternative is at a premium**

The Cash Alternative of the Offer is \$0.1625 per WARL Share.

As WARL is not a listed company and has no recent arm's length share trading activity, it is not possible to clearly estimate the market value of a WARL Share based on trading history<sup>1</sup>.

Based on WARL's latest annual financial accounts dated 30 June 2012:

- the net assets of WARL is 8.2 cents per WARL share<sup>2</sup>; and
- the cash backing of WARL is 7.67 cents per WARL share.<sup>2</sup>

In addition, the Independent Expert has concluded that the value of a WARL Share is 13.1 cents (see section 2.3(a) above).

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<sup>1</sup> An explanation of the low level of recent WARL Share trading details is set out in section 2.17 of the Bidder's Statement.

<sup>2</sup> Based on the WARL financial statements dated 30 June 2012, which accompany this Target's Statement and using the issued ordinary shares of WARL (ie. ignoring performance shares and options).

**Premium based on various measures**

The extent of the premium represented by the Offer is demonstrated below:

WARL Value Measure per WARL Share		Premium of Cash Alternative (%)
Independent Expert assessed value:	13.1 cents	24.05%
Net asset backing:	8.20 cents	98.2%
Cash backing:	7.67 cents	111.9%

**(c) The Offer provides WARL Shareholders with certainty of cash (by selecting the Cash Alternative) or a more liquid investment (by selecting the Share Alternative)**

By accepting the Offer and electing the Cash Alternative:

- you will receive \$0.1625 cash for each WARL Share in respect of which you accept the Offer (subject to the Offer becoming unconditional); and
- you will not incur any brokerage fees.

Electing to receive the Cash Alternative under the Offer provides you with the opportunity to receive a certain cash return relative to retaining your WARL Shares.

WARL is an unlisted company and there is no active market for trading your WARL Shares. WARL Shares have historically been an illiquid security, and so the Offer provides you with a rare opportunity to sell your WARL Shares at a premium.

By electing to receive the Share Alternative you will receive a more liquid security in the ASX listed CO2 Shares.

**(d) You may elect to have ongoing exposure to WARL, albeit on a smaller scale, by selecting the Share Alternative**

The Offer allows you to continue to retain exposure to, and share in the benefits associated with, WARL's Aquaculture Project by accepting the Share Alternative. CO2 Group currently intends to continue to actively progress the development of WARL's business (see section 3.5 of the Bidder's Statement).

Your interest in the Aquaculture Project will be less than your current interest. If all WARL Shareholders (other than CO2 Group) accepted the Share Alternative, they would hold 4.15% of the post acquisition issued shares of CO2 Group.

**(e) The opportunity to develop WARL's Aquaculture Project should be enhanced**

The WARL Board has decided to proceed with the concept study in relation to the Aquaculture Project. To complete the studies and maintain the good momentum achieved to date for the Aquaculture Project, it will be necessary for WARL to raise funds to meet the costs of the pre-feasibility study and if those studies are successful, the bankable feasibility

study. Your Board has considered a range of options to obtain this funding. Each of them was likely to result in potential significant dilution of the interests of WARL Shareholders.

In this context, if the Offer is successful, it will provide a source of funding for the continuation of the concept study (see section 3.2(c) of the Bidder's Statement). In addition, the combined management expertise and project experience of WARL and CO2 Group together with additional sources of development capital, shared resources and improved access to markets which CO2 Group should provide, should facilitate the development of the Aquaculture Project.

## **2.4 No higher offer has emerged**

As at the date of this Target's Statement, your Directors have not received a competing proposal from any other potential acquirers, nor are they aware of any party with an intention to make such a proposal.

In light of the fact that CO2 Group and its directors (or their associates) owned or controlled approximately 54% of WARL Shares as at the date of the Bidder's Statement, your Directors have no current expectation of a competing proposal emerging and they consider that the prospect of a competing proposal arising during the Offer Period is very low.

## **2.5 WARL Shares may be less liquid**

If you do not accept CO2 Group's Offer and CO2 Group declares the Offer free of all Conditions and gains effective control of WARL, but is not entitled to proceed to compulsory acquisition of the outstanding WARL Shares, then you will be a minority shareholder of WARL. In those circumstances, you should be aware that as the WARL Shares are not listed on any securities exchange, it may be difficult for you to sell your WARL Shares in the future.

For further details of CO2 Group's intentions if it acquires effective control of WARL but less than 90% of the WARL Shares, see section 3.3 of the Bidder's Statement.

## **2.6 Intentions of your Directors in relation to the Offer**

Each WARL Director who holds or controls WARL Shares, intends to accept the Offer in relation to those WARL Shares and elect to receive the Share Alternative.

Details of the relevant interests of each Director in WARL Shares are set out in section 5.

## **2.7 Selecting Alternatives**

WARL Directors recommend that WARL Shareholders carefully consider whether to elect the Share Alternative or Cash Alternative, if they decide to accept the Offer.

The decision by a WARL Shareholder as to which form of consideration to elect if he or she accepts the Offer will be largely dependent on the individual objectives, financial situation and needs of the individual WARL Shareholder. Accordingly, if WARL Shareholders have any questions in this regard, they should seek independent financial and taxation advice.

There are a range of factors which may be relevant to such a decision. Some of these factors are listed below. This list is not an exhaustive list and does not necessarily address the individual requirements of a WARL Shareholder.

- The Independent Expert has concluded that the Cash Alternative is “fair and reasonable” and that the Share Alternative is “not fair but reasonable” to non associated WARL Shareholders.
- There are a range of methodologies for valuing a share. Different people may have different views on the most appropriate method for valuing a share, including the Share Alternative.
- If you select the Share Alternative:
  - you may share in the benefits, and be exposed to the risks, associated with WARL’s Aquaculture Project, but Your interest in that project will be materially diluted; and
  - you will receive CO2 Shares and will share in the benefits, and be exposed to the risks, associated with holding CO2 Shares.
- The Cash Alternative is for a certain amount and will not vary depending on the value of a CO2 Share from time to time.
- The tax consequence of receiving the Cash Alternative or the Share Alternative may vary. In certain circumstances, capital gains tax rollover relief may be available - see section 7 of the Bidder’s Statement which contains a general outline of the main Australian income tax consequences for an Australian resident individual.

Shareholders should also be aware that if they accept the Offer and fail to select an alternative consideration, they will be deemed to have elected the Cash Alternative.

### 3 Other important matters

#### 3.1 Retaining your WARL Shares: minority shareholder consequences

If, at the end of the Offer Period, CO2 Group has a relevant interest in 90% or more of WARL Shares, CO2 Group will be entitled to compulsorily acquire all outstanding WARL Shares. In this case, WARL will become 100% owned by CO2 Group and no minority shareholders will remain.

If, at the end of the Offer Period, CO2 Group does not have a relevant interest in at least 90% of the WARL Shares, but has acquired effective control of WARL and declared the Offer free of all Conditions, then you will be a minority shareholder of WARL.

#### 3.2 Taxation consequences of accepting the Offer

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are set out in section 7 of the Bidder’s Statement.

You should carefully read and consider the taxation consequences of accepting the Offer. The outline referred to above is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

### **3.3 When you will receive your consideration if you accept the Offer**

CO2 Group will provide the consideration due to you for your WARL Shares on or before the earlier of:

- one month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within one month after this Offer becomes unconditional; and
- 21 days after the end of the Offer Period.

However, in the event that CO2 Group receives acceptances so that CO2 Group holds a Relevant Interest in 90% of all WARL Shares and no other Condition has been breached at that time, CO2 Group intends to declare the Offer unconditional and pay the consideration within 7 days of the Offer becoming unconditional or acceptance of the Offer (whichever is later).

## **4 Your choices as a WARL Shareholder**

As a WARL Shareholder you have three choices currently available to you.

### **4.1 Accept the Offer**

WARL Shareholders may elect to accept the Offer. WARL Shareholders who accept the Offer (once the Conditions are satisfied or waived) will be:

- paid \$0.1625 for each WARL Share they hold if they select the Cash Alternative; OR
- issued 5 CO2 Shares, for every 4 WARL Shares they hold if they select the Share Alternative.

WARL Shareholders who accept the Offer will not incur any brokerage charge.

If the number of WARL Shares you hold is such that your entitlement to:

- CO2 Shares under this Offer is not a whole number, your entitlement to CO2 Shares will be rounded down to the nearest whole number of CO2 Shares; or
- cash consideration under this Offer is not a whole number, your entitlement to cash will be rounded down to the nearest whole cent.

Section 9.3 of the Bidder's Statement contains details of how to accept the Offer.

### **4.2 Sell your WARL Shares**

WARL Shareholders may be able to sell their WARL Shares for the market price at the time. This may be above or below the value of the consideration under the Offer by CO2 Group. However, you should be aware that as the WARL Shares are not listed on any securities exchange, this may be difficult for you to do.

### **4.3 Do not accept the Offer or sell your WARL Shares**

If you do not wish to accept the Offer or sell your WARL Shares you may do nothing.

Shareholders should note that if CO2 Group acquires WARL Shares so that it and its associates acquire a relevant interest in 90% or more of the WARL Shares, it will be



entitled to compulsorily acquire the WARL Shares that it, and its associates do not already own (see section 4.5 for further details).

If you decide to retain your WARL Shares and CO2 Group does not become entitled to compulsory acquisition of those WARL Shares, you should consider the risks associated with a continuing investment in WARL.

#### **4.4 Lapse of Offer**

The Offer will lapse if the Conditions have not been satisfied nor waived at the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, subject to the Corporations Act and the WARL Constitution, you will be free to deal with your WARL Shares as you see fit.

#### **4.5 Compulsory acquisition**

CO2 Group has indicated in section 3.2(a) of its Bidder's Statement that if it satisfies the required thresholds, it intends to compulsorily acquire any outstanding WARL Shares.

CO2 Group will be entitled to compulsorily acquire any WARL Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period, CO2 Group and its associates have a relevant interest in at least 90% (by number) of the WARL Shares.

If this threshold is met, CO2 Group will have one month after the end of the Offer Period within which to give compulsory acquisition notices to WARL Shareholders who have not accepted the Offer. WARL Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their WARL Shares. If compulsory acquisition occurs, WARL Shareholders who have their WARL Shares compulsorily acquired are likely to be paid their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

## **5 Information relating to your Directors**

### **5.1 Interests and dealings in WARL securities**

#### **(a) Interests in WARL securities**

As at the date of this Target's Statement, your Directors had the following relevant interests in WARL Shares and Options:

<b>Director, and/or their associates</b>	<b>WARL Shares</b>	<b>WARL Options</b>
Mr Ian Trahar	6,081,406	N/A
Mr Richard Dickson	500,001	200,000
Dr Christopher Mitchell	N/A	200,000
Mr Ian Longson	N/A	100,000
Mr Robert Bell	N/A	400,000

As at the date of this Target's Statement, Mr Harley Whitcombe, Company Secretary of WARL, held 500,882 WARL Shares and 200,000 WARL Options.

**(b) Dealings in WARL Shares or CO2 Shares**

No Director, nor any of their associates, has acquired or disposed of a Relevant Interest in any WARL Shares in the 4 month period ending on the date immediately before the date of this Target's Statement.

No Director, nor any of their associates, has acquired or disposed of a Relevant Interest in any CO2 Shares in the 4 month period ending on the date immediately before the date of this Target's Statement.

**5.2 Benefits and agreements**

**(a) Benefits in connection with retirement from office**

No person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of WARL or related body corporate of WARL.

**(b) Agreements connected with or conditional on the Offer**

There are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of WARL Shares.

**(c) Interests of Directors in contracts with CO2 Group**

Mr Ian Trahar and Dr Christopher Mitchell are both executive directors of CO2 Group. Dr Christopher Mitchell has an employment agreement with CO2 Group.

**5.3 Disclosure of interests in CO2 Group**

As at the date of this Target's Statement, Mr Ian Trahar and Dr Christopher Mitchell respectively hold Relevant Interests of 48.15% and 0.009% in CO2 Shares. Dr Christopher Mitchell also holds 3,000,000 CO2 Options and 2,794,575 CO2 Performance Rights.

In addition, both of the above-mentioned Interested Directors are executive directors of CO2 Group and receive directors fees and other remuneration for services provided by them as executive directors (and in the case of Dr Christopher Mitchell, as an employee), from CO2 Group.

**6 Additional information**

**6.1 Consents**

The following persons have given and have not, before the date of this Target's Statement, withdrawn their consent:

- to be named in this Target's Statement in the form and context in which they are named;

- for the inclusion of their respective reports or statements (if any) noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- for the inclusion of other statements in this Target's Statement which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

<b>Name of person</b>	<b>Named as</b>	<b>Reports or statements</b>
BDO Corporate Finance (WA) Pty Ltd	Independent Expert	Independent Expert's Report, and the references to its conclusions at the Managing Director's letter and the first 2 paragraphs in section 2.3(a).
Moore Stephens	Auditors to WARL	The annual financial accounts of WARL dated 30 June 2012 (a copy of which accompanies this Target's Statement), and the references to them at the 1 <sup>st</sup> paragraph and the first 2 dot-points (including the footnotes) at section 2.3(b).

Each of the above persons:

- does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.

As permitted by ASIC Class Order 01/1543, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by CO2 Group with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by CO2 Group. Pursuant to the Class Order, the consent of CO2 Group is not required for the inclusion of such statements in this Target's Statement. Any WARL Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Company Secretary of WARL on +618 9321 4111.

In addition, as permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or

- from a public official document or a published book, journal or comparable publication.

## **6.2 Continuous Disclosure**

WARL is a disclosing entity under the Corporations Act and subject to regular reporting and disclosure obligations under the Corporations Act. These obligations require WARL to notify ASIC of information about specified matters and events as soon as practicable. In particular, WARL has an obligation (subject to limited exceptions) to notify ASIC as soon as practicable on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of WARL Shares.

Copies of documents lodged with ASIC in relation to WARL may be obtained from, or inspected at, an ASIC office.

In addition, WARL will make copies of the following documents available for inspection at Level 11, 225 St Georges Terrace Perth WA 6000 (between 9am and 5pm on Business Days):

- its 2011/2012 Annual Report;
- its Constitution; and
- any continuous disclosure document lodged by WARL with ASIC (if any) between 30 June 2012 and the date of this Target's Statement.

A copy of these documents may be requested to be provided free of charge by contacting the Company Secretary of WARL on +618 9321 4111, Monday to Friday during normal business hours.

## **6.3 No other material information**

This Target's Statement is required to include all the information that WARL Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director.

Your Directors are of the opinion that the information that WARL Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information lodged by WARL with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement.

Your Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement which does not relate to WARL is accurate.

WARL has consented to the inclusion of the WARL Information in the Bidder's Statement. WARL does not take any responsibility for the contents of the Bidder's Statement other than the WARL Information.

In deciding what information should be included in this Target's Statement, your Directors have had regard to:

- the nature of the WARL Shares;
- the matters that WARL Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to WARL Shareholders' professional advisers; and
- the time available to WARL to prepare this Target's Statement.

## 7 Glossary and interpretation

### 7.1 Glossary

In this Target's Statement defined terms have the meanings set out below:

<b>Term</b>	<b>Meaning</b>
\$, A\$ or AUD	Australian dollar.
Advisers	WARL's legal, financial and other expert advisers.
Announcement Date	1 August 2012.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate.
Aquaculture Project	has the meaning given in section 10.1 of the Bidder's Statement.
Bidder's Statement	the bidder's statement of CO2 Group dated 1 August 2012.
Board	the board of directors of WARL.
Business Day	a day on which banks are open for business in Perth, Western Australia, excluding a Saturday, Sunday or public holiday.
Cash Alternative	has the meaning given to that term in the Managing Director's letter.
CO2 Group	CO2 Group Limited ACN 009 317 846.
CO2 Option	an option to subscribe for a CO2 Share.

CO2 Performance Right	a performance right issued under the CO2 Group Limited Employee Incentive Plan (approved by the board of directors of CO2 Group on 29 July 2011) to subscribe for or be transferred a CO2 Share.
CO2 Share	a fully paid ordinary share in the capital of CO2 Group and all Rights attaching to it.
Conditions	the conditions set out in section 9.8 of the Bidder's Statement.
Corporations Act	the <i>Corporations Act 2001</i> (Cth) (as modified or varied by ASIC).
Director	a director of WARL.
Independent Expert	BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045.
Independent Expert's Report	the independent expert's report prepared by the Independent Expert which is contained in Annexure 1.
Interested Directors	has the meaning given to that term in section 2.2.
Offer or CO2 Group's Offer	the offer by CO2 Group for the WARL Shares, which is contained in section 9 of the Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 9.2 of the Bidder's Statement.
Relevant Interest	has the same meaning as given in sections 608 and 609 of the Corporations Act.
Rights	has the meaning given in section 10.1 of the Bidder's Statement.
Share Alternative	has the meaning given to that term in the Managing Director's letter.
Target's Statement	this document (including the annexure), being the statement of WARL under Part 6.5 Division 3 of the Corporations Act.
WARL	Western Australian Resources Limited ACN 116 812 634.
WARL Constitution or Constitution	the constitution of WARL, as amended from time to time.

WARL Information	has the meaning given in section 10.1 of the Bidder's Statement.
WARL Option or Option	an option to subscribe for a WARL Share.
WARL Share or Share	a fully paid ordinary share in the capital of WARL.
WARL Shareholder or Shareholder	a holder of one or more WARL Shares.

## **7.2 Interpretation**

In this Target's Statement:

- other words (which are not defined in section 7.1) and phrases have the same meaning (if any) given to them in the Corporations Act;
- words of any gender include all genders;
- words importing the singular include the plural and vice versa;
- an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a section, clause, annexure and schedule is a reference to a section of, clause of and an annexure and schedule to this Target's Statement as relevant;
- a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement; and
- a reference to time is a reference to time at Perth, Western Australia.

## 8 Authorisation

This Target's Statement has been approved by a resolution passed by your Directors (other than the Interested Directors). Each of your Directors (other than the Interested Directors) voted in favour of that resolution.

**Signed** for and on behalf of Western  
Australian Resources Limited:

A handwritten signature in black ink, appearing to read 'Rob. S. Bell', written in a cursive style.

Robert Bell  
Managing Director



# Annexure 1 – Independent Expert’s Report



WESTERN AUSTRALIAN RESOURCES  
LIMITED  
Independent Expert's Report

30 July 2012



## Financial Services Guide

30 July 2012

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ("we" or "us" or "ours" as appropriate) has been engaged by Western Australian Resources Limited ("WARL") to provide an independent expert's report on the proposed acquisition of WARL by CO2 Group Limited ("CO2 Group"). You will be provided with a copy of our report as a retail client because you are a shareholder of WARL.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

#### Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement is approximately \$40,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

#### Other services

In July 2011 BDO prepared an independent expert report for CO2 Group in relation to the proposed exercise of options by Gabor Holdings Pty Ltd and its associates. Our fee for this was approximately \$28,000.

#### Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from WARRL for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

#### Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

#### Complaints resolution

##### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

#### Contact details

You may contact us using the details set out at the top of our letterhead.



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Appendix 1 - Glossary

Appendix 2 - Valuation Methodologies

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30 July 2012

The Directors  
Western Australian Resources Limited  
Level 11, 225 St Georges Terrace  
Perth WA 6000

Dear Sirs

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

Pursuant to a Bidder's Statement, CO2 Group Limited ("CO2 Group") has offered to acquire all of the shares it does not already own in Western Australian Resources Limited ("WARL" or "the Company") by way of an off-market takeover bid. CO2 Group is offering five CO2 Group shares for every four WARL shares held ("Scrip Offer") or as an alternative \$0.1625 in cash for each WARL share held ("Cash Offer"). Shareholders of WARL can elect to receive either the Scrip Offer or the Cash Offer.

### 2. Summary and Opinion

#### 2.1 Purpose of the report

The directors of WARL have requested that BDO Corporate Finance (WA) Pty Ltd ("BDO") prepare an independent expert's report ("our Report") to express an opinion as to whether or not the Scrip Offer and the Cash Offer (collectively "the Offer") are fair and reasonable to the non associated shareholders of WARL ("Shareholders").

Our Report is prepared pursuant to section 640 of the Corporations Act 2001 (Cth) and is to be included in the Target's Statement for WARL in order to assist the Shareholders in their decision whether to accept the Offer.

#### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ("ASIC"), Regulatory Guide 111 ("RG 111"), 'Content of Expert's Reports' and Regulatory Guide 112 ("RG 112") 'Independence of Experts'.

In arriving at our opinion, we have assessed the terms of the Offer as outlined in the body of this report. We have considered:

- How the value of the assets being acquired compares to the value of the consideration to be paid for the assets;
- The likelihood of a superior alternative offer being available to WARL;
- Whether a premium for control is being offered in relation to the cash consideration and/or issue of CO2 Group shares and whether this is appropriate;

- Other factors which we consider to be relevant to the Shareholders in their assessment of the Offer; and
- The position of Shareholders should the Offer not be successful.

### 2.3 Opinion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of a superior offer, the:

- Scrip Offer is not fair but reasonable to Shareholders
- Cash Offer is fair and reasonable to Shareholders.

In our opinion, the Scrip Offer is not fair because the value of the consideration, being five CO2 Group shares, is lower than the value of the assets to be paid for, being four WARL shares. However, we consider the Scrip Offer to be reasonable because the advantages of the Scrip Offer to Shareholders are greater than the disadvantages. In particular, WARL will have access to CO2 Group’s cash reserves to fund its growth opportunities as well as being part of a larger listed group with a stronger net asset position and an increased market presence.

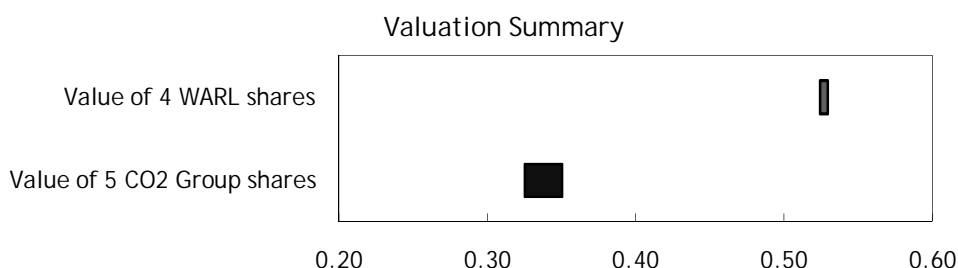
### 2.4 Fairness

#### Scrip Offer

In Section 12, we determined that, under the Scrip Offer, the consideration compares to the value of WARL, as detailed hereunder.

	Ref	Low \$	Preferred \$	High \$
Value of a WARL share	10.1	0.131	0.131	0.131
Value of a CO2 Group share	11.1	0.065	0.068	0.070
Value of 4 WARL shares		0.524	0.524	0.524
Value of 5 CO2 Group shares		0.325	0.340	0.350

The above valuation ranges are graphically presented below:



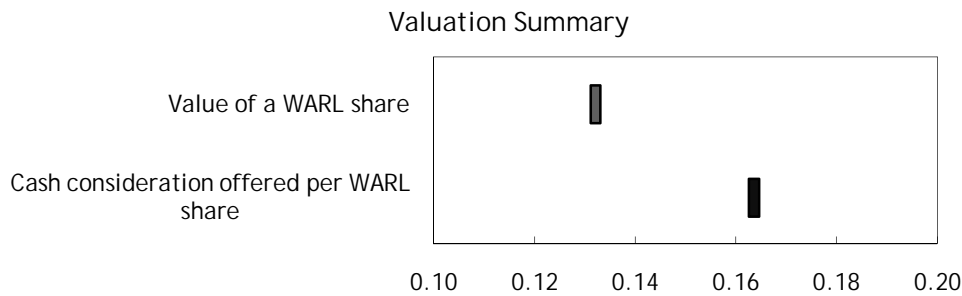
The above pricing indicates that the value of five CO2 Group shares is lower than the value of four WARL shares and therefore, we conclude that, in the absence of other relevant information and a superior offer, the Scrip Offer is not fair to Shareholders.

### Cash Offer

We also determined that, under the Cash Offer, the consideration compares to the value of WARL, as detailed hereunder.

	Ref	Low \$	Preferred \$	High \$
Value of a WARL share	10.1	0.131	0.131	0.131
Cash consideration offered per WARL share	4	0.1625	0.1625	0.1625

The above valuation ranges are graphically presented below:



The above pricing indicates that the value of the cash consideration offered per WARL share is higher than the value of one WARL share and therefore, we conclude that, in the absence of other relevant information and a superior offer, the Cash Offer is fair to Shareholders.

### 2.5 Reasonableness

We have considered the analysis in Section 13 of this report, in terms of both

- advantages and disadvantages of the Offer; and
- other considerations, including the position of Shareholders if the Offer is not successful.

### Scrip Offer

In our opinion, the position of Shareholders if they accept the Scrip Offer is more advantageous than the position if they do not accept the Scrip Offer. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Scrip Offer is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:



ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	Increased liquidity from holding a listed share	13.2.1	Dilution of existing Shareholders' interest
13.1.2	Access to CO2 Group's surplus cash for planned projects		
13.1.3	Stronger net asset position and increased market presence		
13.1.4	Diversification and exposure to additional assets		
13.1.5	Likelihood of potential dilution to Shareholders is reduced		

Other key matters we have considered include:

Section	Description
13.3.1	Alternative proposal
13.3.2	Change in risk profile of the Company
13.3.3	Potential reduction in liquidity of WARL shares
13.3.4	Consideration of other funding alternatives

### Cash Offer

Depending on the risk profile and preference of individual Shareholders, the position of Shareholders if they accept the Cash Offer is considered, in our opinion, neither more advantageous nor more disadvantageous than the position if they do not accept the Cash Offer. However, as the Cash Offer is considered to be fair, we conclude that the Cash Offer is also reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
12	The Cash Offer is fair	13.5	Shareholders will not have the opportunity to participate in the potential growth of WARL
13.4	An exit option for Shareholders who prefer to receive a fixed level of cash with certainty	13.5	There may be tax implications depending on the individual circumstance of each Shareholder

### 3. Scope of the Report

#### 3.1 Purpose of the Report

CO2 Group has prepared a Bidder's Statement in accordance with Section 636 of the Corporation Act 2001 (Cth) ("the Act"). Under Section 633 Item 10 of the Act, WARL is required to prepare a Target's Statement in response to the Bidder's Statement.

Section 640 of the Act requires the Target Statement to include an independent expert's report to shareholders if:

- The bidder's voting power in the target is 30% or more; or
- The bidder and the target have a common director or directors.

The Chairman of WARL, Mr Ian Trahar, is also the Executive Chairman and a Director of CO2 Group. In addition, Mr Christopher Mitchell, a Non-Executive Director of WARL is an Executive Director of CO2 Group. Therefore, an independent expert's report is required for inclusion in the Target's Statement. The independent directors of WARL have engaged BDO to satisfy this requirement.

#### 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of "fair and reasonable". In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction it should be analysed on a basis consistent with a takeover bid.

In our opinion the Offer is a control transaction as defined by RG 111 and we have therefore assessed the Offer to consider whether in our opinion it is fair and reasonable to Shareholders.

#### 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities that are the subject of the offer. In the case of WARL, the Company's ordinary shares offered to CO2 Group are the subject of the offer and the consideration offered is five CO2 Group shares for every four WARL shares held or alternatively \$0.1625 cash per WARL share.

This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

#### Are the Scrip Offer and Cash Offer fair (section 12)

- A comparison between the value of four WARL shares and the Scrip Offer, being five CO2 Group shares; and
- A comparison between the value of a WARL share and the Cash Offer, being \$0.1625 per share.

## Are the Scrip Offer and Cash Offer reasonable (section 13)

- An investigation into other significant factors to which Shareholders might give consideration, prior to accepting the Scrip Offer or Cash Offer, after reference to the value derived above.

This assignment is a Valuation Engagement as defined by APES 225 Valuation Services. A Valuation Engagement means an engagement or assignment to perform a valuation and provide a valuation report where we determine an estimate of value of the Company by performing appropriate valuation procedures and where we apply the valuation approaches and methods that we consider to be appropriate in the circumstances.

## 4. Outline of the Offer

Pursuant to a Bidder's Statement, CO2 Group has offered to acquire all of the shares it does not already own in WARL by way of an off-market takeover bid. CO2 Group will offer five CO2 Group shares for every four WARL shares under the Scrip Offer or \$0.1625 in cash for each WARL share under the Cash Offer. Shareholders of WARL can elect to receive either the Scrip Offer or the Cash Offer.

### 4.1 Conditions

The Scrip Offer and Cash Offer are subject to the following conditions:

- CO2 Group having relevant interests in at least 90% of WARL shares
- No prescribed occurrences between the announcement date and the end of the offer period
- No material acquisitions, disposals of assets by WARL between the announcement and the end of the offer period.

CO2 Group will declare the offer unconditional if it acquires an interest in 90% of WARL (provided no other conditions have been breached).

Further details on the conditions of the Scrip Offer and Cash Offer can be found in the Bidder's Statement.

### 4.2 Capital structure

Under the Scrip Offer, CO2 Group will offer five CO2 Group shares for every four WARL shares. The impact on the relevant ordinary shareholdings of WARL and CO2 Group, assuming 100% acceptance of the Scrip Offer, is illustrated below.

WARL shareholding	Current Shareholding		Acceptance of Scrip Offer	
	No. of Shares	%	No. of Shares	%
CO2 Group	1,898,735	11.3%	16,747,358	100%
Other WARL shareholders	14,848,623	88.7%	-	-
Total WARL shares on an undiluted basis	16,747,358	100%	16,747,358	100%

CO2 Group shareholding	Current Shareholding		Acceptance of Scrip Offer	
	No. of Shares	%	No. of Shares	%
Existing CO2 Group shareholders	429,451,319	100%	429,451,319	95.9%
New shares issued under the Scrip Offer	-	-	18,560,779	4.1%
Total CO2 Group shares on an undiluted basis	429,451,319	100%	450,385,516	100%

If all the shareholders of WARL accept the Scrip Offer, 18,560,779 new CO2 Group shares will be issued to WARL shareholders for their 14,848,623 WARL shares, resulting in WARL shareholders holding 4.1% in CO2 Group. For WARL shareholders who are also existing CO2 Group shareholders, their shareholding will change by the additional new CO2 Group shares that they will receive if they accept the Scrip Offer.

Under the Cash Offer, CO2 Group will offer \$0.1625 in cash for each WARL share. If there is a 100% acceptance of the Cash Offer CO2 Group will hold all of the issued shares in WARL and no new shares will be issued in CO2 Group as a result of the Offer.

## 5. Profile of Western Australian Resources Limited

### 5.1 History

Western Australian Resources Limited is an unlisted public company established in Perth in October 2005. WARL has historically operated in the natural resources exploration and development sector and currently has joint ventures in a number of minerals exploration programs as well as interests in water and natural resources developments.

### 5.2 Previous operations

Exploration activities were undertaken by WARL's joint venture partners during 2011 however no material results were obtained from these activities and the Board has written off all previous exploration expenditure. Set out below is a summary of WARL's currently and previously owned joint venture projects and mineral assets.

#### Goldsworthy Project

The Goldsworthy Project is located 80 kilometres east of Port Hedland in the Pilbara region of Western Australia. WARL previously held a number of royalty interests over the Goldsworthy tenements, including a 1% gross royalty on any iron ore extracted from several of the Goldsworthy tenements. The Company also owns shares in Brumby Resources Pty Limited ("Brumby") who is the exploration manager of the Goldsworthy tenements.

#### Irwin Bore Project

The Irwin Bore Project is located 140 kilometres east of Wiluna. WARL currently holds a 10% free carried interest to the completion of a pre-feasibility study.

## Balgarrie Project

The Balgarrie Project covers the abandoned Ant Hill goldmine, located 50 kilometres northwest of Kalgoorlie. The project is a joint venture with Norton Gold Limited, with WARL retaining a 40% free carried interest up to a decision to mine. No significant exploration results were returned from Norton Gold Limited's exploration activities during the 2011 financial year. Norton Gold Limited drill tested the potential depth extensions to the known gold mineralisation at the Ant Hill goldmine in early 2012 and found no reasonable resource and ceased the program.

## Lake Lefroy Project

The Lake Lefroy Project is located 16 kilometres south of the township of Kambalda West, in the Eastern Goldfields of Western Australia. The exploration license application is currently held in trust by Mr Julian Hanna, pursuant to the Deed of Trust, with WARL having the right to transfer the legal ownership once the tenement application has been granted.

### 5.3 Current operations

In 2010, WARL embarked on a new business direction to investigate opportunities for new agribusiness and food development projects. Following a review of a range of potential commercial opportunities, the Board resolved to pursue further research and feasibility regarding aquaculture in northern Australia. The Board also agreed to adopt a standard industrial project feasibility assessment approach and model.

In late 2011, WARL commenced a Concept Study ("CS") for the development of large-scale aquaculture production systems in northern Australia ("Aquaculture Project" or "the Project") which was completed in June 2012.

The CS was undertaken by WARL with the assistance of a number of consultants that provided inputs and studies. The key input elements and the final conclusions of the CS are outlined below.

In June 2012, the Board reviewed all the information assembled for the CS and concluded that the CS and WARL's own investigations indicated sufficient support for the feasibility of large scale aquaculture in northern Australia.

The Board of WARL determined that budget for the pre-feasibility study ("PFS") was well in excess of the cash reserves of the Company. The WARL management team and Board concluded that the PFS would be unlikely to be completed within the constraints of the current cash position of WARL.

### 5.4 Potential project - Aquaculture Project

Following approval by the Board, WARL is now seeking to embark on a PFS for the Aquaculture Project.

Following completion of the PFS and a 'gateway assessment' of the Aquaculture Project's ongoing viability, the Project would need to progress to the final step of the feasibility studies - a Bankable Feasibility Study ("BFS"). It is expected that the BFS would take an additional 18 - 21 months after the PFS to complete.

The project definition developed by WARL in the CS consists of a fully integrated marine protein production operation comprised of the following key components:

- (i) Broodstock facilities & hatcheries - to breed and raise fish and crustacean larvae and fingerlings to be transferred into the production systems. These also include facilities to produce food for the larval and juvenile stages.

- (ii) Feed mill(s) - these are to produce nutritionally specialised pelletised feed products to feed the animals in the production systems. It is proposed that products from some of the fish production systems will be utilised to produce fish meal - a key component of fish and prawn feeds - but which has historically been derived from wild-caught fish.
- (iii) Land-based, pond growout facilities.
  - The initial 18,000 hectare production farm is expected to comprise 10,000 hectares of production ponds and up to 8,000 hectares of additional water treatment ponds/canals and other infrastructure.
  - Pond systems are designed as 'zero net discharge' with water returned to the environment having the same nutrient and suspended solids concentrations as the water brought into the system.
  - The project is readily scalable by the addition of additional farms in the future. There is a preference for diversification of sites, to minimise the impact of climatic and environmental factors on the Company's operations.
- (iv) Product processing facilities - the large quantities of fish and prawns produced from the production systems are required to be processed efficiently, hygienically and at as low a cost as possible. The intention is to process minimally for export.
- (v) Product export and transportation facilities - loading and transporting the large volumes of seafood produced from the processing facilities is another component. WARL is currently undertaking detailed studies into potential port access, logistics and transportation costs from the ports, as well as air freight options. Local transport infrastructure (road) and export infrastructure (airport, port/dock/handling equipment) is being assessed.
- (vi) Support infrastructure:
  - Power is needed to drive pumps and aeration systems and for the feed mill as well as for cold chain management and the processing facilities. WARL's concept planning has identified a number of options for delivering power requirements.
  - The Aquaculture Project will be a major employer and WARL is assessing the labour requirements and opportunities - in terms of both skills and availability. Accommodation options for staff will also be an important consideration for the location of projects.
- (vii) Species selection:
  - The CS has identified domesticated prawn and finfish species that are suited to large-scale aquaculture production. The domesticated prawn species have been proven in commercial production and are well-accepted in international markets.
  - Similarly, WARL has identified domesticated finfish species suitable for culturing within the environmental conditions associated with the land areas and sites. All target species intended for export have proven aquaculture production track-record and high market acceptance.

WARL's development plans and production from its enterprises is squarely aimed at export markets primarily in Asia and most likely China.

WARL will undertake detailed market analyses regarding seafood demand in the region and internationally. WARL advised us that preliminary analysis has indicated a strong demand for high-quality,

sustainably-sourced seafood protein. WARL expects this demand to grow as China's population continues to grow, its middle-class and their buying power expand and its demography becomes more urbanised.

## 5.5 Historical Balance Sheet

	Audited as at 30-Jun-12	Audited as at 30-Jun-11	Audited as at 30-Jun-10	Audited as at 30-Jun-09
Statement of financial position	\$	\$	\$	\$
<b>Current assets</b>				
Cash and cash equivalents	1,284,550	2,346,728	2,466,264	2,427,061
Trade and other receivables	-	-	-	6,117
Other current financial assets	3,793	3,187	-	-
<b>Total current assets</b>	<b>1,288,343</b>	<b>2,349,915</b>	<b>2,466,264</b>	<b>2,433,178</b>
<b>Non-current assets</b>				
Other financial assets	9,355	26,950	17,325	43,875
Exploration and evaluation	98,832	283,335	286,545	286,545
Fixed assets	999	-	-	-
Deferred tax assets	-	5,244	5,244	2,993
<b>Total non-current assets</b>	<b>109,186</b>	<b>315,529</b>	<b>309,114</b>	<b>333,413</b>
<b>Total assets</b>	<b>1,397,529</b>	<b>2,665,444</b>	<b>2,775,378</b>	<b>2,766,591</b>
<b>Current liabilities</b>				
Trade and other payables	1,177	20,845	6,996	4,554
Current tax liabilities	23,514	2,890	2,742	10,505
<b>Total current liabilities</b>	<b>24,691</b>	<b>23,735</b>	<b>9,738</b>	<b>15,059</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	-	3,850	963	963
<b>Total non-current liabilities</b>	<b>-</b>	<b>3,850</b>	<b>963</b>	<b>963</b>
<b>Total liabilities</b>	<b>24,691</b>	<b>27,585</b>	<b>10,701</b>	<b>16,022</b>
<b>Net assets</b>	<b>1,372,838</b>	<b>2,637,859</b>	<b>2,764,677</b>	<b>2,750,569</b>
<b>Equity</b>				
Issued capital	666,084	666,084	666,084	666,084
Reserves	63,528	76,118	(17,070)	(9,985)
Retained Earnings	643,226	1,895,657	2,115,663	2,094,470
<b>Total equity</b>	<b>1,372,838</b>	<b>2,637,859</b>	<b>2,764,677</b>	<b>2,750,569</b>

Source: Annual Report for the years ended 30 June 2009, 2010, 2011 and 2012.

We note the following in relation to WARL's recent financial position:

- Cash has decreased from \$2,346,728 at 30 June 2011 to \$1,284,550 at 30 June 2012 mainly due to expenditure on research and development on the aquaculture project in northern Western Australia
- Other current financial assets include accrued interest and income tax paid
- Exploration and evaluation assets at 30 June 2012 reflect amounts relating to the Goldsworthy tenement, with the remaining tenements - Balgarrie, Irwin Bore and Kariawinda - written down to nil values. These tenements have been written down on the basis that no beneficial results have been obtained from exploration activities conducted to date and the sale of these tenements is not expected to realise any material value. We understand that the Goldsworthy tenement is currently being re-assessed to determine whether its value should also be written down
- The retained earnings balance reduced from \$1,895,657 as at 30 June 2011 to \$643,226 as at 30 June 2012 following a net loss of \$1,252,431 for the 2012 financial year.

## 5.6 Historical Statement of Comprehensive Income

	Audited Year ended 30-Jun-12	Audited Year ended 30-Jun-11	Audited Year ended 30-Jun-10	Audited Year ended 30-Jun-09
	\$	\$	\$	\$
Statement of comprehensive income				
Revenue from continuing operations	96,095	129,647	97,752	155,591
Other income	-	26,240	(3,580)	36,342
	96,095	155,887	94,172	191,933
Employee benefits expense	(200,226)	(149,251)	(14,000)	(14,000)
Other expenses	(295,044)	(60,734)	(8,237)	(7,412)
Tenement services	(12,554)	(3,606)	(3,490)	(8,248)
Professional services	(206,701)	(123,109)	(20,312)	(27,628)
Shareholder reporting costs	(7,979)	(6,099)	(4,675)	(3,411)
Office and administrative services	(36,420)	(27,094)	(15,042)	(15,000)
Tenement rent	-	-	434	(8,591)
Aquaculture concept	(305,868)	-	-	-
Impairment of non-current assets	(283,335)	-	-	-
Loss before income tax expense	(1,252,032)	(214,006)	28,850	107,643
Income tax (expense) / benefit	(399)	(6,000)	(7,657)	(35,128)
Net profit /(loss)	(1,252,431)	(220,006)	21,193	72,515
Other comprehensive income				
Other comprehensive income for the period	(12,590)	6,738	(7,085)	(267,225)
Total other comprehensive income	(1,265,021)	(213,268)	14,108	(194,710)

Source: Annual Report for the years ended 30 June 2009, 2010, 2011 and 2012.



We note the following in relation to the WARL's recent financial performance:

- Revenue from continuing operations for the 2010, 2011 and 2012 financial years is attributable to interest income
- Employee benefits expense increased substantially between the years ended 30 June 2011 and 30 June 2012 due to staff recruitment to work on the Aquaculture Project's scoping study
- Other expenses relate to travel, marketing, communications and conferences, and have increased over the past financial year ended 30 June 2012 due to the work on the Aquaculture Project
- The professional services expenses incurred in the year ended 30 June 2012 is mainly attributable to payments to Blueshift Pty Ltd of \$195,151 in relation to operation of the Company and in part the Aquaculture Project, with the remaining pertaining to accountancy and legal fees
- Aquaculture concept expenses arise out of the change of business direction that was undertaken in 2012. These expenses relate to research work with CSIRO on potential aquaculture projects, scoping and engineering works and legal fees incurred.

## 5.7 Capital Structure

The share structure WARL as at 30 July 2012 is outlined below:

	Number
Total Ordinary Shares on Issue	16,747,358
Top 20 Shareholders	14,494,545
Top 20 Shareholders - % of shares on issue	86.5%

Source: Share register provided by management

The range of shares held in WARL as at 30 July 2012 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	% Issued Capital
1 - 1,000	73	30,290	0.2%
1,001 - 5,000	66	189,032	1.1%
5,001 - 10,000	31	149,285	0.9%
10,001 - 100,000	48	1,884,206	11.3%
100,001 - and over	20	14,494,545	86.5%
TOTAL	238	16,747,358	100%

Source: Share register provided by management

The ordinary shares held by the most significant shareholders as at 30 July 2012 are detailed below:

Name	No. of Ordinary Shares Held	Percentage of Issued Shares
Gabor Holdings Pty Ltd	5,889,501	35.2%
Crestpark Investments Pty Ltd	2,642,592	15.8%
CO2 Group Limited	1,898,735	11.3%
Susan Elizabeth Wallwork	930,000	5.6%
<b>Total Top 4</b>	<b>11,360,828</b>	<b>67.8%</b>
Others	5,386,530	32.2%
<b>Total Ordinary Shares on Issue</b>	<b>16,747,358</b>	<b>100%</b>

Source: Share register provided by management

The Bidder's Statement states that one of the conditions of the Offer is the exercise or cancellation of all the options in WARL. We understand that it is more likely that the options will be cancelled and negotiations are to be carried out with CO2 Group on those cancelled options separately.

WARL option holders are directors or senior management of the Company and there are no minority option holders:

Name	No. of WARL options held
Mr Richard Dickson	200,000
Mr Christopher Mitchell	200,000
Mr Ian Longson	100,000
Mr Robert Bell	400,000
Mr Harley Whitcombe	200,000
<b>Total options on issue</b>	<b>1,100,000</b>

Source: Management

## 6. Profile of CO2 Group

### 6.1 History

Previously a mineral resource exploration company operating as Revesco Group Limited, the Company was renamed CO2 Group in September 2004 to carry on a new business of providing environmental services, primarily carbon sequestration (that is, the establishment of carbon sinks).

CO2 Australia Limited, a 100% fully owned entity and the main operating entity of the CO2 Group, is the Australian market leader in the establishment and management of forest carbon sinks intended for registration under formal emissions reduction schemes.

Major events of the Company's history are summarised in the following table.

Year	Highlights
2004	Became the first reforestation company to be accredited under the New South Wales Greenhouse Gas Abatement Scheme (GGAS). Announced a contract to supply carbon credits to Origin Energy.
2005	Entered into contracts to establish forest carbon sinks for Country Energy and Eraring Energy. Eraring Energy has built its forest carbon sink portfolio every year since.
2006	Entered into a joint venture with Macquarie Bank Limited to establish and manage a forest carbon sink. Engaged by the Victorian Department of Sustainability and Environment to undertake plantings. Became the first Australian Associate Member and a listed Offset Provider under the Chicago Climate Exchange.
2007	Became the first reforestation company to become an accredited abatement provider under the Australian Government's Greenhouse Friendly™ program and won new contracts to establish and manage forest carbon sinks on behalf of Qantas Airways, Woodside Energy, the City of Sydney, EDS Australia and the Big Day Out.
2008	Announced projects for INPEX/Total Browse JV, Newmont Mining Corporation, Rip Curl, and successfully completed a takeover bid for the Oil Mallee Company of Australia.
2009	Signed carbon offset deal with Wannon Regional Water Corporation to build and operate a carbon offset project by establishing permanent forest carbon sink using Mallee trees. Signed agreement with ACTEW Corporation to provide accredited forest carbon sink offsets. Woodside exercised option to undertake approximately \$75 million worth of additional forest carbon sink plantings, creating Australia's largest commercial emissions offset programme based on dedicated forest carbon sink plantings.

Year	Highlights
2010	<p>Expanded its carbon estate to approximately 16,500 hectares across New South Wales, Western Australia and Victoria.</p> <p>Planted trees for ACTEW Corporation, Woodside Energy, Newmont Mining Corporation, Eraring Energy, Victorian Department of Sustainability and Environment and a number of other clients.</p>
2011	<p>The Carbon Farming Initiative (CFI) legislation was passed in August 2011, allowing landholders to participate in carbon reduction projects such as planting trees, increasing soil carbon and reducing on-farm emissions. It also allows large multinational organisations operating overseas to offset their carbon emissions by purchasing carbon credits created from the CFI.</p> <p>Significantly broadened CO2 Group's service offering including the launch of its environmental trading division known as Carbon Banc™, providing an access point, for customers with an environmental obligation, to typically illiquid emissions trading schemes.</p>

CO2 Group has grown to include a staff of 31 in-house professionals located across six offices in three Australian states. In addition to new planting activities, CO2 Group continues to manage forest carbon sink plantings that have been established in previous years.

CO2 Group was the first company to reforest cleared land to achieve accreditation as an abatement provider under the New South Wales Government's Greenhouse Gas Abatement Scheme. It was also the first Australian company to be registered on the Chicago Climate Exchange as an offset provider.

## 6.2 Operations

The CO2 Group is the largest provider of forest carbon sink projects in Australia, with the Company managing 22,300 hectares of carbon plantings for its blue chip customer base. Management have announced their intention to establish a further 4,100 hectares for the 2012 planting season. The Company has a large and diverse client base which includes large industrial emitters throughout the energy value chain, from energy producers, to energy retailers through to large industrial consumers. Some of these major clients include Woodside Energy, Origin Energy, Qantas Airways, Rio Tinto and Rip Curl, with the CO2 Group also servicing public sector organisations such as the Western Australian and Victorian Governments and the City of Sydney.

The Company has also directed its focus on research and development by becoming the first private sector entity to have a Carbon Farming Initiative ("CFI") Methodology relating to reforestation activities advance to the public review phase. It has also diversified its operations by branching into other areas such as forestry mapping and management, mine site rehabilitation, carbon accounting and inventory management activities.

### 6.3 Historical Balance Sheet

	Unaudited as at 30-Jun-12	Reviewed as at 31-Mar-12	Audited as at 30-Sep-11	Audited as at 30-Sep-10
Statement of financial position	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>				
Cash and cash equivalents	27,284	32,610	17,886	17,365
Trade and other receivables	1,674	157	2,127	577
Inventories	3,006	3,879	6,913	7,244
Other current assets	5,557	738	1,531	198
Accrued income	405	597	606	480
<b>Total current assets</b>	<b>37,926</b>	<b>37,981</b>	<b>29,063</b>	<b>25,864</b>
<b>Non-current assets</b>				
Investments in associates	28	-	-	-
Other financial assets	314	314	314	314
Property, plant & equipment	4,116	4,225	4,401	4,727
Deferred tax assets	7,170	6,185	4,287	2,572
Intangible assets	2,079	1,900	1,600	1,404
<b>Total non-current assets</b>	<b>13,707</b>	<b>12,624</b>	<b>10,602</b>	<b>9,017</b>
<b>Total assets</b>	<b>51,633</b>	<b>50,605</b>	<b>39,665</b>	<b>34,881</b>
<b>Current liabilities</b>				
Trade and other payables	2,462	4,986	5,297	5,349
Borrowings	18	21	9	48
Current tax liabilities	2,953	1,645	2,277	1,177
Provisions	588	560	541	473
Deferred income	7,836	6,292	14,270	12,257
Other current liabilities	-	19	10	-
<b>Total current liabilities</b>	<b>13,857</b>	<b>13,523</b>	<b>22,404</b>	<b>19,304</b>
<b>Non-current liabilities</b>				
Borrowings	-	-	16	25
Provisions	71	71	117	80
<b>Total non-current liabilities</b>	<b>71</b>	<b>71</b>	<b>133</b>	<b>105</b>
<b>Total liabilities</b>	<b>13,928</b>	<b>13,594</b>	<b>22,537</b>	<b>19,409</b>
<b>Net assets</b>	<b>37,705</b>	<b>37,011</b>	<b>17,128</b>	<b>15,472</b>

	Unaudited as at 30-Jun-12	Reviewed as at 31-Mar-12	Audited as at 30-Sep-11	Audited as at 30-Sep-10
Statement of financial position	\$'000	\$'000	\$'000	\$'000
Equity				
Issued capital	41,618	41,618	30,830	30,658
Reserves	5,414	5,229	6,656	6,631
Accumulated losses	(9,327)	(9,836)	(20,358)	(21,818)
Total equity	37,705	37,011	17,128	15,472

Source: Annual Report 30 September 2011, Half-year Report 31 March 2012 and management accounts to 30 June 2012.

We have not undertaken a review of CO2 Group's unaudited accounts in accordance with Australian Auditing and Assurance Standard 2405 "Review of Historical Financial Information" and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

We note the following in relation to CO2 Group's recent financial position:

- The unaudited cash balance as at 30 June 2012 was \$27.3 million (\$32.6 million at 31 March 2012), accounting for 52.8% of total assets and 72.4% of net assets
- Inventories, which primarily relate to seeds and carbon sinks under development, decreased progressively from \$6.9 million as at 30 September 2011 to \$3.9 million as at 31 March 2012 to \$3.0 million as at 30 June 2012 as seed has been used and carbon sinks amortised on production of credits for sale
- Deferred tax assets, which primarily relate to land purchased for carbon sinks, increased progressively from 30 September 2010 to 30 June 2012
- Deferred income relates to payments received upfront for carbon sink projects. This has increased in line with the normal billing cycle but will diminish as carbon sinks are completed by year end
- During the half year ended 31 March 2012 CO2 Group cancelled share capital in accordance with 258F of the Corporations Act to the amount of \$7,104,625.

#### 6.4 Historical Statement of Comprehensive Income

	6 months to 31-Mar-12	12 months to 30-Sep-11	15 months to 30-Sep-10
Statement of comprehensive income	\$'000	\$'000	\$'000
Revenue from continuing operations	32,703	35,425	27,714
Other income	(223)	87	-
Cost of environmental credits sold	(16,755)	(10,972)	-
Employee benefits expense	(2,614)	(4,226)	(4,800)
Depreciation and amortisation expense	(254)	(517)	(1,256)
Consulting expense	(265)	(1,338)	(252)
Legal fees	(60)	(249)	(311)
Travel	(294)	(667)	(861)
Insurance	(120)	(239)	(289)
Rent	(413)	(767)	(853)

	6 months to 31-Mar-12	12 months to 30-Sep-11	15 months to 30-Sep-10
Statement of comprehensive income	\$'000	\$'000	\$'000
Research and development	(238)	(246)	(259)
Other expenses	(588)	(114)	(1,221)
Marketing	(371)	(295)	(259)
Impairment loss	-	-	(5,515)
Plantation costs	(8,116)	(13,559)	(16,527)
Finance costs	(1)	(4)	(13)
Share of net loss of associates and joint venture partnership accounted for using equity method	(81)	(113)	-
Loss before income tax expense	2,306	2,206	(4,702)
Income tax (expense) / benefit	(682)	(746)	1,356
Net profit /(loss)	1,624	1,460	(3,346)
Other comprehensive income	-	-	-
Other comprehensive income for the period	-	-	-
Total other comprehensive income	1,624	1,460	(3,346)

Source: Annual Report 30 September 2011, Half-year Report 31 March 2012

A significant impairment loss of \$5.5 million occurred in the 15-month period ended 30 September 2010 in relation to intangible assets associated with assets that CO2 Group consolidated as part of the acquisition of the Oil Mallee Company of Australia Ltd ("OMC"). This intangible asset reflects goodwill acquired in the business combination with OMC. This impairment loss resulted in a net loss of \$3.3 million for the period.

We note the following in relation to CO2 Group's recent financial performance:

- Revenue increased from an average of \$1.8 million per month over the 15-month period to 30 September 2010 to an average of \$3.0 million per month for the 12-month performance to 30 September 2011, illustrating the growing base of annuity income being generated from the Company's long term contracts. Revenue from continuing operations increased to \$5.5 million per month for the six months ended 31 March 2012 on the back of an increase in the sale of environmental credits.
- CO2 Group returned net profit of \$1.6 million for the half year ended 31 March 2012 after a net profit of \$1.5 million in the year ended 30 September 2011.
- The other income recorded in the year ended 30 September 2011 pertains to a \$5,130 gain on disposal of property, plant and equipment and an \$82,246 gain on environmental credits. The loss of \$223,000 was incurred in the half year to 31 March 2012 as a result of unrealised losses of carbon trading positions on a marked to market basis.
- Revenue from the sale of environmental credits is recognised when the Company has transferred to the buyer the significant risks and rewards of the ownership of the environmental credits.
- The Company sold \$0.46 million of carbon offsets in the 15 months ended 30 September 2010 compared to \$11.8 million during the year to 30 September 2011 and \$18.1 million in the six months ended 31 March 2012. This increase in revenue explains the observed increase in the cost of environmental credits sold over this period.

- Research and development costs per month have increased on the back of increased focus on research and technical programs in the half year to 31 March 2012. As a result of this increased focus, the Company became the first private sector entity to successfully advance a Carbon Farming Initiative Methodology whilst also establishing its first forest carbon planting in Queensland.
- Other expenses have increased from \$114,000 for the year ended 30 September 2011 to \$588,000 in the six months ended 31 March 2012. This increase was mainly caused by expensing performance rights issued to management as approved by shareholders.

## 7. Economic analysis

### 7.1 Current Economic Conditions

Growth in the world economy picked up in the early months of 2012, having slowed in the second half of 2011. But more recent indicators continue to suggest weakening in Europe and a slower pace of growth in China. Conditions in other parts of Asia have recovered from the effects of last year's natural disasters, but the ongoing trend is unclear and could be dampened by the effects of slower growth outside the region. The United States continues to grow at a modest pace. Commodity prices have declined, which is helping to reduce inflation and providing scope for some countries to ease macroeconomic policies. Australia's terms of trade have peaked, though they remain historically high.

Financial markets have initially responded positively to signs of further progress towards longer-term sustainability in European financial affairs, but Europe will remain a potential source of adverse shocks for some time. While capital markets remain open to corporations and well-rated banks, low appetite for risk has seen long-term interest rates faced by highly rated sovereigns, including Australia, decline to exceptionally low levels. Share markets have remained volatile.

In Australia, recent data suggest that the economy continued to grow in the first part of 2012, at a pace somewhat stronger than had been earlier indicated. Labour market conditions also firmed a little, notwithstanding job shedding in some industries; the rate of unemployment remains low.

Over the coming one to two years, and abstracting from the effects of the carbon price, inflation is expected to be consistent with the target of 2%-3%. Maintaining low inflation over the longer term will, however, require growth in domestic costs to slow as the effects of the earlier exchange rate appreciation wane.

Interest rates for borrowers have declined, to be a little below their medium-term averages. Business credit has increased more strongly in recent months, though credit growth remains modest overall. The housing market remains subdued. The exchange rate has been volatile recently, but overall remains high.

Source: [www.rba.gov.au](http://www.rba.gov.au) *Statement by Glenn Stevens, Governor: Monetary Policy Decision 3 July 2012*



## 8. Industry Analysis - Aquaculture

### 8.1 Overview

Aquaculture is the farming of aquatic organisms including fish, molluscs, crustaceans and aquatic plants and involves the design, construction and operation of freshwater and marine systems for breeding, hatching, growing, processing, packaging and marketing. According to the Department of Agriculture, Fisheries and Forestry, aquaculture is the fastest growing primary industry in Australia and the fastest growing food production sector in the world.

Aquaculture can be in various forms including:

- a hatchery operation which is producing fertilised eggs, larvae or fingerlings
- a nursery operation which is nursing of small larvae to fingerlings or juveniles, and/or
- a grow-out operation which is the farming of fingerlings or juveniles to marketable sizes.

Aquaculture can be carried out in freshwater, brackish water or marine water under different weather conditions depending on the species being farmed. The systems used for aquaculture include but are not limited to ponds, fibreglass or concrete tanks, pens, and floating cages.

Farming can be extensive, semi-intensive or intensive, depending on the level of input and output per farming area and the stocking density.

Aquaculture can be used to produce fish/molluscs/crustaceans/aquatic plants for human consumption or for producing ornamental species and pharmaceutical products. Aquaculture can also be operated with other agriculture activities forming an integrated aquaculture/agriculture system.

Source: The Australian Government Department of Agriculture, Fisheries and Forestry [www.daff.gov.au](http://www.daff.gov.au)

### 8.2 Aquaculture in Australia

Aquaculture production occurs throughout Australia, from the tropical north to the temperate south. The industry is largely based in regional Australia and makes a significant and positive contribution to regional development.

Aquaculture is a relatively new industry in Australia, and has grown in volume at an average rate of around 12 per cent per annum since 1992-93. In 2008-09, the industry was worth in excess of \$887 million.

Most of the value of Australian aquaculture production comes from high value species such as pearls, salmonids and tuna but there are over forty species being commercially produced in Australia. The top five aquaculture species groups, in terms of production value, are:

- salmonids
- tuna
- pearl oysters
- prawns
- edible oysters.

Other species groups include:

- abalone (greenlip, blacklip, Roe's)
- freshwater finfish (barramundi, Murray cod, silver perch etc.)
- brackish water or marine finfish (barramundi, snapper, yellowtail kingfish, mulloway, groupers, etc.)
- mussels
- ornamental fish
- marine sponges
- mud crab
- sea cucumber.

Australian aquaculture producers must comply with relevant federal, state and local government laws and codes of practice. These are aimed at ensuring best practice and the long-term sustainability of the industry.

Source: The Australian Government Department of Agriculture, Fisheries and Forestry [www.daff.gov.au](http://www.daff.gov.au)

### 8.3 Outlook

Australia has established a reputation as a supplier of safe, high quality seafood which is produced using environmentally sustainable practices. Australian aquaculture producers target niche high value domestic and overseas markets.

The increasing demand for Australian native species and the proximity to Asia and Pacific markets, together with world recognized seafood quality and standards, means Australian aquaculture is competitively positioned to take on high value aquaculture products.

The Food and Agriculture Organization of the United Nations (FAO) predicts that from 2011 any further increase in global consumption of seafood is expected to be met by aquaculture. The FAO has also predicted that this trend will continue to the point that by 2030, more than half of the fish consumed will be produced by aquaculture.

Source: The Australian Government Department of Agriculture, Fisheries and Forestry [www.daff.gov.au](http://www.daff.gov.au)

## 9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (“FME”)
- Discounted cash flow (“DCF”)
- Quoted market price basis (“QMP”)
- Net asset value (“NAV”)
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of WARL and CO2 Group shares, we have chosen to employ the NAV as the primary methodology and QMP as a secondary methodology for CO2 Group.

We have chosen these methodologies for the following reasons:

- There is a lack of reliable long term forecasts available for a DCF approach to be undertaken.
- The FME approach is not appropriate as the Company is considered to be in a development phase and lacks an operating profit history (first profit was recorded for the year ended 31 September 2011).
- We consider the NAV methodology to be appropriate as the Company is considered to be in a development phase and there is insufficient profit history or cash flow forecasts that can be relied upon for valuation of the entity using other methodologies.
- However, it should be noted that asset based methods ignore the possibility that the entity’s value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. This is particularly significant if the growth potential of a company is substantial.
- The QMP basis is a relevant methodology to consider because CO2 Group’s shares are listed on the ASX. This means there is a regulated and observable market where CO2 Group shares can be traded. However, in order for QMP to be considered appropriate, the company’s shares should be liquid and the market should be fully informed as to CO2 Group’s activities. We have considered these factors in section 10.2.

## 10. Valuation of WARL

### 10.1 Net Asset Valuation of WARL

The value of WARL's assets on a going concern basis is reflected in our valuation below:

	\$
Net assets of WARL (Section 5.5)	1,372,838
Add: Value of the Aquaculture Project	817,352
Adjusted net assets of WARL	2,190,190

Source: Financial statements as at 30 June 2012 and management's cost estimates

#### Net assets of WARL

We have been advised that there has not been a significant change in the net assets of WARL since 30 June 2012. We have no reason to consider that the market value of WARL's exploration assets is more than their book value and accordingly have not made any adjustments to their book value in this assessment.

#### Valuation of the Aquaculture Project

The value of the aquaculture project has been determined using the historical cost methodology given that the project is still in its early stage of development. The historical cost methodology uses the details of the cost of developing or purchasing the assets to determine its value. This approach is appropriate in valuing the aquaculture project as the future economic benefits that may accrue to the owner of this asset are still uncertain given the infancy of the project. Accordingly it is most appropriate to consider the cost of replicating the work performed to date.

The expenditure on the aquaculture project was \$48,931 for the year ended 30 June 2011 and \$768,421 for the year ended 30 June 2012, totalling \$817,352. Details of these costs are summarised in the table below.

	30 June 2011 \$	30 June 2012 \$	Total expenditure \$
Salaries / Consultant costs	8,475	270,683	279,158
CSIRO research/project costs	30,400	305,868	336,268
Travel costs	10,056	191,870	201,926
Total	48,931	768,421	817,352

### 10.2 Assessment of WARL Value

The value per share of WARL is assessed to be \$0.131 as follows:

	\$
Adjusted net assets of WARL	2,190,190
Number of WARL shares	16,747,358
Value per share	\$0.131

## 11. Valuation of CO2 Group

### 11.1 Net Asset Valuation of CO2 Group

The value of CO2 Group assets on a going concern basis is reflected in our valuation below:

	Valuation \$'000
Assets	
Cash and cash equivalents	27,284
Trade and other receivables	1,674
Inventories	3,006
Other current assets	5,557
Accrued income	405
Investments accounted for using the equity method	28
Other financial assets	314
Property, plant & equipment	4,116
Deferred tax assets	7,170
Intangible assets	2,079
<b>Total assets</b>	<b>51,633</b>
Less: Liabilities	
Trade and other payables	(2,462)
Borrowings	(18)
Current tax liabilities	(2,953)
Provisions	(659)
Deferred income	(7,836)
<b>Total liabilities</b>	<b>(13,928)</b>
<b>Net assets</b>	<b>37,705</b>
Ordinary shares on issue	429,451,319
Value of a CO2 Group share (controlling interest)	\$0.088

Source: Management Accounts as at 30 June 2012 and BDO analysis

The following adjustments were made/not made to the assets and liabilities of the CO2 Group as at 30 June 2012 in arriving at our valuation of CO2 Group.

#### Inventories

Inventories relate primarily to seeds and carbon sinks under development. Carbon sinks under development relates to costs incurred on plantings for carbon sinks on behalf of customers.

No independent valuation was carried out to revalue the carbon sinks under development to indicate if their value is above cost. In the absence of further information, we have no reason to consider that their cost value is materially different from their market value.

## Property, plant and equipment

Property, plant and equipment includes freehold land, plant and equipment, leasehold improvements, leased plant and equipment but largely made up of carbon sinks which account for 75.9% of the total property, plant and equipment value.

The recoverable amount of the carbon sinks used to generate carbon credits was reviewed at reporting date, which confirmed that the carbon sinks were not impaired. The recoverable amount was determined on the basis of their value in use and since the carbon sinks have not been subject to a revaluation, they continue to be held at cost.

No independent valuation was carried out to revalue the carbon sinks to indicate if their value is above cost. We have no reason to consider that their cost value is materially different from their market value.

## Deferred tax assets

Deferred tax assets relate mostly to temporary differences attributable to carbon sinks. As they relate to temporary differences, we consider that this amount is likely to be recoverable in the future. Therefore, we have not adjusted the value of deferred tax assets.

## Intangible assets

Intangible assets of \$1.9 million relate largely to capitalised development costs which reflect expenditure incurred to develop and deploy new commercially proven tree species into new landscapes. CO2 Group is committed to the ongoing development of growth models and carbon accounting tools for highly bio-diverse, multi-species plantings and continues to carry out in-field testing of a range of species mixes and planting configurations.

The recoverable amount of these intangible assets was reviewed at reporting date, which confirmed that these costs were not impaired.

## No significant change

We have been advised that there has not been a significant change in the net assets of CO2 Group since 30 June 2012.

## Minority discount

RG111.31 requires that we consider the value of the securities being offered by the bidder after deducting a minority discount. We have reviewed the control premia paid by acquirers of companies listed on the ASX since 2006. A summary of the control premia is noted in the table below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2012	16	50.63	15.86
2011	113	373.34	47.13
2010	143	502.28	35.71
2009	153	250.37	45.34
2008	158	434.68	31.39
2007	149	884.72	20.85
2006	164	702.46	21.09

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
Median		434.68	31.39
Mean		456.93	31.05

Source: Bloomberg

In arriving at an appropriate minority discount to apply, we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

Based on the tables above, we observe that an average control premium of 31.05% has been paid when acquiring ASX listed companies between 2006 and 2012. As such we have adopted a range of premia between 25% and 35% with a midpoint of 30%.

A minority interest discount is the inverse of a premium for control. We have determined that an appropriate premium for control, based on our analysis, is within the range of 25% - 35%. As such we consider a reasonable range for the minority interest discount to be applied to a CO2 Group share to be 20% to 26%.

	Low	Preferred	High
	\$'000	\$'000	\$'000
Net asset value (controlling basis)	37,705	37,705	37,705
Minority discount	26%	23%	20%
Total net asset value (minority interest basis)	27,902	29,033	30,164
Shares on issue	429,451,319	429,451,319	429,451,319
Net asset per share (minority interest basis)	\$0.065	\$0.068	\$0.070

The table above indicates the net asset value of a CO2 Group share on a minority basis is between \$0.065 and \$0.070 with a preferred value of \$0.068.

## 11.2 Quoted Market Prices for CO2 Group Securities

To provide a comparison to the valuation of CO2 Group in Section 11.1, we have also assessed the quoted market price for a CO2 Group share.

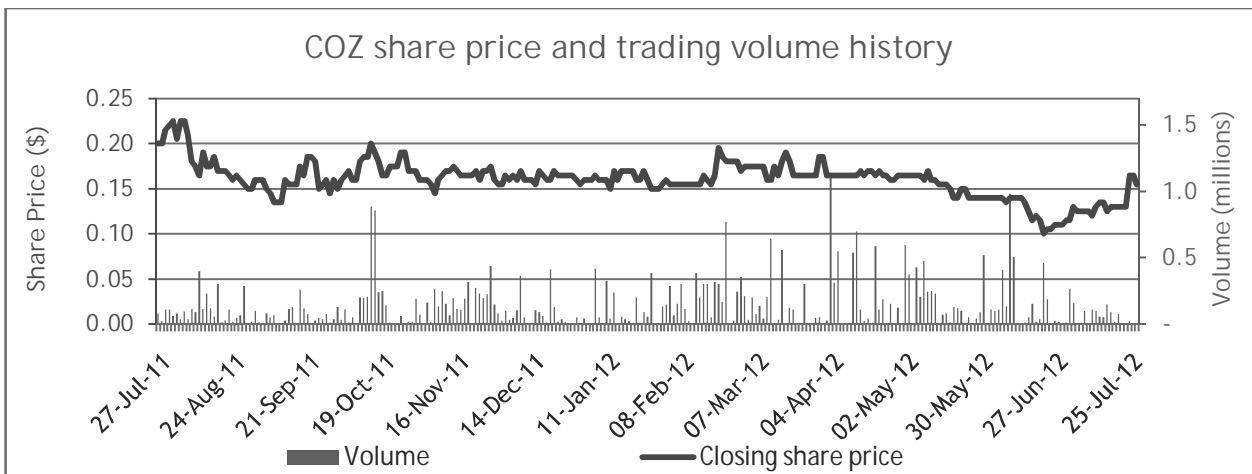
The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG111.31 requires that we consider the value of the securities being offered by the bidder on a minority basis

### Minority interest value

Our analysis of the quoted market price of a CO2 Group share is based on the pricing prior to the announcement of the Offer. This is because the value of a CO2 Group share after the announcement may include the effects of any change in value as a result of the Offer.

Information on the Offer has not been announced to the market. Therefore, the following chart provides a summary of the share price movement over the 12 months to 26 July 2012 which was the last trading day prior to the date of this report.



Source: Bloomberg

The daily price of the Company's shares from 26 July 2011 to 26 July 2012 has ranged from a low of \$0.10 on 20 June 2012 to a high of \$0.23 on 3 August 2011.

During this period a number of announcements were made to the market. The key announcements are set out below:



Date	Announcement	Closing Share Price Following Announcement \$ (movement)	Closing Share Price Three Days After Announcement \$ (movement)
14/05/2012	CO2 Group announces Appendix 4D Half-Year Report	0.155 (-)	0.140 (▼ 9.7%)
8/05/2012	CO2 Group Announces Biodiversity Fund Grants	0.17 (▲ 6.3%)	0.155 (▼ 8.8%)
18/04/2012	CO2 Group Obtains an AFSL	0.165 (▼ 2.9%)	0.165 (-)
16/04/2012	CO2 Group enters Queensland Market with Bundaberg	0.170 (▲ 3.0%)	0.170 (-)
28/11/2011	CO2 Group 2011 Full Year Statutory Accounts and 4E	0.160 (▼ 8.6%)	0.165 (▲ 3.1%)
22/11/2011	CO2 Group secures contract with Tasmanian Government	0.160 (▼ 5.9%)	0.175 (▲ 9.4%)
7/11/2011	CO2 Group New Zealand Carbon Project and Update	0.160 (▲ 10.3%)	0.170 (▲ 6.3%)
25/10/2011	CO2 Group Environmental Markets Update	0.190 (-)	0.170 (▼ 10.5%)
12/10/2011	CO2 Group Welcomes Passing of Clean Energy Bills	0.200 (▲ 8.1%)	0.165 (▼ 17.5%)
11/07/2011	CO2 Group Carbon Price Media Release	0.265 (▲ 8.2%)	0.210 (▼ 20.8%)
25/05/2011	CO2 Half Yearly Report and Accounts	0.150 (▲ 11.1%)	0.160 (▲ 6.7%)
24/02/2011	Response to ASX Price Query	0.200 (▲ 29%)	0.175 (▼ 12.5%)

On 22 November 2011 the Company announced that it was appointed by the Tasmanian Government to undertake a Forest Carbon Study. The study is for an independent assessment of the volume of carbon currently stored in Tasmania's forest estate and represents a diversification of CO2 Group's revenue stream. The market viewed this as positive news with the share price increasing 9.4% three days after the announcement.

On 7 November 2011 the Company announced that its partner CO2 New Zealand has secured a new \$10 million carbon sequestration project for a Maori community on the North Island of New Zealand. The Company also announced that it secured over \$7 million of long term carbon contract sales with major New Zealand Emission Trading Scheme compliance parties. On the back of this announcement the share price closed 10.3% higher than its pre-announcement level and a further 6.3% in the three days following the announcement.

To provide further analysis of the market prices for a CO2 Group share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 26 July 2012.

	25-Jul-12	10 Days	30 Days	60 Days	90 Days
Closing Price	\$0.155				
Weighted Average		\$0.134	\$0.126	\$0.130	\$0.142

The above weighted average prices are prior to the date of the announcement of the Offer to avoid the influence of any increase in price of the CO2 group's shares that may occur once the Offer is announced.

An analysis of the volume of trading in the CO2 group's shares for the twelve months to 26 July 2012 is set out below:

	Share price low	Share price high	Cumulative Volume traded	As a % of Issued capital
1 day	\$0.155	\$0.155	3,640	0.00%
10 days	\$0.130	\$0.165	206,658	0.05%
30 days	\$0.110	\$0.165	1,218,989	0.28%
60 days	\$0.100	\$0.165	5,110,236	1.19%
90 days	\$0.100	\$0.175	8,521,402	1.98%
180 days	\$0.100	\$0.195	20,514,168	4.78%
1 year	\$0.100	\$0.195	35,233,822	8.20%

This table indicates that the CO2 Group's shares display a low level of liquidity, with 8.2% of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

Based on our analysis above, it appears that there is not a deep market for CO2 Group's shares.

Our assessment is that a range of values for the CO2 Groups shares based on market pricing is between \$0.13 and \$0.15 with a preferred value of \$0.14.

### 11.3 Assessment of CO2 Group Value

The results of the valuations performed are summarised in the table below:

	Low \$	Preferred \$	High \$
Net tangible assets (Section 11.1)	0.065	0.068	0.070
ASX market prices (Section 11.2)	0.130	0.140	0.150

We note a significant difference between the valuation obtained under the NAV and QMP approaches, which can be explained by the following:

- The QMP value may reflect the significant goodwill and growth potential that investors perceive the Company to have, given the political initiatives introduced recently that are likely to have a positive growth impact on the carbon risk management industry. This growth potential is not reflected in the NAV approach.
- In accordance with RG111.69, we note that the shares of CO2 Group are thinly traded, and therefore, do not have a sufficiently active trading market to reflect a fair market value of the Company's shares.
- The QMP approach also reflects market sentiments that could fluctuate significantly with the perceived growth potential of the CO2 Group.

Based on the results above we consider the value of a CO2 Group share to be between \$0.065 and \$0.070, with a preferred value of \$0.068.

## 12. Is the Offer fair?

### Scrip Offer

The values of the consideration and of WARL under the Scrip Offer are compared below.

	Ref	Low \$	Preferred \$	High \$
Value of a WARL share	10.1	0.131	0.131	0.131
Value of a CO2 Group share	11.1	0.065	0.068	0.070
Value of 4 WARL shares		0.524	0.524	0.524
Value of 5 CO2 Group shares		0.325	0.340	0.350

The above pricing indicates that the value of five CO2 Group shares is lower than the value of four WARL shares and therefore, we conclude that, in the absence of other relevant information and a superior offer, the Scrip Offer is not fair to Shareholders.

### Cash Offer

The values of the consideration and of WARL under the Cash Offer are compared below.

	Ref	Low \$	Preferred \$	High \$
Value of a WARL share	10.1	0.131	0.131	0.131
Cash consideration offered per WARL share	4	0.1625	0.1625	0.1625

The above pricing indicates that the value of the cash consideration offered per WARL share is at a premium of 24.05% to the value per share of WARL and therefore, we conclude that, in the absence of other relevant information and a superior offer, the Cash Offer is fair to Shareholders.

## 13. Is the Offer reasonable?

### Scrip Offer

#### 13.1 Advantages of accepting the Scrip Offer

If the takeover is successful, it is expected to bring a number of benefits to Shareholders under the Scrip Offer. We set out the key advantages below.

##### 13.1.1 Increased liquidity from holding a listed share

If Shareholders accept the Scrip Offer, they will hold CO2 shares that are listed on the ASX, thereby increasing the liquidity of their shareholding. If more shares are on issue, following shares being issued under the Scrip Offer, then it is possible that the liquidity of trading in CO2 Group shares may increase above its current low level.

##### 13.1.2 Access to CO2 Group's surplus cash for potential project

If Shareholders accept the Scrip Offer and the takeover is successful, they will hold an investment in a combined group with a stronger net asset position. In particular, WARL will have access to CO2 Group's cash balance of \$27.28 million at 30 June 2012.

We consider this a key advantage to Shareholders in that it will ensure the Company has the funding ability to further progress its aquaculture interests and it is less likely that CO2 Group will need to dilute shareholders' interests further through future capital raisings.

Based on the financial model provided by management, at the current level of spending, WARL will spend its cash reserves by the end of March 2013. Management advise that in order to advance the Sea Dragon Project to its intended state, further expenditure is required for engineering studies which would see the current cash balance eroded by the end of 2012. The traditional avenues of financing may not be available to WARL as management considers that due to the infant stage of the project, it is unlikely that they would have the ability to source the required capital from the market.

##### 13.1.3 Stronger net asset position and increased market presence

If the takeover is successful, WARL will operate under the CO2 Group, thereby strengthening its balance sheet position and giving it a greater market presence. As a result of the takeover, WARL will also be subject to increased media exposure, which combined with other factors may improve its future prospects of obtaining both equity and debt financing.

##### 13.1.4 Diversification and exposure to additional assets

If the takeover is successful, Shareholders who accept the Scrip Offer will be exposed to a more diversified portfolio of assets across a greater number of projects. This includes the new aquaculture initiatives being developed by WARL as well as the carbon sequestration projects currently operated by CO2 Group. Aquaculture operations are considered relatively high risk as producers have a great exposure to disease risk and political risk therefore we regard the diversification of its operations a considerable benefit to Shareholders.

### 13.1.5 Likelihood of potential dilution to Shareholders is reduced

Assuming that WARL is able to raise all the capital needed to fund its Sea Dragon Project, it will have to issue a significant number of new shares which will dilute the interests of existing shareholders substantially. Alternatively, it could undertake a rights issue to avoid the potential dilution to Shareholders. However, these options have been considered by management to be less beneficial to Shareholders as discussed in section 13.3.4.

## 13.2 Disadvantages of accepting the Scrip Offer

Set out below is the key disadvantages to Shareholders in accepting the Scrip Offer.

### 13.2.1 Dilution of existing Shareholders' interest

If the Offer proceeds, Shareholders' will receive shares in CO2 Group which will reflect a smaller interest than the comparable interest they previously had in WARL. As such their voting power and influence over CO2 Group will be far less than they enjoyed over WARL. Section 4.2 outlines in detail the dilutive effect on Shareholders.

## 13.3 Other considerations

### 13.3.1 Alternative proposal

Other than the Cash Offer we are unaware of any alternative proposal that might offer the Shareholders a premium over the value ascribed to, resulting from the Scrip Offer.

### 13.3.2 Change in risk profile of the Company

Shareholders invested in the Company on the premise of it operating as a mineral explorer, with the Company only recently expanding its operations to venture into the aquaculture industry. If Shareholders accept the Scrip Offer, it will result in Shareholders holding an interest in a company that is involved in carbon sequestration projects and aquaculture projects which may not suit the risk profile of Shareholders.

This change in business direction will have implications on the risk profile of Shareholders' investment. Shareholders may not wish to be exposed to the risk profile of CO2 Group's projects. However if this is the case Shareholders are able to accept the Cash Offer and use these funds to invest in alternative investments with a similar risk profile.

### 13.3.3 Potential reduction in liquidity of WARL Shares

If Shareholders do not accept the Offer and CO2 Group gains effective control of WARL but does not reach the 90% required to compulsorily acquire all the shares of WARL, then Shareholders who do not accept the Offer will become a minority shareholder in WARL. In this case, the liquidity of this minority holding is likely to be reduced.

### 13.3.4 Consideration of other funding alternatives

The management of WARL has considered the following funding options and have concluded that the other funding alternatives are less likely to deliver the benefits to Shareholders as the Offer is likely to.

- (i) Raising of new capital - this is expected to significantly dilute the interests of existing Shareholders
- (ii) Rights issue - as most of the Shareholders are also shareholders of CO2 Group, the Scrip Offer by CO2 Group is likely to deliver more benefits to Shareholders than undertaking a rights issue for the following reasons:
  - Shareholders will need to inject cash under the rights issue
  - Shareholders are likely to obtain more flexibility and more options holding a CO2 Group share, including obtaining greater liquidity in their shareholding

It was also considered that it may be more beneficial if a rights issue is undertaken at the CO2 Group level following the completion of the takeover of WARL.

### Cash Offer

#### 13.4 Advantage of accepting the Cash Offer

Under the terms of the Offer, Shareholders can elect to accept a Cash Offer of \$0.1625 for every WARL share held. This provides Shareholders with the option of receiving a fixed level of cash with certainty. As such they would not be exposed to the different risk profile of the CO2 Group if the takeover is successful and it would also be an opportunity for Shareholders to exit their investment in WARL. Shareholders electing to take the Cash Offer will also avoid incurring brokerage fees when liquidating their position.

#### 13.5 Disadvantages of accepting the Cash Offer

If Shareholders accept the Cash Offer, they will not have the opportunity to participate in the potential success of the Aquaculture Project through their continued holding of CO2 Group or WARL shares.

There may also be capital gains tax implications for Shareholders depending on their individual circumstances. In this regard, it is recommended that Shareholders seek independent professional advice in relation to their own particular circumstances.

## 14. Conclusion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that:

- the Scrip Offer is not fair but reasonable to Shareholders
- the Cash Offer is fair and reasonable to Shareholders.

## 15. Sources of information

This report has been based on the following information:

- Draft Bidder's Statement on or about the date of this report
- Draft Target's Response Statement on or about the date of this report
- Audited financial statements of WARL for the years ended 30 June 2009, 30 June 2010, 30 June 2011 and 30 June 2012
- Scoping study conducted by WARL in conjunction with CSIRO
- Information on the Aquaculture Project provided by the management of WARL
- Audited financial statements of CO2 Group for the years ended 30 September 2009, 30 September 2010 and 30 September 2011
- Reviewed financial statements of CO2 Group for half year ended 31 March 2012
- Management accounts of CO2 Group for the period from 1 April 2012 to 30 June 2012
- Share registry information
- Information in the public domain
- Discussions with Directors and management of WARL and CO2 Group.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$40,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by WARL in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the WARL, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to WARL and CO2 Group and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of WARL and CO2 Group and their respective associates.

A draft of this report was provided to WARL and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

## 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Evelyn Tan of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 170 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia. Sherif Andrawes is the Chairman of BDO in Western Australia.

Evelyn Tan is a CFA charter holder and is a member of the CFA Institute. Evelyn has over 15 years of experience in corporate finance and banking. Evelyn has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 18. Disclaimers and consents

This report has been prepared at the request of WARL for inclusion in the Target's Statement which will be sent to all WARL Shareholders. WARL engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider CO2 Group's proposed acquisition of WARL.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Target's Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Target's Statement other than this report.

BDO Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or review of WARL or CO2 Group in accordance with standards issued by the Auditing and Assurance Standards Board. However, we have no reason to believe that any of the information or explanations so supplied is false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to CO2 Group. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.



The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Offer, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of WARL, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes  
Director



Evelyn Tan  
Associate Director  
Authorised Representative

## Appendix 1 – Glossary of Terms

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Reference	Definition
The Act	The Corporations Act 2001 (Cth)
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Brumby	Brumby Resources Pty Limited
The Company	Western Australian Resources Limited
Cash Offer	An amount of \$0.1625 for every WARL share held
CFI	Carbon Farming Initiative
CO2 Group	CO2 Group Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
NAV	Net Asset Value
OMC	Oil Mallee Company of Australia Ltd
Our Report	This Independent Expert's Report prepared by BDO
PFS	Pre-feasibility study
the Aquaculture Project	WARL's large scale aquaculture project in northern Australia
RG111	Content of expert reports (March 2011)
RG112	Independence of experts (March 2011)
Scrip Offer	The offer of 5 CO2 Group shares for every 4 WARL shares held
Offer	The Scrip Offer and Cash Offer collectively

Shareholders	Shareholders of WARL
WWAP	Volume Weighted Average Price
WARL	Western Australian Resources Limited

## Appendix 2 – Valuation Methodologies

---

Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value (“NAV”)*

Asset based methods estimate the market value of an entity’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity’s valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity’s value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity’s assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis (“QMP”)*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security.

### 3 *Capitalisation of future maintainable earnings (“FME”)*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("EBIT") or earnings before interest, tax, depreciation and amortisation ("EBITDA"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

#### 4 *Discounted future cash flows ("DCF")*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### 5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

#### 6 *Cost Based Methodologies*

Cost based methodologies estimate fair market value by reference to the costs of replicating the intangible asset. Cost based methodologies are premised on the assumption that a willing buyer will not pay any more for an intangible asset than the cost to replicate that asset. Cost based methodologies are most commonly employed when there is no other reliable means of estimating the fair market value. Cost based approaches may include:

- Historical cost methodology
- Replacement cost methodology.

The historical cost methodology uses the details of the cost of developing or purchasing the identifiable intangible assets to determine the value of the identifiable intangible asset. This approach has limitations as it does not recognise the future economic benefits that may accrue to owners of the asset.

The replacement cost method is similar in nature to the historical cost method but the value of the identifiable intangible assets is determined by the estimating the cost to replace the functions of the identifiable intangible assets.

**Western Australian Resources  
Limited**

ABN 79 116 812 634

**Financial Report  
for the year ended 30 June 2012**

**Western Australian Resources Limited** ABN 79 116 812 634  
**Financial Report - 30 June 2012**

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**Directors**

Ian Norman Trahar  
*Non-Executive Director and Chairman (appointed 5 August 2011)*

Richard Alexander Dickson  
*Non-Executive Director*

James McAuliffe BSc.  
*Non -Executive Director (resigned 5 August 2011)*

Robert Alex Bell  
*Managing Director*

Christopher David Mitchell  
*Non-Executive Director*

Ian Geoffrey Longson  
*Non-Executive Director*

**Secretary**

Harley Ronald Whitcombe B.Bus ASCPA

**Principal registered office in Australia**

1st Floor, 10 Kings Park Road  
West Perth, Western Australia 6005

**Share registry**

Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross, Western Australia 6953

**Auditor**

Moore Stephens  
Chartered Accountants  
Level 3, 12 St George's Terrace  
Perth, Western Australia 6000

**Bankers**

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



## Directors' report

### Directors

The following persons were directors of Western Australian Resources Limited for the whole of the financial year and up to the date of this report:

Ian Norman Trahar (appointed 5 August 2011)

Richard Alexander Dickson

Robert Alex Bell

Christopher David Mitchell

Ian Geoffrey Longson

### Information on directors

#### **Ian Norman Trahar B.Ec, MBA. Director and Chairman** **Experience and expertise**

Mr Trahar is executive Chairman of CO2 Group Ltd. He has a resource and finance background. He is a member of the Australian Institute of Company Directors.

#### **Other current directorships**

None

#### **Former Directorships in last 3 years**

Avatar Industries Limited (formerly a listed public company, now a private company), Kresta Holdings Limited.

#### **Interests in shares**

5,876,016 Shares

#### **Richard Alexander Dickson FCA. Director** **Experience and expertise**

Mr Dickson is a director of Grant Thornton and has had over 40 years experience in all aspects of accounting with particular expertise in tax accounting. Richard has also extensive experience in providing expert advice in relation to mergers and acquisitions and the evaluation of existing businesses and new business opportunities. Richard is a Fellow of the Institute of Chartered Accountants.

#### **Other current directorships**

None.

#### **Former directorships in last 3 years**

North Australian Diamonds Limited.

#### **Interests in shares and options**

500,001 ordinary shares

200,000 options

#### **Christopher David Mitchell PhD, BSc (Hons), GAICD** **Experience and expertise**

Dr Mitchell is an Executive Director of CO2 Group Ltd. He has a PHD in biology from the University of Melbourne, is a graduate of The Australian Institute of Company Directors and has a 20 year involvement in Australian and international climate change research.

Dr Mitchell was the Foundation Director of the Centre for Australian Weather and Climate Research - a partnership between CSIRO and the Bureau of Meteorology and was CEO of the Cooperative Research Centre for Greenhouse Accounting. He chaired the Victorian Climate Change Minister's Reference Council on Climate Change Adaption and serves on CSIRO's Environment and Natural Resources Sector Advisory Committee.

**Information on directors (continued)**

***Other Current directorships***

CO2 Group Limited

***Former directorships in last 3 years***

None

***Interests in shares and options***

200,000 unlisted options

**Robert Alex Bell Bsc; Juris Doctor Managing Director**

***Experience and expertise***

Mr Bell is a lawyer and environmental advisor with over 20 years experience in the energy and resources sectors. He specialises in the management of government approvals for major infrastructure projects and has been responsible for strategy development, implementation and delivery of constructible approvals for some of Australia's largest resources projects as well as several major overseas projects. Mr Bell has also advised on sustainability and risk management in the financial services sector including carbon, climate change and water issues.

Mr Bell has worked in senior project management, corporate and legal advisory and government advocacy positions with a number of Australian and international resources companies. His earlier career included experience as an environmental consultant and marine scientist.

Mr Bell has a Bachelor of Science from the University of Queensland; a Juris Doctor in Law from the University of Melbourne and holds a current practicing certificate as an Australian Lawyer in Victoria.

***Other current directorships.***

None

***Former directorships in last 3 years***

None

***Interests in shares and options***

400,000 unlisted options.

**Ian Longson**

***Experience and expertise***

Mr Longson is currently a business development consultant. Prior to June 2009 he was on the Executive team of the Department of Agriculture finishing up as Director General of the Western Australian Department of Agriculture and Food for five years from 2004 to 2009.

For the 10 years prior to joining the Department of Agriculture's executive team in 1995, Mr Longson was senior consultant and manager of the Perth Office of ACIL Consulting (now ACIL Tasman). He has also worked for the Dairy Industry of Western Australia, the Asian Development Bank and early in his career as an extension adviser with the Western Australian Department of Agriculture in the South West.

Mr Longson is the current Chair of the Western Australian Integrated Fisheries Advisory Committee and a board member of Chemcert Western Australia, and the Southern DIRT Grower Group. Mr Longson is a past board member of the Western Australian Grain Licensing Authority, the Perth Market Authority and the Rural Business Development Corporation.

Mr Longson is a Fellow of the Australian Institute of Agricultural Science and Technology, and was national president of the Institute (2000-2002). He was President of the Australian Association of Agricultural Consultants (WA Inc.) from 1994 to 1995.

His mix of private and public sector experience includes the provision of business analyses and advisory services for agricultural, agribusiness and food processing businesses in Western Australian and a wide range of economic and policy studies for Australian and international businesses and government agencies.

Mr Longson holds a bachelor degree in Agricultural Science from the University of Western Australia and a masters degree in agricultural marketing from the University of Guelph in Canada.

***Other current directorships***

None

**Information on directors (continued)**

**Former Directorships in last 3 years**

None

**Interests in shares and options**

100,000 unlisted options

**Company secretary**

The company secretary is Mr H R Whitcombe. Mr Whitcombe was appointed company secretary on 21 October 2005. He has held similar positions with a number of other publicly listed companies. Mr Whitcombe has been a member of CPA Australia for over 30 years.

**Interests in shares and options**

500,882 shares

200,000 unlisted options

**Meetings of directors**

The numbers of meetings of the company's board of directors held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

	<b>Full meetings of directors</b>	
	<b>A</b>	<b>B</b>
Richard Alexander Dickson	5	6
James McAuliffe (resigned 5 August 2011)	1	1
Christopher Mitchell	5	6
Robert Bell	6	6
Ian Longson	6	6
Ian Trahar (Appointed 5 August 2011)	4	4

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

**Retirement, election and continuation in office of directors**

Mr James McAuliffe resigned as a director on 5 August 2011. Mr Ian Trahar was appointed a director on 5 August 2011 and was subsequently elected Chairman of the Board on 5 August 2011. All other directors continue in office since the end of the previous financial year.

**Principal activities**

Following a resolution of the Board to ratify a new Strategic Business Plan, the company resolved to undertake a scoping study into the feasibility of developing large-scale land based aquaculture in northern Australia (Project Sea Dragon). Project Sea Dragon has been the principal activity of the company during the financial year. The company also continued to monitor and evaluate its minerals tenement positions and joint ventures. As noted below the Board has resolved to write off the value of the joint ventures.

The following activities of the Company occurred during the year:

**Review of operations**

The company has generated a loss after tax of \$1,252,431 for the 2012 financial year. The principal costs incurred were for the analysis and scoping of Project Sea Dragon.

**Mineral assets**

Limited exploration activities were undertaken by the Company's joint venture partners during 2012. No material results were obtained from these activities. A summary of the Company's Joint Venture Projects and other mineral assets follows:-

*Goldsworthy Project*

The Goldsworthy Project is located 80 kilometres east of Port Hedland in the Pilbara region of Western Australia.

**Review of operations (continued)**

The project has been subject to a number of Joint Venture arrangements over the years. The company currently retains a number of royalty interests over the Goldsworthy tenements, including a 1% gross royalty on any iron ore extracted from several of the Goldsworthy tenements and also retains a small number of shares in the current exploration manager of the Goldsworthy tenements - Brumby Resources Pty Limited. As at 30 June 2012, the company retained 192,500 shares in Brumby.

A decision on retention or disposal of the shareholding in Brumby will be forthcoming.

*The Irwin Bore Project*

The Irwin Bore Project (Irwin Project) is located 140 kilometres east of Wiluna. WAR has a 10% free carried interest to the completion of a pre-feasibility study by Cullen Resources Limited (Cullen). Cullen has also advertised its Gunbarrel Project including the Irwin Bore JV, for farm out or divestment over the past year but has not been able to attract any acceptable interest level and have subsequently written off the book value of its interest in the Irwin Bore JV.

The Board resolved on 2 July 2012 to write off the value of the Joint Venture interests carried on its balance sheet to zero and a decision on retention or disposal of the interests will be forthcoming.

*Balgarrie Project*

The Balgarrie Project covers the abandoned Ant Hill Goldmine, located 50 kilometres northwest of Kalgoorlie. The project is joint ventured out to Norton Gold Limited, with WAR retaining a 40% free carried interest up to a decision to mine. No significant exploration results were returned from Norton's exploration activities during the 2011 or 2012 years

The Board resolved on 2 July 2012 to write off the value of the Joint Venture interests carried on its balance sheet to zero and a decision on retention or disposal of the interests will be forthcoming

*Lake Lefroy Project – Commodity of interest: Gold*

The Lake Lefroy Project is located 16 kilometres south of the township of Kambalda West, in the Eastern Goldfields of Western Australia. The exploration licence application is currently held in trust by Mr Julian Hanna. Pursuant to the Deed of Trust, WAR has the right to require Mr Hanna to transfer the legal ownership to WAR once the tenement application has been granted. The tenement was not granted during the current reporting period.

**Significant changes in the state of affairs**

During the financial year there was no significant change in the state of affairs of the company other than that referred to in the financial statements or notes thereto.

CO2 Group Limited a publicly listed company and holder of 11.23% of the company's shares has made a conditional takeover bid to acquire all of the shares it does not already own (the Bid). A Board Committee is considering the Bid and expects to make an announcement on the Bid post the completion of the company's year-end audit.

**Matters subsequent to the end of the financial year**

No matter or circumstance have arisen since the end of the financial year which has not been disclosed in these financial statements which will effect:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

**Likely developments and expected results of operations**

The Company will

- review (as noted above) its mineral exploration portfolio with a view to dispose of all tenement positions; and
- undertake ongoing feasibility studies for Project Sea Dragon

**Dividends**

The Directors of Western Australian Resources Limited do not recommend the payment of a dividend and no dividends have been paid or declared since the commencement of the year.

**Insurance of officers**

During or since the financial year, the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

**Auditor**

Moore Stephens continues in office in accordance with section 327 of the *Corporations Act 2001*.



Robert Bell  
Director

Perth  
23 July 2012

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Perth WA 6000

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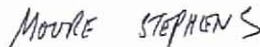
**AUDITOR'S INDEPENDENCE DECLARATION UNDER  
SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF WESTERN AUSTRALIAN RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012, there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



**SUAN-LEE TAN**  
PARTNER



**MOORE STEPHENS**  
CHARTERED ACCOUNTANTS

Signed at Perth this 23<sup>rd</sup> day of July 2012.

**Western Australian Resources Limited** ABN 79 116 812 634  
**Financial Report - 30 June 2012**

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**Western Australian Resources Limited**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2012**

		Year	
		30 June 2012	30 June 2011
Notes		\$	\$
<b>Revenue from continuing operations</b>	4	<b>96,095</b>	129,647
Other income	5	<u>-</u>	<u>26,240</u>
<b>Total Income</b>		<b><u>96,095</u></b>	<b><u>155,887</u></b>
Employee benefits expense		<b>(200,226)</b>	(149,251)
Impairment of non-current assets		<b>(283,335)</b>	-
Other expenses		<b>(295,044)</b>	(60,734)
Tenement services		<b>(12,554)</b>	(3,606)
Professional services		<b>(206,701)</b>	(123,109)
Shareholder reporting costs		<b>(7,979)</b>	(6,099)
Office and administrative services		<b>(36,420)</b>	(27,094)
Aquaculture Concept		<b>(305,868)</b>	-
<b>(Loss) before income tax</b>		<b><u>(1,252,032)</u></b>	<b><u>(214,006)</u></b>
Income tax expense	7	<b><u>(399)</u></b>	<b><u>(6,000)</u></b>
(Loss) from continuing operations		<b><u>(1,252,431)</u></b>	<b><u>(220,006)</u></b>
<b>(Loss) for the year</b>		<b><u>(1,252,431)</u></b>	<b><u>(220,006)</u></b>
<i>Other comprehensive income/(loss)</i>			
Revaluation of available for sale investments (net of tax)	16(a)	<b><u>(12,590)</u></b>	<b><u>6,738</u></b>
Total comprehensive income/(loss) for the year attributable to members		<b><u>(1,265,021)</u></b>	<b><u>(213,268)</u></b>
<b>Earnings per share for (loss) from continuing operations attributable to the ordinary owners of the parent entity:</b>			
Basic earnings per share (in cents)	22	<b>(7.5)</b>	(1.3)
Diluted earnings per share (in cents)	22	<b>(7.5)</b>	(1.3)

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*



**Western Australian Resources Limited**  
**Statement of Financial Position**  
**As at 30 June 2012**

		At	
	Notes	30 June 2012 \$	30 June 2011 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	1,284,550	2,346,728
Trade and other receivables		-	-
Other current financial assets		<u>3,793</u>	<u>3,187</u>
<b>Total current assets</b>		<u><b>1,288,343</b></u>	<u><b>2,349,915</b></u>
<b>Non-current assets</b>			
Other financial assets - investments	9	9,355	26,950
Exploration and evaluation	10	98,832	283,335
Deferred tax assets	11	-	5,244
Office Equipment		<u>999</u>	<u>-</u>
<b>Total non-current assets</b>		<u><b>109,186</b></u>	<u><b>315,529</b></u>
<b>Total assets</b>		<u><b>1,397,529</b></u>	<u><b>2,665,444</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	1,177	20,845
Current tax liabilities	13	<u>23,514</u>	<u>2,890</u>
<b>Total current liabilities</b>		<u><b>24,691</b></u>	<u><b>23,735</b></u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	14	<u>-</u>	<u>3,850</u>
<b>Total non-current liabilities</b>		<u><b>-</b></u>	<u><b>3,850</b></u>
<b>Total liabilities</b>		<u><b>24,691</b></u>	<u><b>27,585</b></u>
<b>Net assets</b>		<u><b>1,372,838</b></u>	<u><b>2,637,859</b></u>
<b>EQUITY</b>			
Issued capital	15	666,084	666,084
Reserves	16(a)	63,528	76,118
Retained earnings	16	<u>643,226</u>	<u>1,895,657</u>
<b>Total equity</b>		<u><b>1,372,838</b></u>	<u><b>2,637,859</b></u>

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

**Western Australian Resources Limited**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2012**

	Notes	Ordinary shares \$	Reserves \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2010</b>		<b>666,084</b>	<b>(17,070)</b>	<b>2,115,663</b>	<b>2,764,677</b>
Loss for the year	16	-	-	(220,006)	(220,006)
Available-for-sale financial assets	16	-	6,738	-	6,738
Share Options Issued	16	-	86,450	-	86,450
<b>Balance at 30 June 2011</b>		<b><u>666,084</u></b>	<b><u>76,118</u></b>	<b><u>1,895,657</u></b>	<b><u>2,637,859</u></b>
<b>Balance at 1 July 2011</b>		<b>666,084</b>	<b>76,118</b>	<b>1,895,657</b>	<b>2,637,859</b>
Loss for the year		-	-	(1,252,431)	(1,252,431)
Revaluation of shares	16	-	(12,590)	-	(12,590)
<b>Balance at 30 June 2012</b>		<b><u>666,084</u></b>	<b><u>63,528</u></b>	<b><u>643,226</u></b>	<b><u>1,372,838</u></b>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Western Australian Resources Limited**  
**Statement of Cash Flows**  
**For the year ended 30 June 2012**

	Year	
Notes	30 June 2012 \$	30 June 2011 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(1,060,735)</u>	<u>(211,635)</u>
Income taxes paid	<u>2,293</u>	<u>(5,630)</u>
<b>Net cash inflow (outflow) from operating activities</b>	<b>21</b> <u><u>(1,058,442)</u></u>	<u><u>(217,265)</u></u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(999)	-
Payments for Exploration Licence Application	10 <u>(98,832)</u>	-
Proceeds from sale of available-for-sale financial assets	-	(43,188)
Interest received	<u>96,095</u>	<u>140,917</u>
<b>Net cash (outflow) inflow from investing activities</b>	<u><u>(3,736)</u></u>	<u><u>97,729</u></u>
Correction to retained earnings from 2008	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<u><u>(1,062,178)</u></u>	<u><u>(119,536)</u></u>
Cash and cash equivalents at the beginning of the financial year	<u>2,346,728</u>	<u>2,466,264</u>
<b>Cash and cash equivalents at end of year</b>	<b>8</b> <u><u>1,284,550</u></u>	<u><u>2,346,728</u></u>

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

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## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Western Australian Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

#### (i) Compliance with IFRS

The financial statements of the Western Australian Resources Limited company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

### (b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

### (c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **1 Summary of significant accounting policies (continued)**

### **(d) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### **(e) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### **(f) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss 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 profit or loss.

### **(g) Investments and other financial assets**

#### ***Classification***

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

#### ***(ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables and receivables in the balance sheet.

## 1 Summary of significant accounting policies (continued)

### (g) Investments and other financial assets (continued)

#### *(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

#### *(iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

#### **Financial assets - reclassification**

The Company may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### *Change in accounting policy*

The Company has adopted the policy of reclassifying financial assets out of the held-for-trading category from 1 July 2011, following amendments made to AASB 139 *Financial Instruments: Recognition and Measurement* in October 2011. Under the Company's previous policy reclassifications of financial assets were not permitted. The Company did not reclassify any financial assets in the current reporting period. Therefore, the change in accounting policy had no impact on the Company's financial statements.

#### **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

#### **Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

## 1 Summary of significant accounting policies (continued)

### (h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### (i) Exploration and evaluation expenditure

Exploration and evaluation costs related to an area of interest are written off as incurred except they may be carried forward as an item in the balance sheet where the rights of tenure of an area are current and one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and/or evaluation activities in the area of interest have not at the end of each reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the area of interest to which the asset relates.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 3 *Business Combinations*.

Exploration and evaluation expenditure incurred subsequent to the acquisition in respect of an exploration asset acquired is accounted for in accordance with the policy outlined above.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that an impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

### (j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### (k) Adoption of New and Revised Accounting Standards

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013)
  - These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments



## 1 Summary of significant accounting policies (continued)

### (k) Adoption of New and Revised Accounting Standards (continued)

- The key changes made to accounting requirements include:
- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

## 1 Summary of significant accounting policies (continued)

### (k) Adoption of New and Revised Accounting Standards (continued)

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The amendments are not expected to significantly impact the company.

- AASB 2010-8: Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121 : Income Taxes - Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the company.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127 (March 2008), as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The company has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint Ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structural entity", replacing the "special purpose entity" concept currently used in interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the company.

To facilitate the application of AABs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the company.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

## 1 Summary of significant accounting policies (continued)

### (k) Adoption of New and Revised Accounting Standards (continued)

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Company.

- AASB 2011-9: Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the company.

- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The company does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to:

- (a) require only those benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service to be classified as short-term employee benefits. All other employee benefits are to be classified as either other long-term employee benefits, post-employment benefits or termination benefits, as appropriate; and
- (b) the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:
  - i) where for an offer that may be withdrawn - when the employee accepts;
  - ii) where for an offer that cannot be withdrawn - when the offer is communicated to affected employees; and
  - iii) where the termination is associated with restructuring of activities under AASB 137 and if earlier than the first two conditions - when the related restructuring costs are recognised.

These Standards are not expected to significantly impact the company.

## 2 Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including 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 company.

### (a) Market risk

#### (i) Foreign exchange risk

The company does not operate internationally and is not exposed to foreign exchange risk.

#### (ii) Price risk

The company is exposed to equity securities price risk. This arises from investments held by the company and classified on the balance sheet as Other financial assets - investments. The company is not exposed to commodity price risk.

## 2 Financial risk management (continued)

The company's equity investments are publicly traded on the ASX.

The table below summarises the impact of increases/decreases of the ASX 200 index on the company's post tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 9% (2011 - 9%) with all other variables held constant and the company's equity instruments moved according to the historical correlation with the index.

Parent  Index	Impact on post-tax profit		Impact on other components of equity	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	\$	\$	\$	\$
ASX 200 - increase 9%	-	-	-	-

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. The company does not currently hold any equity securities classified as at fair value through profit or loss. Equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale (ie the Other financial assets - investments).

*(iii) Cash flow and fair value interest rate risk*

Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk. Company policy is to not have any borrowings, thereby mitigating this kind of risk.

### (b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets. (note 8) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Company in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

*Maturities of financial liabilities*

The tables below analyse the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

## 2 Financial risk management (continued)

At 30 June 2012

	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
<b>Non-derivatives</b>							
Non-interest bearing	1,177	-	-	-	-	1,177	1,177
<b>Total non-derivatives</b>	<u>1,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,177</u>	<u>1,177</u>
<b>Total non-derivatives</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### (d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

## 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

## 4 Revenue

	Year	
	30 June 2012 \$	30 June 2011 \$
<b>From continuing operations</b>		
<i>Sales revenue</i>	<u>-</u>	<u>-</u>
Interest	<u>96,095</u>	<u>129,647</u>
	<u>96,095</u>	<u>129,647</u>

**5 Other income**

	Year	
	30 June	30 June
	2012	2011
	\$	\$
Gain on disposal of non-current assets	<u>-</u>	<u>26,240</u>

**6 Expenses**

	Year	
	30 June	30 June
	2012	2011
	\$	\$
Other expenses from ordinary activities		
Impairment of exploration and evaluation costs	283,335	-
Other	350,044	190,915
Tenement services	12,554	3,606
Professional services	206,701	123,109
Shareholder reporting costs	7,979	6,099
Office and administrative services	36,420	27,094
Payroll Expenses	145,226	19,071
Aquaculture Concept	<u>305,868</u>	-
	<u>1,348,127</u>	<u>369,894</u>

## 7 Income tax expense

	Year	
	30 June 2012 \$	30 June 2011 \$
Current Tax	<u>399</u>	<u>6,000</u>
Decrease (increase) in deferred tax assets (note 11)	6,399	-
(Decrease) increase in deferred tax liabilities (note 14)	-	-
	<u>399</u>	<u>6,000</u>
<b>(a) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	<u>(1,252,032)</u>	<u>(214,006)</u>
	(1,252,032)	(214,006)
Tax at the Australian tax rate of 30% (2011 - 30%)	(375,610)	(64,202)
Adjustments for current tax of prior periods	-	70,202
Tax effect of non allowable items	2,946	-
Tax effect of deferred tax temporary differences not brought to account	158,245	-
Tax effect of deferred tax asset losses not brought to account	214,818	-
Income tax expense	<u>399</u>	<u>6,000</u>
Total income tax expense	<u>399</u>	<u>6,000</u>

## 8 Current assets - Cash and cash equivalents

	At	
	30 June 2012 \$	30 June 2011 \$
Bank balances	184,550	72,277
Deposits at call	<u>1,100,000</u>	<u>2,274,451</u>
	<u>1,284,550</u>	<u>2,346,728</u>

### (a) Risk exposure

The company's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

### (b) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

## 9 Non-current assets - Other financial assets - investments

	At	
	30 June 2012 \$	30 June 2011 \$
Available-for-sale investments	<u>9,355</u>	<u>26,950</u>
	<u>9,355</u>	<u>26,950</u>

**10 Non-current assets - Exploration and evaluation**

	Balgarrie \$	Goldsworthy \$	Irwin Bore \$	Karlawinda \$	Total \$
<b>At 1 July 2010</b>					
Cost or fair value	80,494	-	202,841	3,210	286,545
Net book amount	<u>80,494</u>	<u>-</u>	<u>202,841</u>	<u>3,210</u>	<u>286,545</u>
<b>Year 30 June 2011</b>					
Opening net book amount	80,494	-	202,841	3,210	286,545
Disposal during the year	-	-	-	(3,210)	(3,210)
Closing net book amount	<u>80,494</u>	<u>-</u>	<u>202,841</u>	<u>-</u>	<u>283,335</u>
<b>At 30 June 2011</b>					
Cost or fair value	80,494	-	202,841	-	283,335
Net book amount	<u>80,494</u>	<u>-</u>	<u>202,841</u>	<u>-</u>	<u>283,335</u>
<b>Year 30 June 2012</b>					
Opening net book amount	80,494	-	202,841	-	283,335
Written down	(80,494)	-	(202,841)	-	(283,335)
Closing net book amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 30 June 2012</b>					
Cost or fair value	-	98,832	-	-	98,832
Net book amount	<u>-</u>	<u>98,832</u>	<u>-</u>	<u>-</u>	<u>98,832</u>



## 11 Deferred tax assets

The balance comprises temporary differences attributable to:

	<b>30 June 2012</b>	<b>At 30 June 2011</b>
	\$	\$
Accruals	-	5,244
Share issue expenses	-	-
Total deferred tax assets	-	5,244
 <b>Movements:</b>		
Opening balance at 1 July	5,244	5,244
Charged/(credited) to the income statement	(6,398)	-
Charged/(credited) to equity	1,154	-
Closing balance at 30 June	-	5,244
Deferred tax assets to be recovered within 12 months	-	5,244
Deferred tax assets to be recovered after more than 12 months	-	-
	-	5,244
<b><u>Unrecognised Deferred Tax Asset</u></b>	-	
DTA on temporary differences	160,132	
DTA on revenue losses	167,054	
DTA on Equity	6,434	
	333,620	

## 12 Current liabilities - Trade and other payables

	<b>30 June 2012</b>	<b>At 30 June 2011</b>
	\$	\$
Trade payables	20,178	23,558
Accrued expenses	-	4,000
Goods and services tax (GST) payable/refundable	(19,001)	(12,385)
Salary Sacrifice Liability	-	5,672
	1,177	20,845

### (a) Risk exposure

Information about the company's exposure to foreign exchange risk is provided in note 2.

**13 Current liabilities - Current tax liabilities**

	<b>30 June 2012 \$</b>	<b>At 30 June 2011 \$</b>
PAYG Tax withheld	<u>23,514</u>	<u>2,890</u>
	<u>23,514</u>	<u>2,890</u>

## 14 Non-current liabilities - Deferred tax liabilities

	At	
	30 June 2012 \$	30 June 2011 \$
<b>The balance comprises temporary differences attributable to:</b>		
Deferred Tax liabilities	3,850	963
Tax effect of revaluing Brumby shares	<u>(3,850)</u>	<u>2,887</u>
Net deferred tax liabilities	<u>-</u>	<u>3,850</u>

### Movements:

Opening balance at 1 July	3,850	963
Charged/(credited) to the income statement (note 7)	<u>(3,850)</u>	<u>2,887</u>
Closing balance at 30 June	<u>-</u>	<u>3,850</u>

Unrecognised deferred tax liabilities

450                      -

## 15 Issued capital

	At		At	
	30 June 2012 Shares	30 June 2011 Shares	30 June 2012 \$	30 June 2011 \$
<b>(a) Share capital</b>				
Ordinary shares				
Fully paid	<u>16,747,358</u>	<u>16,747,358</u>	<u>666,084</u>	<u>666,084</u>
	<u>16,747,358</u>	<u>16,747,358</u>	<u>666,084</u>	<u>666,084</u>
<b>(b) Other equity securities</b>				
1 unpaid converting performance share			-	-
<b>(c) Other equity securities</b>				

The converting performance share does not have voting rights or rights to dividends. Should the company become listed, and the share price on the ASX be \$0.20 per share based on an average weighted trading price of the shares over 30 trading days on or before 1 July 2014, the performance share will automatically convert into 3,750,000 fully paid ordinary shares ranking parri passu with all other fully paid ordinary shares. Otherwise the performance share will lapse.

## 16 Reserves

	At	
	30 June 2012 \$	30 June 2011 \$
<b>(a) Reserves</b>		
Share options reserve	86,450	86,450
Financial assets reserve	<u>(22,922)</u>	<u>(10,332)</u>
	<u>63,528</u>	<u>76,118</u>

## 16 Reserves (continued)

	<b>30 June 2012 \$</b>	<b>At 30 June 2011 \$</b>
<b>Movements:</b>		
<i>Share options reserve</i>		
Balance 1 July	<u>86,450</u>	-
Balance 30 June	<u>86,450</u>	-
	<b>30 June 2012 \$</b>	<b>At 30 June 2011 \$</b>
<b>Movements:</b>		
Financial assets reserve		
Balance 1 July	(10,332)	(17,070)
Change in fair value of investments net of tax	<u>(12,590)</u>	<u>6,738</u>
Balance 30 June	<u>(22,922)</u>	<u>(10,332)</u>
Movements in retained earnings were as follows:		
Balance 1 July	1,895,657	2,115,663
Profit/(loss) for the year	<u>(1,252,431)</u>	<u>(220,006)</u>
Balance 30 June	<u>643,226</u>	<u>1,895,657</u>

### (b) Nature and purpose of other reserves

The financial assets reserve records revaluation of financial assets.

The share options reserve records items recognised as expenses on valuation of employee share options.

## 17 Key management personnel disclosures

### (a) Key management personnel compensation

	<b>30 June 2012 \$</b>	<b>Year 30 June 2011 \$</b>
Short-term employee benefits	46,954	18,511
Post-employment benefits	58,697	44,290
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	86,450
Key management personnel compensation	<u>105,651</u>	<u>149,251</u>

## 17 Key management personnel disclosures (continued)

### (b) Details of remuneration

Details of the remuneration of each director of Western Australian Resources Limited, are set out in the following tables.

Name	Cash salary and fees \$	Primary		Non-monet- ary benefits \$	Post-employment		Equity Options \$	Total \$
		Cash bonus \$	annuation \$		Retirement benefits \$			
Richard Alexander Dickson	-	-	-	-	10,530	-	-	10,530
James McAuliffe (Appointed 21 October 2005) (Resigned 5 August 2011)	-	-	-	-	1,060	-	-	1,060
Christopher Mitchell	-	-	-	-	10,000	-	-	10,000
Robert Bell	46,954	-	-	-	3,697	-	-	50,651
Ian Longson	-	-	-	-	10,000	-	-	10,000
Harley Whitcombe	-	-	-	-	10,000	-	-	10,000
Ian Trahar (Appointed 5 August 2011)	-	-	-	-	13,410	-	-	13,410
<b>Total</b>	<b>46,954</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,697</b>	<b>-</b>	<b>-</b>	<b>105,651</b>

Name	Cash salary and fees \$	Primary		Non monet- ary benefits \$	Post-employment		Equity Options \$	Total \$
		Cash bonus \$	annuation \$		Retirement benefits \$			
Richard Alexander Dickson	4,666	-	-	-	7,267	-	13,300	25,233
James McAuliffe	-	-	-	-	5,833	-	13,300	19,133
Richard Monti (Resigned 4 November 2010)	-	-	-	-	2,910	-	-	2,910
Christopher Mitchell (Appointed 4 November 2010)	-	-	-	-	11,143	-	13,300	24,443
Robert Bell (Appointed 1 December 2010)	13,845	-	-	-	5,632	-	26,600	46,077
Ian Longson (Appointed 6 December 2010)	-	-	-	-	5,672	-	6,650	12,322
Harley Whitcombe	-	-	-	-	5,833	-	13,300	19,133
<b>Total</b>	<b>18,511</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,291</b>	<b>-</b>	<b>86,450</b>	<b>149,251</b>

The amounts relating to superannuation represent a salary sacrifice of directors' fees.

### (c) Equity instrument disclosures relating to key management personnel

#### (i) Share holdings

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<b>Ordinary shares</b>				
Richard Alexander Dickson	500,001	-	-	500,001
James McAuliffe (resigned 5 August 2011)	166,668	-	-	166,668
Ian Trahar (appointed 4 August 2011)	5,876,016	-	-	5,876,016
Robert Alex Bell	-	-	-	-
Christopher David Mitchell	-	-	-	-
Ian Geoffrey Longson	-	-	-	-

**17 Key management personnel disclosures (continued)**

2011				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<b>Ordinary shares</b>				
Richard Alexander Dickson	500,001	-	-	500,001
James McAuliffe	166,668	-	-	166,668
Richard Monti (resigned 4 November 2010)	250,001	-	-	250,001
Robert Alex Bell	-	-	-	-
Christopher David Mitchell	-	-	-	-
Ian Geoffrey Longson	-	-	-	-

### 18 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	<b>Year</b>	
	<b>30 June 2012</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Audit and review of financial reports	<b>9,300</b>	<b>8,000</b>

### 19 Related party transactions

The company has paid fees to one of its major shareholders - CO2 Group Limited which provided both office and administrative services to the company during the year.

Mr Dickson is a director of Grant Thornton. During the year the company has paid accounting fees to Grant Thornton under normal commercial terms.

Mr Bell is a director of Blueshift Pty Ltd. During the year, the company has paid professional fees to Blueshift Pty Ltd under normal commercial terms.

	<b>At</b>	
	<b>30 June 2012</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Professional fees	195,151	42,379
Office and administrative services	36,420	21,667
Accounting fees	6,250	22,183
Legal fees (Corrs Chambers Westgarth)	2,044	28,529
	<b>239,865</b>	<b>114,757</b>

### 20 Events Subsequent to Balance Date

There are no events subsequent to balance date which would have a material effect on the Company's financial position at 30 June 2012 and of its performance ended on that date.

## 21 Reconciliation of profit after income tax to net cash inflow from operating activities

	Year	
	30 June 2012 \$	30 June 2011 \$
Loss for the year	(1,252,431)	(220,006)
Write off of assets	283,335	-
Non-cash employee benefits expense - share-based payments	-	86,450
Dividend and interest income	(96,095)	(132,833)
Income tax	6,399	6,000
Net (gain)/loss on sale of available-for-sale financial assets	12,590	26,240
Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale of discontinued operation	-	-
(increase) decrease in other financial assets	(606)	-
(Increase) decrease in deferred tax assets	5,244	-
(Decrease) increase in trade creditors	(19,668)	8,178
Increase (decrease) in provision for income taxes payable	-	(2,742)
Increase (decrease) in deferred tax liabilities	(3,850)	2,887
Increase (decrease) in tax liabilities	6,640	8,562
Net cash inflow (outflow) from operating activities	<u>(1,058,442)</u>	<u>(217,264)</u>

## 22 Earnings per share

	Year	
	30 June 2012 Cents	30 June 2011 Cents
<b>(a) Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	<u>(7.5)</u>	<u>(1.3)</u>
Total basic earnings per share attributable to the ordinary owners of the company	<u>(7.5)</u>	<u>(1.3)</u>
<b>(b) Diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	<u>(7.5)</u>	<u>(1.3)</u>
Total diluted earnings per share attributable to the ordinary owners of the company	<u>(7.5)</u>	<u>(1.3)</u>
<b>(c) Reconciliations of earnings used in calculating earnings per share</b>		



## 22 Earnings per share (continued)

	Year	
	30 June 2012 \$	30 June 2011 \$
<i>Basic earnings per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
Loss from continuing operations	<b>(1,252,431)</b>	(220,006)
	<b>(1,252,431)</b>	(220,006)
 <i>Diluted earnings per share</i>		
Loss from continuing operations attributable to the ordinary equity holders of the company		
Loss from continuing operations	<b>(1,252,431)</b>	(220,006)
Loss attributable to the ordinary owners of the company used in calculating diluted earnings per share		
	<b>(1,252,431)</b>	(220,006)

### (d) Weighted average number of shares used as the denominator

	Year	
	30 June 2012 Number	30 June 2011 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>		
	<b>16,747,358</b>	16,747,358
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>		
	<b>16,747,358</b>	16,747,358

## 23 Contingent Liabilities

There are no contingent liabilities as at 30 June 2012.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 34 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the financial year ended on that date, and

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.



Robert Bell  
Director

Perth  
23 July 2012

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Perth WA 6000

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**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF WESTERN AUSTRALIAN RESOURCES LIMITED**

**Report on the financial report**

We have audited the accompanying financial report of Western Australian Resources Limited (the "Company") which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and cash flow statement for the financial year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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, the directors also state, in accordance with Accounting Standard AASB 101: 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards (IFRS).

*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. These Auditing 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 judgment, 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 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 the entity's 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.

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

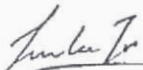
*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001* and confirm that the independence declaration provided to the directors of the Company as included in this financial report would be in the same terms if provided to the directors as at the date of this auditor's report.

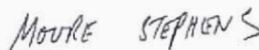
**Auditor's opinion**

In our opinion:

- a. the financial report of Western Australian Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. The financial report also complies with IFRS as disclosed in Note 1.



**SUAN-LEE TAN**  
PARTNER



**MOORE STEPHENS**  
CHARTERED ACCOUNTANTS

Signed at Perth this 23<sup>rd</sup> day of July 2012.

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Rule 2.7, 3.10.3, 3.10.4, 3.10.5

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002.

Name of entity

**CO2 GROUP LIMITED**

ABN

ABN 50 009 317 846

We (the entity) give ASX the following information.

### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |  |  |
|---|--|--|
| 1 | +Class of +securities issued or to be issued   | Fully paid ordinary shares (ASX:COZ)   |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued  | Up to 18,585,779 fully paid ordinary shares to be issued.<br><br>This number is subject to rounding - refer to attachment A. |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully paid ordinary shares issued on the same terms and conditions as existing quoted ordinary shares.                       |

4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? Yes.

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

5 Issue price or consideration Consideration under the Offer as described in Attachment A.

6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets) Consideration under the Offer as described in Attachment A.

7 Dates of entering +securities into uncertificated holdings or despatch of certificates To be advised upon completion of the Offer.

	Number	+Class
8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	Up to 448,037,098	Ordinary Shares
	30,150,189	Convertible Preference Shares
	13,715,586	Performance Rights
	1,580,000	Options exp 30/11/2012
	4,500,000	Options exp 02/12/2012

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	Nil	Nil

---

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	No change
----	--	-----------

## Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	N/A
----	---------------------------------------	-----

12	Is the issue renounceable or non-renounceable?	N/A
----	--	-----

13	Ratio in which the +securities will be offered	N/A
----	--	-----

14	+Class of +securities to which the offer relates	N/A
----	--	-----

15	+Record date to determine entitlements	N/A
----	--	-----

16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
----	--	-----

17	Policy for deciding entitlements in relation to fractions	N/A
----	---	-----

18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
----	---	-----

19	Closing date for receipt of acceptances or renunciations	N/A
----	--	-----

20	Names of any underwriters	N/A
----	---------------------------	-----



21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	N/A

33 +Despatch date

N/A

### Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

34 Type of securities  
(tick one)

(a)  Securities described in Part 1

(b)  All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

### Entities that have ticked box 34(a)

#### Additional securities forming a new class of securities

*Tick to indicate you are providing the information or documents*

35  If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36  If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over

37  A copy of any trust deed for the additional +securities

*(now go to 43)*

**Entities that have ticked box 34(b)**

38	Number of securities for which +quotation is sought	N/A	
39	Class of +securities for which quotation is sought	N/A	
40	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	N/A	
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>	N/A	
42	<p>Number and +class of all +securities quoted on ASX (including the securities in clause 38)</p>	Number	+Class
		N/A	N/A

(now go to 43)

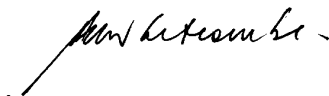
### Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
  - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
  - There is no reason why those +securities should not be granted +quotation.
  - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
  - We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
  - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
  - 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Date: 1 August 2012

Company Secretary

Print name: Harley Whitcombe

## Attachment A – Overview of the Offer

1. This attachment is referred to in Part 1, items 2, 5 and 6.
2. The securities are to be issued by CO2 Group Limited 50 009 317 846 (**CO2**) as consideration under an off-market takeover offer (**Offer**) by CO2 for all of the shares in Western Australian Resources Limited ABN 79 116 812 634 (**WARL**) under Chapter 6 of the *Corporations Act 2001* (Cth) (**Act**), pursuant to a bidder's statement (**Bidder's Statement**) lodged with the Australian Securities and Investments Commission on 2 August 2012.
3. Under the Offer, CO2 is offering:
  - (a) 5 fully paid ordinary shares in CO2 for every 4 fully paid ordinary shares in WARL; or
  - (b) \$0.1625 cash for each fully paid ordinary share in WARL.WARL shareholders cannot elect to receive a combination of both.
4. The offer relates to WARL shares that exist at 2 August 2012 (a date set by CO2 under section 633(2) of the Act) (**Register Date**) and any WARL shares issued as a result of the exercise of WARL options in existence at that date.
5. Because the Offer:
  - (a) allows WARL shareholders to elect to receive either shares or cash; and
  - (b) extends to WARL shares issued as a result of the exercise of WARL options,the exact number of ordinary shares of CO2 that may be issued as consideration under the Offer cannot be calculated, however the maximum number of shares that can be issued is approximately to 18,585,779 (subject to rounding of entitlements).