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Dear Sir

CO2 Group Environmental Services - Broadcast

CO2 Group Limited (**COZ**) provides the opportunity to listen to an audio broadcast **with Mr Andrew Grant, CEO** in a presentation titled "**CO2 Group diversifies and significantly increases revenue - Andrew Grant, CEO**".

To listen, copy the following details into your web browser: brr.com.au/event/88091.

The presentation details are as follows:

- **CO2 Group diversifies and significantly increases revenue - Andrew Grant, CEO**
- **Presented by Mr Andrew Grant, CEO**
- **Thur, 27 October 2011 8:10am AEST**

Yours faithfully
CO2 Group Limited

Harley Whitcombe
Company Secretary

CO2 Group Limited

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TRANSCRIPT

Board Room Radio - Andrew Grant Interview

'CO2 Group diversifies and significantly increases revenue'

27 October 2011

Tom: Today on BRR I'm joined by Mr. Andrew Grant, the CEO of CO2. Andrew, thanks very much for joining us today.

Andrew Grant: My pleasure, Tom.

Tom: Andrew, the Clean Energy bills that have passed in the lower house since we last spoke. These will clearly have an enormous impact on your future opportunities?

Andrew: Indeed, and for us, we respond to a market that's driven by regulation. So a major new initiative by the federal government, that creates a marketplace for over 500 companies. We've got 10 of those already as clients, and through the environmental trading division that we'll talk about we've added another 50 or so customers in there that have liabilities under this scheme. So yeah, we're very excited by the future.

Tom: OK, and you've launched Carbon Banc, an environmental trading division, back in March of this year. Andrew, what was the rationale behind the launch?

Andrew: We were driven by a couple of factors. One is that I was very keen to diversify a revenue base and make sure that we had an all-season company. There was a here and now opportunity that under carbon regulation we've got a number of schemes across Australia that create both state and federal obligations, renewable energy targets, energy efficiency targets, and carbon reduction targets. We identified a gap in the market where there are small producers of credits and large buyers, and no one's standing between them. So these are illiquid markets, and there was a role to play in brokering and aggregating the smaller credits. They had a sale market of all parcels to large compliance parties. We particularly focused on the renewable energy scheme, which has got two halves now. It's got the large scale renewable energy target and the small scale renewable energy target. We've been very successful in bringing liquidity to that market.

Tom: OK, great. It seems like a very sensible initiative. It's also generated \$11 million since launching. Are you able to comment on the performance so far and also on the future opportunities?

Andrew: It certainly exceeded our expectations. We've basically built a new function in the business that's akin to what a trading position would be in a bank, so we had to build all of the processes and practices and risk controls that make sure that it was done at the standard that we'd want to operate. Then attract customers and clients and build a profile and relationship in the market. We'd set ourselves some performance targets, and we've dramatically exceeded those. Not only have we booked \$11 million in revenue from a zero base six months ago, but we've also along the way been profitable in that

short term, handsomely profitable. Next year we think, based upon the experience to date, that we're going to dramatically improve that figure.

Tom: OK. Well, that's excellent news for shareholders. Andrew, what other business initiatives are you now involved in?

Andrew: Well, back to my comment about diversification, we've also identified in the market we've expanded to New Zealand 18 months ago. Through our expansion into New Zealand we've been very successful in entering into long term carbon off take sales agreements, and along the way expertise has been increasingly sought after for forestry mapping and carbon credit creation. In Australia in particular, we've been engaged to assist large emitters that have big buffer zones, around mine sites for example, to look at what the carbon opportunity for new plantings is and do the economics of that and the design work. That expertise is now being sought at a state-wide level, so we've been very, very happy with the level of complementary revenue that that's poured into the business. It's really leveraging off our skill set as a carbon company.

Tom: Andrew, you've also said that despite what happens in government legislation, that the carbon industry will continue to grow. Can you give us a few comments on that?

Andrew: Certainly. And I think this is a part of the market that's least understood but arguably the most critical part of the market. We've created \$170 million of contracts to date outside of national carbon regulation, and the question is why? Most of the demand has come from environmental project approvals on major greenhouse gas emitting projects. So for example, the LNG projects in Western Australia and the coal seam methane projects in Queensland all have an obligation to offset their greenhouse gases, and it's binding irrespective of a federal scheme. If a federal scheme comes into play, that obligation migrates under a federal scheme. But if, for argument's sake, the opposition was successful in winning government to repeal legislation, then that obligation prevails. That's a massively growing market in its own right.

So we're going to grow no matter what. It's just really how it varies. Are we servicing a uniformed carbon training scheme at a national level, or are we continuing to service major projects?

Tom: OK. Well, very good. Well, Andrew, thank you very much for giving us that commentary and joining us today on BRR.

Andrew: Thanks, Tom.