Creating a better climate

Our Ref: CO2 ASX Announce Appendix 4E 2013 Annual Report (394)

29 November 2013

ANNOUNCEMENT 394

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

By ASX Online
Number of pages: 129
(including this page)

Dear Sir

CO2 Group Annual Report for the Year Ended 30 September 2013
Appendix 4E

Enclosed is CO2 Group's Annual Report for the year ended 30 September 2013 including ASX Appendix 4E.

CO2 Group has made significant progress in developing its aquaculture business this year. The Company has expanded its advisory and trading business activities and is experiencing strong growth in these business units. Due to political uncertainty, the Company is experiencing limited growth in its carbon forestry service offering. The losses this year are disappointing, however the Company's diversification strategy is well advanced and with ongoing investment in the aquaculture business, the Board believes we are well positioned to grow the Company.

The normalised financial results at a glance after adding back the costs associated with the development of the aquaculture business can be summarised as follows:

Period	Full Year 2103 $ million	Second Half 2013 $ million	First Half 2013 $ million
Loss After Tax as reported	(6.8)	2.6	4.2
Add back: WARL project costs	4.3	1.4	2.9
Normalised results	**(2.5)**	**(1.2)**	**(1.3)**

The Board expects to be trading profitably in the 2014 financial year.

Please telephone Andrew Grant on (03) 9928 5111 or Harley Whitcombe on (08) 9321 4111 with any queries on the Company's 2013 Annual Report.

Yours faithfully
CO2 Group Limited

Harley Whitcombe
Company Secretary

ENC

CO2 Group Limited

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CO2 Group Limited ABN 50 009 317 846
Annual report - 30 September 2013

Lodged with the ASX under Listing Rule 4.3A.
This information should be read in conjunction with the Annual report

CO2 Group Limited
Appendix 4E
Preliminary Final Report
Year ended 30 September 2013

Name of entity
CO2 Group Limited

ABN or equivalent company reference	Year ended
ABN 50 009 317 846	30 September 2013 (Previous corresponding year: 30 September 2012)

Results for announcement to the market

				$
Revenue for ordinary activities	Down	29.0%	to	45,339,991
Earnings before interest and taxation (EBIT)	Down	252.0%	to	(10,733,348)
Net profit after tax (from ordinary activities) for the period attributable to members	Down	238.0%	to	(6,779,523)

Distributions

	Amount per security	**Franked amount per security**
Interim dividend (per share)	-	-
Final dividend (per share)	-	-
Franking	-	-

	30 September 2013 $	30 September 2012 $
Net tangible asset backing (per share)	**0.07**	0.09

Explanation of results

For commentary on the results please refer to the announcement relating to the release of the CO2 Group Limited results in conjunction with the accompanying financial statements, which forms part of the Appendix 4E.

Audit

This report is based on accounts that have been audited.

Harley Ronald Whitcombe
Director & Company Secretary
Melbourne
29 November 2013

CO2
Creating a better climate

CO2 GROUP LIMITED ANNUAL REPORT 2013

CO2 Group Limited ABN 50 009 317 846
Annual report - 30 September 2013

Contents

Directors	Ian Norman Trahar B.Ec, MBA *Chairman*
	Andrew William Thorold Grant BSc (Hons), Grad Dip Bus Mg, MAICD *Chief Executive Officer*
	Dr Christopher David Mitchell PhD, BSc (Hons), GAICD *Executive Director*
	Paul John Favretto LL.B. *Non-executive Director*
	Harley Ronald Whitcombe B.Bus, CPA *Executive Director*
Secretary	Harley Ronald Whitcombe B.Bus, CPA
Principal registered office in Australia	Level 11, 225 St Georges Terrace Perth, Western Australia 6000 Telephone No: (08) 9321 4111 Facsimile No: (08) 9321 4411
Share registry	Computershare Investor Services Pty Limited GPO Box D182 Perth, Western Australia 6000 Telephone No: (08) 9323 2000 Facsimile No: (08) 9323 2033
Auditor	Deloitte Touche Tohmatsu Chartered Accountants 550 Bourke Street Melbourne, Victoria 3000
Bankers	Australia and New Zealand Banking Group Limited 77 St Georges Terrace Perth, Western Australia 6000
Stock exchange listing	CO2 Group Limited shares are listed on the Australian Stock Exchange. Home Exchange - Perth. ASX Code - COZ
Website	www.co2australia.com.au

Chairman's Overview

The 2013 year witnessed a disappointing financial outcome compared to the 2012 year.

In the 2012 Chairman’s overview, I pointed out the threats to our business of the uncertain regulatory environment. The 2013 year saw those uncertainties heightened to the extent that most customers simply shelved carbon related projects in the belief that a change in government was imminent. Regulatory uncertainty still prevails and is unlikely to be resolved in this financial year.

Of our four core operating activities, Carbon Energy Trading, Environmental Services and Land management fee income remain profitable; Project Development remains suspended. Our focus in the latter part of the 2013 year and continuing this financial year has been to cut our cost base whilst maintaining delivery capability.

In August 2012, your company acquired Western Australian Resources Limited and has continued to invest in the development of its shrimp based protein model for food export to Asia.

I am pleased to say this acquisition has been successful in terms of developing clear pathways to profitability which will become evident this financial year.

Ian Trahar
Chairman
CO2 Group Limited

Results at a glance

	2013	**2012**	**% Change**
Total sales revenue	$45.3m	$64.3m	-29%
EBITDA	-$9.98m	$7.55m	-232%
Net Profit/(Loss) After Tax	-$6.7m	$4.9m	-238%
Cash Reserves	$14.2m	$28m	-49%
Earnings/(Loss) per Share (cents)	-1.50	1.19	-226%

CEO Message

CO2 Group over the past year has taken bold steps to expand its business model into new markets (aquaculture) and new services (environmental advisory and expanded trading) whilst consolidating our traditional service lines (carbon project development). Our strategy is driven by the need to continue to evolve our business model whilst simultaneously seeking out new and important investment opportunities. We are confident that our strategy places the Company in a very strong position over the next few years to capitalise on these investments and deliver excellent returns to shareholders.

Our financial performance over the past 12 months reflects the large investment made in developing our aquaculture business model (including the acquisition of Western Australian Resources Limited).

Our principal service offering of carbon forestry projects has proved extremely challenging to secure new contracts due to the continual changing of Federal Carbon Policies and as such we have sought to grow our business in other aspects of the market that provide more immediate returns and further opportunities for growth. We remain committed to carbon forestry and expect to see a recovery in this market albeit slowly over the next two years. The Federal Government's Direct Action Program will provide fresh commercial opportunity for our carbon forestry service offering.

The company now runs four major divisions:

1. Acquaculture

CO2 Group over the past financial year has executed the first major steps in a bold strategy to establish an aquaculture project of international standing producing prawns for the export market. The new facility, known as Project Sea Dragon, is designed to be an industrial scale, low cost producer establishing large volumes of high quality Black Tiger Prawn for export to international markets. The global demand for protein continues to rise (particularly in Asia) yet the capacity of wild sourced fisheries continues to diminish. Farmed fisheries are critical to meeting the food demands of our neighbouring countries as domestic consumption outstrips domestic supply. At an international level, aquaculture represents the third most important source of animal protein supply (behind Chicken and Pork) and is the fastest growing sector of the protein industry. Aquaculture is a highly efficient way of converting vegetable proteins into animal protein and is uniquely positioned to respond to this growing demand for food. Yet despite this growing demand, much of the industry centred in South East Asia has suffered from environmental degradation and disease largely due to lack of management controls and poor environmental controls at a catchment level.

Australia is uniquely placed to respond to this demand by virtue of our sophisticated and demanding biosecurity standards, the high environmental integrity of our natural systems and efficient and accessible infrastructure combined with availability of large scale coastal properties that provide the best biophysical qualities for prawn production. Our domestic aquaculture production to date has focused on domestic supply and has lacked the scale of production to service the growing international demand. The location of the existing Australian operations limits expansion due to the environmental sensitivities associated with nutrient discharge on the Great Barrier Reef and the ecological values of adjoining landscapes. The genesis of Project Sea Dragon stems from the skill and market insights of the Company's environmental services background whereby our senior people have continuously searched and examined new opportunities arising from global trends such as carbon pricing, sustainable food and sustainable development. Our market insights and in house analytical tools places the Company in a strong position to identify the ideal sites for a world class project and to this end, the preferred sites for Project Sea Dragon have been determined and secured. Project Feasibility Studies have been completed and we are well advanced in our efforts to secure a Financial Partner to implement the Project.

2. Carbon Projects

Over the course of the year, major milestones were achieved with the approval of the CO2 Australia Afforestation Methodology to produce Australian Carbon Credit Units under the Carbon Farming Initiative. We have subsequently produced credits for our clients and are in full production mode for the creation of credits across the 26,400ha estate we manage. Given the lack of demand for new carbon forestry projects, the Company undertook a restructuring program to reduce costs and ensure that our ongoing cost structure reflects our annuity management income.

The first major new carbon forestry project in New Zealand has been successfully delivered and highlights the multi-disciplinary skills of our team covering forestry, carbon modelling, measurement, land management, ecology and land use planning, carbon sales and community liaison.

The portfolio of Clean Development Mechanism Projects established by CO2 Asia has met all project milestones including project registration and verification. As such the project portfolio is now entering into credit production phase and will start producing credit revenues this financial year.

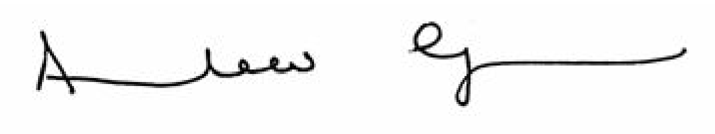
3. Environmental Markets Trading

Over two successive years, CO2 Group has established and built a substantial platform for the trading of a broad range of environmental market instruments. The business trades under the name of Carbon Banc and has developed a strong brand in this sector. Carbon Banc trades across the spectrum of environmental credits (Small and Large Renewable Energy Certificates, Certified Emission Reductions, Voluntary Carbon Units, New Zealand Units) and has recently expanded into the Electricity Market. The business unit has ambitious plans based on deep analytics to secure further trading profits in related markets.

4. Environmental Advisory

CO2 Group successfully implemented the acquisition of Ecofund (a business previously owned by the Queensland Government) that trades environmental markets, provides environmental offset advisory services and develops carbon projects. Ecofund was dedicated to the Queensland market and had established market leadership for this region. The business has been integrated into CO2 Australia and its financial performance has been strengthened and improved by identifying and securing new markets. This is now a key service offering of CO2 Group and we project strong growth over the next 12 -24 months for this arm of our business. We are now a major service provider for the resources, energy and infrastructure sector and play a key role in assisting our clients in securing environmental approvals under State and Federal legislation. Our unique combination of skills places CO2 Australia is in an excellent position to carve out a strong foothold in this growth area.

This is a Company that I am proud to lead. We employ a dedicated, highly professional, motivated and passionate work force that produces outstanding projects in the critically important fields of mitigating climate change, sustainable development and food security. The Company continues to demonstrate its capacity to evolve its strategy to meet new market demands and prospect for new opportunities in emerging markets. We remain confident that we are well placed to grow our business model and provide strong returns to our investors.



Andrew Grant
Chief Executive Officer
CO2 Group Limited

Markets

Carbon - An Evolving Landscape

International Developments

International carbon markets continue to reflect conditions in the wider economy. In particular, the European carbon market, which remains the world's largest in terms of emissions covered, saw suppressed prices.

The international carbon price as reflected by the Certified Emissions Reductions (CER) price also remained weak throughout the year. This low price reflected overall supply/demand dynamics. Supply of credits remained strong as evidenced by a record number of Clean Development Mechanism (CDM) project registrations and CER issuances throughout 2012. These issuances reflect the historic pipeline of CDM projects coming on stream combined with the need for project developers to register projects prior to the end of phase II of the EU Emission Trading Scheme (ETS). During phase III, additional restrictions on CDM project type would mean that CERs from some projects would no longer qualify. Similarly, European Governments allocated allowances based on economic parameters which were agreed prior to the global financial crisis.

The effect of these soft economic conditions also affected demand directly since greenhouse gas emissions were lower than expected when the EU ETS was established. Considering that European demand has been the major driver of investment in Clean Development Mechanism projects, it is clear that until there is a change to address this imbalance new investment in Clean Development projects will be negligible.

Across Asia, China has commenced its plans to develop a number of city and provincial emissions trading schemes and Korea plans to introduce emissions trading in 2015. At the same time, sub-national emissions trading schemes continue to emerge, with California's Cap-and-Trade Program being the most notable. The California Cap-and-Trade program covers 163 Mt of CO_2 emissions, currently 35% of the 448 Mt CO_2e emitted each year.
By 2015, it is estimated that the Program is expected to cover 85% of the State's emissions.

Closer to Australia, the New Zealand Emissions Trading Scheme continued to closely reflect the international CER price. This pricing outcome is a direct result of government policies, which until 1 January 2013 allowed liable parties to meet 100 per cent of their obligations from imported permits. The net effect of the current scheme is that to date the New Zealand Government has effectively achieved its greenhouse gas abatement through non-domestic action.

Carbon - An Evolving Landscape (continued)

Australia

Australia has committed to participation in the second Kyoto commitment period. This involves additional activities such as forest management in its formal international accounts. This change enabled the former Government to scrap the distinctions between 'Kyoto' and 'non-Kyoto' Australian Carbon Credit Units. Australia's new Government continues to support the Carbon Farming Initiative (CFI) as a way of ensuring that high quality domestic carbon off-sets are available to the market. Carbon offsets produced under the CFI, known as ACCU's, will continue to be treated as financial products and private property.

Legislation to rescind the 'carbon tax' and other parts of the Clean Energy Package has been drafted and will be put before parliament. Full passage of the legislation depends on whether the Opposition enables it to pass in the Senate or whether the Government requires the support of new senators who sit after 1 July 2014. The carbon price is to be replaced by an Emissions Reduction Fund which will purchase carbon abatement from the economy and the Government has budgeted $300 million (2014-15), $500 million (2015-16) and $750 million (2016-17) over the next three years to do this. Offsets created by CO2 Australia are expected to be eligible for purchase by this Fund.

Since introduction of the carbon price, the Clean Energy Regulator has identified 372 potentially liable parties in its "Liable Entities Public information Database". All but three parties met their progressive surrender obligations. Obligations under the carbon price remain in place until at least 1 July 2014.

The Seafood Opportunity

Many analysts have identified major economic changes occurring on Australia's front door-step. This has led to short-hand descriptions as 'The Asian Century'. The scale of the market opportunity is enormous. The Asian middle class is expected to double in size from 2 billion people today to 4.9 billion by 2030 - about a generation away. This economic and demographic shift will drive increased demand for high quality, safe and nutritious food.
The main categories of animal protein that meet this description are poultry, pork and seafood.

To simply maintain 2011 levels of consumption of seafood, by 2030 an additional 30 million tonnes per annum of fish production is needed. To meet expected growth in demand an additional 85 million tonnes of seafood will need to be produced every year by 2030. Against this background 87% of the world's wild fisheries are fully or over-exploited. To meet existing demand aquaculture (the farming of seafood) now produces more than half the world's supply. Thus aquaculture must inevitably expand to meet the growing demand.

The Seafood Opportunity (continued)

Of the many species of seafood now produced, prawns are the most widely traded on world markets. Yet, new sites for aquaculture are limited. Furthermore events over the past few years have demonstrated that continued growth in production of prawns are not a foregone conclusion. Serious disease outbreaks across producing regions have shown that Australia's strict quarantine and isolation from other aquaculture regions are a significant competitive advantage. Prawn production is expected to recover as producers overcome the current disease challenge. However, the need for more supply to meet market demand will remain.

CO2 Group is confident that there will be strong global demand for high-quality well-priced seafood into the future and that Australia through Project Sea Dragon can play its part in supplying the market.

Review of Operations - A Diversified Business Model

CO2 Australia: Carbon Sink Forest Development and Carbon Projects

CO2 Australia has now established over 26,400 hectares of forest carbon sinks reinforcing its pre-eminence in the Australian carbon economy. Our planting program was completed in 2012 with a minor planting undertaken in New South Wales during 2013. Refill operations were minimal for this period due to a combination of strong operations management and positive weather conditions.

Our carbon sink forest development program has transitioned from establishment phase to the management of the estate planted across the wheat belt regions of New South Wales, Victoria and Western Australia. These forests are managed for a broad variety of blue chip Australian and International companies servicing both voluntary and compliance carbon obligations.

CO2's land sourcing activity was reduced as priorities have changed from land acquisition to the transitioning of carbon sink forests and registering these projects under the Carbon Farming Initiative (CFI) legislation. Land acquisition capability has been maintained and market intelligence collation continues. As previously reported we have continued to build on our sound business relationships with the rural network including rural real estate agents, advisors, farming community partners, the legal profession and catchment management authorities.

As expected, members of the farming community have maintained their interest in the CFI, with a keen interest in participation for future carbon sink projects. CO2 continued to develop strong relationships with existing landholders, particularly as we continued the process of transitioning plantings into the CFI regime. The CFI transition process represented the major component of land administration activity through 2013. Substantial milestones were also achieved around the transition of projects into the Carbon Farming Initiative (CFI).

A major work program for the Company has been the transition of the carbon forests estate to the Federal Government's Carbon Farming Initiative (CFI) enabling the production of Australian Carbon Credit Units (ACCUs) which can be used for liable parties' compliance under the Federal Governments Carbon Pricing Mechanism.

CO2 Australia was the first private sector entity to achieve a CFI Methodology Determination in relation to its Reforestation and Afforestation Methodology in February 2013. This paved the way for the Company to commence registration of the 26,400 hectares of reforestation carbon projects that it manages under the CFI. In total, four projects were registered during the year. Having registered this first set of projects, CO2 Group was also successful in realising Australian Carbon Credit Units (ACCU's) on behalf of Newmont Australia's Carbon Farming Initiative (CFI) Reforestation project.

This included successfully realising a Methodology Determination for CO2 Australia's Reforestation and Afforestation carbon accounting system. CO2 Group is the first private entity to have achieved this milestone as well.

CO2 Australia: Carbon Sink Forest Development and Carbon Projects (continued)

CO2 Group remains the only company that has successfully realised ACCU's in relation to carbon sequestration activities. The achievement is a tangible demonstration that we can successfully navigate all parts of the CFI program, from methodology development, through project registration, carbon accounting and the realisation of carbon credits.

CO2 actively works on CFI project recognition processes and continues to submit applications to the Clean Energy Regulator for the registration of projects under the Carbon Farming Initiative. A large field-based carbon measurement program, based on the Reforestation & Afforestation Methodology, continues to be rolled out over much of the carbon estate with the carbon measurement and audit process now forming part of the Company's routine operations delivered on behalf of its clients.

CO2 New Zealand

CO2 New Zealand's planting on the Te Rununga o Ngati Awa farm in the Bay of Plenty will be completed in early spring, bringing to a close the most significant project milestone to date. This outstanding project features an indigenous planting element that will provide value to the environment and the Iwi for the coming generations. The mixture of production species (with other species) and the additional benefits of this type of planting regime developed by CO2 is an excellent blueprint for challenging landscapes in New Zealand.

Market conditions (including market price) are improving, albeit from a low base at around $2 for domestic NZUs and $0.50 for international units. The New Zealand Government's international climate position has resulted in a restriction of international units into the domestic NZ-ETS from 1 January 2013. At present, this is fuelling greater demand for the domestic unit (NZUs), and as a result the business is receiving greater inquiries for NZU volume. CO2 clients holding NZUs were reluctant to sell when prices moved down over 12 months ago, and this stance will prevail in the near term. The supply-demand balance has been heavily influenced by international units over the past two years, but demand is shifting back to NZUs; however supply will become the dominant feature in the coming year.

CO2 Asia

CO2 Asia's portfolio of Clean Development Projects was expanded with the addition of renewable energy projects in Vietnam. The project portfolio has successfully progressed through to registration phase enabling the production of over 1 million Certified Emission Reduction credits (CERs) per annum which are eligible for compliance purposes in the European and New Zealand Carbon Trading Schemes. Whilst CERs are trading at historic lows, our entry point for funding these projects was sufficiently low to ensure that the projects remain profitable at present day prices and provide substantial up-side potential over a 15 year trading horizon.

CO2 Asia (continued)

The CER project pipeline provides additional benefits to CO2 Group providing access to expansion opportunities in South East Asia (including the emerging Chinese and South Korean markets) and the ability of offering liable parties integrated product suites covering a variety of compliance and voluntary instruments.

Carbon Banc™

Carbon Banc, CO2 Group's Environmental Trading Division, continues to expand its recognition of the brand and spread of clients in a somewhat difficult market due to political uncertainty in the environmental sector. Carbon Banc continues to be a major contributor to the Group's revenue base and diversification of the wider Group with the expansion of trading services including international carbon credits.

In the year to September 2013, revenue rose to $37 million and has been driven by a continuing trend among market participants and large corporate liable entities to outsource procurement and environmental credit management functions.

Carbon Banc has continued to expand its client base, especially in the Small-scale Renewable Energy Scheme where existing clients have generated many new leads and channels resulting in new trading partners. Customer loyalty remains high with the total number of customers exceeding 170 and retention rates at 90 per cent.

Western Australian Resources Limited (WARL)

Western Australian Resources Limited (WARL) has continued to progress its development of Project Sea Dragon - a world class, large scale land based aquaculture project in Northern Australia. The project is being developed to meet the growing global demand for high-quality, sustainably produced seafood.

The Company has continued with its overall feasibility assessment process which included a detailed Concept Study. In June this year WARL completed an extensive Pre-Feasibility Study and soon after the Board approved the commencement of the Bankable Feasibility stage for the initial development of a production module of 10,000 hectares of grow out ponds producing annually over 100,000 tonnes of Black Tiger prawns. The production system is fully integrated with a feed mill, brood stock, hatchery and processing facilities.

Furthermore, WARL has secured agreements over several key sites and other optional sites; preliminary environmental surveys have been undertaken prior to commencing formal environmental assessment processes scheduled for Q4 2013.

Significantly, WARL has also commenced negotiations with several parties regarding agreements for future off take of volumes of prawns produced from Project Sea Dragon as well as other parties interested in investing in this significant project.

Our Competitive Advantage

Advisory Service

CO2 greatly increased its advisory and consulting business during the year, with a strategic acquisition of Ecofund which is now a wholly owned subsidiary of CO2 Australia.

Since completion in March 2013 the operations of Ecofund have been successfully integrated into the Group and key client relationships have been secured. Operating performance continues to exceed our expectations and provides a strong platform for further growth in this emerging market.

Our core competencies include the delivery of environmental offsets projects. With over 50 offsets engagements already delivered in connection with some of Australia's largest infrastructure developments, CO2 Australia is one of the leading providers of environmental offset services in Australia.

Leveraging from the extended base of expertise within the Group, the range of services offered by Ecofund will also be expanded. In particular, strong synergies have been identified with CO2 Group's experience in transacting land access arrangements and managing vegetation and land assets.

CO2 Australia offers an end to end environmental offsets service combining advisory and on ground management. Strengths in Geographic Information System (GIS) and spatial analytical services, land and forest management, on ground delivery of biodiversity and environmental management projects, environmental offsets services, fauna and flora surveys, carbon accounting consulting services, and advisory projects around carbon trading strategy, present a unique and powerful offering to the market. CO2 also holds an Australian Financial Service License (AFSL) and this allows the Group to deal in derivatives across Australia's carbon trading markets, and to provide financial and trading carbon trading services to companies.

Through CO2 Group's national reach, our environmental offsets services are now being offered throughout Australia, with some strong early engagements already secured in Western Australia.

Research and Development

The development and deployment of unique tree species and forest types continues to be an area of activity, particularly as the Carbon Farming Initiative (CFI) has the potential to open up a broader range of landscapes and forest types for commercialisation as carbon forest projects.

Key focuses for the Research and Development program included evaluating the performance traits of several novel tree species and combinations of species that were planted into mixed species - highly bio-diverse plantings. The results continue to inform the selection of tree species for particular regions and the silvicultural management of these species.

We continue to manage our genetically improved seed orchards, with seven orchards now established spanning three species and capturing high performing genetic varieties. Seed production from these orchards is progressing rapidly, with large seed loads noted during the year. Now that they are in full production mode, these seed orchards allow for unique genetic breeding lines to be routinely planted across the group's carbon estate. Having been selected for high sequestration potential, it is anticipated that the use of this improved seed will increase the rate of sequestration, at least during the early years of forest growth. This 'genetic gain' is being tested through a series of in-field provenance trials that were established during the year.

The Community

CO2 Group has been committed to strengthening local communities from the beginning. We have developed deep and lasting relationships within the rural community by regularly communicating with our farming neighbours and related groups in rural Australia. We believe that this is vital to building successful relationships and encourage all of our staff to participate in a range of local community forums.

As our customers' businesses grow and our operations expand, rural partnerships with farming families continue to develop - in fact, over 300 farming families across rural Australia are now involved in a range of programs with CO2 Group. These partnerships continue to provide employment opportunities for local communities and contract service providers as part of the site preparation, planting and maintenance phases of our carbon planting programs.

These programs also provide a direct financial injection into individual farms - landholders are paid for the land that is planted with trees. This strong focus on integration is aimed at implementing long-term measures in rural landscapes to address a range of natural resource management issues. It will also have a direct influence on the resilience of rural landscapes at paddock, property and catchment scale.

By integrating CO2 Group's environmental plantings into existing farming and grazing systems, we continue to maintain our strong social licence to operate and have a positive influence on the long-term sustainability of our partnering landholders and community. An estimated $5 million has been invested in rural economies during the 2013 year.

To complement our business partnerships, CO2 Group has also sponsored a range of conferences and community-based programs such as the Condobolin Picnic Races. The company also actively supports local rural bush fire brigades, providing sponsorship for fire equipment and other resources within the areas we operate. We have actively partnered within the Lachlan Catchment Management Authority and the Parkes and District Landcare Association to highlight the benefits of the carbon planting program and the potential for landholders to participate in the upcoming Carbon Farming Initiative. CO2 Group has also been working closely with the Trundle Tree Change project and ‘rent a farmhouse’. These projects provided low cost farmhouse accommodation to attract new families to the district, strengthening the community and saving local schools. CO2 has rented two houses under this initiative.

CO2 Group has a three-year sponsorship of Nuffield Australia, an organisation that awards scholarships to farmers in Australia. The objective is to increase practical farming knowledge and management skills. These scholarships give Australian citizens the opportunity to study farming practices in New Zealand, Europe, Asia, the Americas and other markets.

CO2 Group continues to facilitate understanding and awareness of the ongoing carbon debate at state and federal political level. In order to inform politicians of the benefits of carbon plantings within the landscape.

Biodiversity

CO2 Group was successful in securing $3.8 million of funding through the Commonwealth Government’s Biodiversity Fund for two biodiversity enhancement projects. The projects consist of four properties located in the central region of New South Wales and four properties located in the south coast region of Western Australia. All of which are located within Australia’s highly fragmented wheat-sheep belt, the projects directly address key objectives of the Biodiversity Fund.

These projects are designed to further leverage biodiversity and other ecological outcomes from the pre-existing benefits provided by the carbon sink forests. Large scale demonstrations of commercial carbon sink integration with biodiversity outcomes also provide a unique example for delivery of environmental services via a partnership between a commercial entity and government.

During 2013 the research, mapping and flora survey phases were completed culminating in detailed planting designs for each of the eight properties involved. Seed and seedling procurement options are being assessed in preparation for delivery of on ground operations during 2014.

Health and Safety

The health and safety of our people is CO2 Group’s top priority. Some of our people and contractors work in remote conditions, presenting unique challenges. Their continued safety is of paramount importance to the company. We are pleased to note that we recorded a zero rate of lost time incidents for all employees and contractors for the 2013 year.

Health and safety workplace awareness continues to be promoted across the Group with the goal of providing as safe a workplace as practically possible. CO2 Group’s Health and Safety Management System is central to attainment of this goal and as a result, the Health and Safety Management System continues to be reviewed, refined and reinforced with all parties engaged with CO2 Group activities.

Employees, contractors, suppliers and partners must all demonstrate a duty of care in workplace health, safety and welfare. During 2013, CO2 Group engaged with more than 150 individual contract service providers who were involved in the establishment and management of CO2 Group plantings. The application of a duty of care by individuals within a risk managed work environment has contributed directly to the zero rate of lost time incidents during the 2013 year.

Directors' report

The Directors present their report together with the financial statements of CO2 Group Limited (referred to hereafter as the Group) consisting of CO2 Group Limited and the entities it controlled at the end of or during the year ended 30 September 2013.

Directors

The following persons were Directors of CO2 Group Limited during the whole of the financial year and up to the date of this report:

Ian Norman Trahar
Andrew William Thorold Grant
Dr Christopher David Mitchell
Paul John Favretto
Harley Ronald Whitcombe

Dr Mal Hemmerling was a Non-Executive Director from the beginning of the financial year until his resignation on 26 July 2013.

Principal activities

The Group's principal continuing activity during the year consisted of:

(a) A carbon solutions company dedicated to creating a better climate. With a suite of innovative sustainability businesses in Australia, New Zealand and Asia, CO2 Group offers commercially astute low cost solutions to organisations, landholders and individuals with tailored strategies to manage carbon liabilities, assess carbon project feasibility, use carbon credits and manage carbon compliance, data collection and reporting. The Group designs, develops and manages greenhouse abatement projects, establishes carbon forests to secure an ongoing supply of carbon credits, and is forming long term carbon credit supply agreements and carbon trading solutions.

(b) The development of large scale, land-based aquaculture production systems in northern Australia, each designed to produce 100,000 metric tonnes per annum (Mtpa) of black tiger prawns to meet an ever-increasing international demand for high-quality seafood.

Review of operations

The Group has reported a loss for the year after taxation of $6,779,523 (2012: profit $4,912,698).

For more information on the Group's operations, please refer to the CEO's message earlier in this report.

Matters subsequent to the end of the financial year

Since 30 September 2013 CO2 Group Limited has acquired a further 45% of CO2 New Zealand Limited Partnership, for cash consideration of NZ$45,000. The Group's share of CO2 New Zealand Limited Partnership is now 90%.

Matters subsequent to the end of the financial year (continued)

Except for the new acquisition discussed above, no other matter or circumstance has arisen since 30 September 2013 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Information on directors

Ian Norman Trahar B.Ec, MBA. *Chairman*

Experience and expertise
Mr Trahar has a resource and finance background. He is a director and significant shareholder of Avatar Industries Pty Ltd, an unlisted public company. Ian is a member of the Australian Institute of Company Directors.

Other current directorships
None

Former directorships in last 3 years
Kresta Holdings Limited (ceased 14 March 2011).

Special responsibilities
Chair of the board.
Member of the audit committee.
Member of remuneration committee.

Interests in shares and options
214,673,321 ordinary shares in CO2 Group Limited.

Information on directors (continued)

Harley Ronald Whitcombe B.Bus, CPA. *Executive Director.*

Experience and expertise
Mr Whitcombe has had many years' commercial and finance experience, providing company secretarial services to publicly listed companies. He is a member of the Australian Institute of Company Directors.

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
Chief Financial Officer of CO2 Group Limited & Company Secretary.

Interests in shares and options
12,013,259 ordinary shares in CO2 Group Limited.

Dr Christopher David Mitchell PhD, BSc (Hons), GAICD. *Executive Director.*

Experience and expertise
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.

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
Member of the audit committee.
Member of remuneration committee.

Interests in shares and options
1,903,050 ordinary shares in CO2 Group Limited.
931,525 Performance Rights in the CO2 Group Limited Incentive Plan.

Information on directors (continued)

Andrew William Thorold Grant BSc (Hons), Grad Dip Bus Mg, MAICD.
Chief Executive Officer.

Experience and expertise
Mr Grant has been at the forefront of climate change science and carbon trading for 13 years. Leading the 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, also fulfilling this same role at Arthur Andersen in previous years. Earlier, Mr Grant held the position as Executive Manager in Sustainable Packaging at Visy Industrial Packaging.

When the New South Wales Government developed the Greenhouse Gas Reduction Scheme, Mr Grant was the 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. From 2004 to 2006 Mr Grant was an independent director of the Cooperative Research Centre (CRC) for Greenhouse Accounting and is currently a non-executive director of Parks Victoria and 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.

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
Chief Executive Officer CO2 Group Limited.
Managing Director CO2 Australia Limited.

Interests in shares and options
6,985,032 ordinary shares in CO2 Group Limited.
1,863,050 Performance Rights in the CO2 Group Limited Incentive Plan.

Information on directors (continued)

Paul John Favretto LL.B. *Non-executive Director.*

Experience and expertise
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 managment positions with Citibank Limited (1976 to 1985) and Bankers Trust Australia Limited (1986 to 1994).

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
Chairman of remuneration committee.
Chairman of audit committee.

Interests in shares and options
20,730,720 ordinary shares in CO2 Group Limited.

Company secretary

The Company secretary is Mr Harley Ronald Whitcombe B.Bus, CPA. Mr Whitcombe was appointed to the position of Company secretary on 12 November 2001. Mr Whitcombe has had many years' commercial and finance experience, providing company secretarial services to publicly listed companies. He is a member of the Australian Institute of Company Directors.

Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 September 2013, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Ian Norman Trahar	9	9	3	3	1	1
Andrew William Thorold Grant	9	9				
Dr Christopher David Mitchell	8	9				
Paul John Favretto	9	9	3	3	1	1
Dr Malcolm Hemmerling	7	7	3	3	1	1
Harley Ronald Whitcombe	9	9				

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

Meetings of directors (continued)

Remuneration report (audited)

The Directors are pleased to present your Company's 2013 remuneration report which sets out remuneration information for CO2 Group Limited's non-executive Directors, executive Directors and other key management personnel.

Non-executive director remuneration policy

The shareholders of CO2 Group Limited on 24 February 2012 approved, for the purposes of the ASX Listing Rules and CO2 Group's Constitution, an increase in the maximum aggregate directors' fees to $400,000, with such fees to be allocated to the directors as the board of directors may determine.

The Board determines the remuneration payable to the non-executive directors. The remuneration covers the non-executive directors for both their work as a director and as a member of any committees.

The Remuneration Committee determines the remuneration of all non-executive directors, none of whom have service contracts with the company.

Executive remuneration policy and framework

The objective of the group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives and the creation of shareholder value;
- performance linkage / alignment of executive compensation;
- transparent; and
- acceptable to shareholders.

Alignment to shareholders' interests:

- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience; and
- provides recognition for contribution.

Remuneration report (audited) (continued)

Executive remuneration policy and framework (continued)

The board has established a remuneration committee which makes recommendations to the board on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non executive directors. The Corporate Governance Statement provides further information on the role of this committee.

The executive remuneration and reward framework has three components:

- base pay and benefits, including superannuation
- short-term performance incentives, and
- long-term incentives through participation in the CO2 Employee Option Plan.

The combination of these comprises an executive's total remuneration. The Group intends to conduct a review of the incentive plans during the year ending 30 September 2014 to ensure continued alignment with financial and strategic objectives.

Base pay and benefits

Executives receive their base pay and benefits structured as a total employment cost (TEC) package which may be delivered as a combination of cash and prescribed non financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Independent remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Short-term incentives

If the Group achieves a pre-determined profit target set by the remuneration committee, a short-term incentive (STI) pool is available to executives and other eligible participants. Cash incentives (bonuses) are payable on 15 November each year. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. The distribution of the STI pool is at the discretion of the Chairman and CEO.

Long-term incentives

Long-term incentives are provided to certain employees via the CO2 Group Limited Employee Incentive Plan which was approved by shareholders at the 2010 annual general meeting.

Remuneration report (audited) (continued)

Executive remuneration policy and framework (continued)

Long-term incentives (continued)

The CO2 Group Limited Employee Incentive Plan is designed to provide long-term incentives ("LTI") for executives to deliver long-term shareholder returns. Under the plan, participants are granted Performance Rights which only vest if certain performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

There are three tranches of Performance Rights each with a different vesting condition. The first tranche was dependent upon the employee still being employed by the Group on 30 September 2012. The second tranche vested on 1 February 2013 as the audited results for the prior financial year produce an average ROCE of 25% or greater. The ROCE calculation is modified to exclude bank balances and deferred income from the average capital employed, and interest income and profit on sale of fixed assets from EBIT. The final tranche of Performance Rights will vest on 1 February 2014 if the average ROCE for the 24 month period to 30 September 2013 is 25% or greater.

(a) ***Voting and comments made at the company's 2012 Annual General Meeting***

CO2 Group Limited received more than 90% of “yes” votes on its remuneration report for the 2012 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

(b) ***Details of remuneration***

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) of CO2 Group Limited and the Group are set out in the following tables.

The key management personnel of CO2 Group Limited includes the directors as listed below:

- Ian Norman Trahar (Chairman and Executive Director)
- Andrew William Thorold Grant (Chief Executive Officer and Executive Director)
- Harley Ronald Whitcombe (Executive Director and Company Secretary)
- Dr Christopher David Mitchell (Executive Director)
- Dr Malcolm Brian Hemmerling (Non-executive Director until his resignation 26 July 2013)
- Paul John Favretto (Non-executive Director)

In addition to the directors the following executives that report directly to the Chief Executive Officer are key management personnel:

- Aaron Soanes (Director and General Manager of Operations, CO2 Australia Limited)
- Paul Thomas (Sales Director, CO2 Australia Limited, left employment 31 July 2013)

Remuneration report (audited) (continued)

(b) *Details of remuneration (continued)*

Amounts of remuneration (continued)

- Dr James Bulinski (Director, CO2 Australia Limited)

The following tables show details of the remuneration received by the Directors and the key management personnel of the Group for the current and previous financial year.

Remuneration report (audited) (continued)

(b) *Details of remuneration (continued)*

2013	**Short-term employee benefits**			**Post-employment benefits**	**Long-term benefits**		**Share-based payments**	
Name	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Super-annuation**	**Long service leave**	**Termination benefits**	**Performance rights**	**Total**
	$	$	$	$	$	$	$	$
Non-executive Directors								
M B Hemmerling (retired 26 July 2013)	41,711	-	-	7,929	-	-	-	49,640
P Favretto	33,383	-	-	26,601	-	-	-	59,984
Sub-total non-executive directors	**75,094**	**-**	**-**	**34,530**	**-**	**-**	**-**	**109,624**
Executive Directors								
I Trahar	239,156	-	-	23,529	4,378	-	-	267,063
H Whitcombe	295,184	-	-	33,756	4,931	-	-	333,871
A Grant	406,028	-	33,900	36,798	7,433	-	74,522	558,681
C Mitchell	240,322	-	11,011	27,014	4,450	-	37,261	320,058
Other key management personnel (Group)								
A Soanes	233,450	-	-	21,156	5,135	-	18,630	278,371
J Bulinski	182,700	-	15,041	16,557	4,018	-	18,630	236,946
P Thomas (until 31 July 2013)	186,957	-	-	17,519	-	32,138	-	236,614
Total key management personnel compensation (Group)	**1,858,891**	**-**	**59,952**	**210,859**	**30,345**	**32,138**	**149,043**	**2,341,228**

2012	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments	
Name	Cash salary and fees	Cash bonus *	Non-monetary benefits	Super-annuation	Long service leave	Termination benefits	Performance rights	Total
	$	$	$	$	$	$	$	$
Non-executive Directors								
M B Hemmerling (retired 26 July 2013)	45,878	-	-	8,251	-	-	-	54,129
P Favretto	10,004	-	-	43,951	-	-	-	53,955
Sub-total non-executive directors	**55,882**	**-**	**-**	**52,202**	**-**	**-**	**-**	**108,084**
Executive Directors								
I Trahar	243,431	-	-	23,529	4,459	-	-	271,419
H Whitcombe	303,608	46,800	-	27,325	4,450	-	-	382,183
A Grant	414,952	93,600	26,303	55,956	7,256	-	521,654	1,119,721
C Mitchell	224,100	46,800	11,011	39,135	4,387	-	260,827	586,260
Other key management personnel (Group)								
A Soanes	216,394	42,120	-	20,700	4,178	-	130,413	413,805
J Bulinski	180,000	46,800	7,221	16,200	3,270	-	130,413	383,904
P Thomas (until 31 July 2013)	153,787	-	-	13,841	2,626	-	-	170,254
Total key management personnel compensation (Group)	**1,792,154**	**276,120**	**44,535**	**248,888**	**30,626**	**-**	**1,043,307**	**3,435,630**

* STI bonus paid 15 November 2012 relating to the 2012 financial year.

Remuneration report (audited) (continued)

(b) ***Details of remuneration (continued)***

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Consolidated

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2013	2012	**2013**	2012	**2013**	2012
	%	%	**%**	%	**%**	%
Executive Directors of CO2 Group Limited						
I Trahar	**100%**	100%	**-%**	-%	**-%**	-%
H Whitcombe	**100%**	100%	**-%**	-%	**-%**	-%
A Grant	**87%**	49%	**-%**	-%	**13%**	51%
C Mitchell	**88%**	52%	**-%**	-%	**12%**	48%
Other key management personnel of the group						
A Soanes	**93%**	66%	**-%**	-%	**7%**	34%
J Bulinski	**92%**	61%	**-%**	-%	**8%**	39%
P Thomas	**100%**	100%	**-%**	-%	**-%**	-%

(c) ***Service agreements***

Remuneration has been determined after the Remuneration Committee, for executive directors, and the Board, for group executives, has investigated current market terms and conditions.

The Remuneration Committee will continue to revise the remuneration practices and develop policy for future appointments and determine performance-based salary increases and bonuses, bearing in mind the size of the Group and the need to ensure quality staff are employed and retained.

I Trahar, H Whitcombe, and C Mitchell, Executive Directors:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving twelve months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to 100% of base salary for the unexpired period of notice. The employee may terminate on giving three months notice.

Remuneration report (audited) (continued)

(c) *Service agreements (continued)*

A Grant Chief Executive Officer of CO2 Group Ltd and Managing Director of subsidiary CO2 Australia Limited:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving six months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to six months of base salary for the unexpired period of notice;
- In the event of redundancy, six months base salary is to be paid plus payment equivalent to three weeks of base salary for each completed year of service;
- From 1 February 2006 all running costs relating to Mr Grant's motor vehicle are paid by the company, including the monthly hire purchase payments on the vehicle;

A Soanes Director and Manager of Operations, CO2 Australia Limited:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;
- In the event of redundancy, three months base salary is to be paid plus payment equivalent to two weeks of base salary for each completed year of service;

P Thomas Sales Director, CO2 Australia Limited

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;
- A performance related bonus of 1% of contract value of establishment fees for new investments in carbon forests providing the gross contribution margin (GCM) is a minimum of 50%;
- A variable bonus at the discretion of the Chief Executive Officer if contracts entered into are below the GCM target.

J Bulinski Director, CO2 Australia Limited

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;

Remuneration report (audited) (continued)

(c) ***Service agreements (continued)***

(d) ***Share-based compensation***

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Key Management Personnel	Grant date	Expiry date	Exercise price	Value per Right at grant date	Performance achieved	% Vested
A Grant	30 September 2011	1 February 2013	-	$0.16	Y	100
C Mitchell	30 September 2011	1 February 2013	-	$0.16	Y	100
A Soanes	30 September 2011	1 February 2013	-	$0.16	Y	100
J Bulinski	30 September 2011	1 February 2013	-	$0.16	Y	100
A Grant	30 September 2011	1 February 2014	-	$0.16	N	-
C Mitchell	30 September 2011	1 February 2014	-	$0.16	N	-
A Soanes	30 September 2011	1 February 2014	-	$0.16	N	-
J Bulinski	30 September 2011	1 February 2014	-	$0.16	N	-

Rights granted under the plan carry no dividend or voting rights.

There are three tranches of Performance Rights. The first tranche's performance condition is that the individual is still employed at 30 September 2012, and was achieved by all Key Management Personnel and the shares vested. The second performance condition of 25% ROCE for the 2012 financial year was also achieved, with the Performance Rights vesting 1 February 2013. The final tranche is dependent on a ROCE of 25% for the 24 months ending 30 September 2013 and this performance hurdle will not be achieved.

Remuneration report (audited) (continued)

(d) ***Share-based compensation (continued)***

The assessed fair value at grant date of Rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values of Rights at grant date are independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. After taking into account all these factors, the value of the rights at grant date was independently assessed to be the share price on that day, 16 cents.

There were no options over ordinary shares in the company provided to any director or key management personnel of the parent entity or the Group during the year (2012: Nil). The Performance Rights are not classed as options.

Shares provided on exercise of options

During the financial year, there were no shares provided to any Director of CO2 Group Limited or other Key Managment Personnel on exercise of options.

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the last five financial periods:

	Year ended 30 September 2013	Year ended 30 September 2012	Year ended 30 September 2011	15 months period ended 30 September 2010	Year ended 30 June 2009
	$	$	$	$	$
Revenue	45,339,991	64,263,790	35,424,605	27,714,064	14,833,919
Net profit/(loss) before tax	(10,735,144)	7,045,442	2,206,062	(4,701,603)	1,563,573
Net profit/(loss) after tax	(6,779,523)	4,912,698	1,549,727	(345,464)	681,177

	30 September 2013	30 September 2012	30 September 2011	30 September 2010	30 June 2009
Share price at start of year	10c	16c	20c	34c	38c
Share price at end of year	7c	10c	16c	20c	34c
Dividend	-	-	-	-	-
Basic earnings/(loss) per share	(1.50)c	1.19cps	0.52cps	(1.20)cps	0.25cps
Diluted earnings/(loss) per share	(1.50)c	1.12cps	0.42cps	(1.20)cps	0.18cps

Remuneration report (audited) (continued)

(d) *Share-based compensation (continued)*

Shares provided on exercise of options (continued)

Changes in the wealth of the business prior to the 2012 financial year bear no relationship to the remuneration of key management personnel. On 31 August 2011, shareholders approved the CO2 Employee Incentive Plan. Under the Plan, eligible participants are granted Performance Rights to acquire ordinry shares in CO2 Group Limited, subject to satisfying any vesting conditions. The Plan commenced on 30 September 2011.

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 28 to the financial statements.

Share options granted to directors and the most highly remunerated officers

No options have been granted during the financial year.

Shares under option

There are no unissued ordinary shares of CO2 Group Limited under option at the date of this report.

The company has in issue 30,150,190 convertible preference shares that have not been exercised. For further information relating to the convertible preference shares, please refer to note 26(d).

Shares issued on achievement of performance hurdles

The following ordinary shares of CO2 Group Limited were issued during the year ended 30 September 2013 on the achievement of hurdles set by the CO2 Group Limited Employee Incentive Plan, as detailed earlier in this Remuneration Report. No further shares have been issued since that date.

Date Rights vested	Issue price of shares	Number of shares issued
1 February 2013	$0.11	4,571,861
		4,571,861

Of the 4,571,861 ordinary referred to above, 845,762 were issued to employees other than Key Management Personnel.

Insurance of officers

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr H R Whitcombe, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed 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.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined at note 29 to the financial statements.

Dividends - CO2 Group Limited

The Directors of CO2 Group Limited do not recommend the payment of a dividend for the year ending 30 September 2013 (2012: Nil).

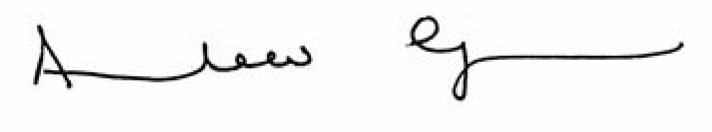
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 33.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2) of the *Corporations Act 2001.*



Andrew William Thorold Grant
Melbourne
29th November 2013

Deloitte Touche Tohmatsu
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29 November 2013

The Board of Directors
CO2 Group Limited
349 Moray Street
SOUTH MELBOURNE VIC 3205

Dear Board Members

Auditor's Independence Declaration to CO2 Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of CO2 Group Limited.

As lead audit partner for the audit of the financial statements of CO2 Group Limited for the financial year ended 30 September 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants

Corporate governance statement

CO2 Group Limited (the Company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

As has been noted in previous financial reports and on the Company's web site the board acknowledges the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Stock Exchange ("ASX") Corporate Governance Council. The board, since the last full year Financial Report, has continued to monitor those areas of the Best Practice Recommendations which had not been adopted. The board continues to hold the view that with the company's current size and extent and nature of operations that full adoption of the best practice recommendations is currently not practical. The board will continue to work towards full adoption of the recommendations in line with the growth and development of the company in the years ahead. The board does actively monitor the ASX corporate governance recommendations as the company changes in profile and size. They comply with the ASX Corporate Governance Principles and Recommendations.

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Responsibilities

The responsibilities of the board include:

- providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
    - organisational performance and the achievement of the Group's strategic goals and objectives
    - compliance with the company's Code of conduct (see page 38)
    - progress in relation to the company's diversity objectives and compliance with its diversity policy
- monitoring financial performance including approval of the annual and half-year financial statements and liaison with the company's auditors
- appointment, performance assessment and, if necessary, removal of the Chief Executive Officer
- enhancing and protecting the reputation of the organisation
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders

Responsibilities (continued)

The Roles of the Board and Management

The company is currently managed by the executive directors and as a consequence there has been no separation of duties.

The board operates in accordance with the broad principles set out in its charter which is available from the corporate governance section of the company website at www.co2australia.com.au. The charter details the board's composition and responsibilities.

Board composition

- The board shall comprise at least three and not more than ten directors. The size of the board will take account of the desired mix of skills and experience levels required to discharge its responsibilites;
- The current board has the broad experience and expertise of four executive directors and one non-executive director. The composition of the board is not consistent with recommendation 2.1 of the ASX Corporate Governance Council ("CGC") in that a majority of the board does not comprise independent directors. The size of the company, its specialised non-complementary businesses and its geographic markets places a demand for a skills, knowledge and experience combination which is difficult to match without incurring unreasonable cost. The board holds the view that expanding the board to comply with the form of recommendation 2.1 would not necessarily add value and that in the short-term, the cost outweighs the benefits.
- The Chairman is elected by the full board. As the current Chairman is an executive director, the company's practice is not consistent with recommendation 2.2 of CGC. The Chairman was appointed a director of the company and Chairman in 2001. He has been instrumental in changing the strategic direction of the company and has in-depth knowledge of the Group's business. For a company of this size, it would be difficult to attract an independent Chairman of this calibre and experience.

The board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective
- the size of the board is conducive to effective discussion and efficient decision-making.

Directors' independence

The board has adopted specific principles in relation to directors' independence. These state that when determining independence, a director must be a non-executive and the board should consider whether the director:

- not be a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company

Directors' independence (continued)

- within the last three years, not have been employed in an executive capacity by the company or any other Group member, or been a director after ceasing to hold any such employment
- within the last three years not have been a principal of a material professional adviser or a material consultant to the company or any other Group member, or an employee materially associated with the service provided
- not be a material supplier or customer of the company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must have no material contractual relationship with the company or a controlled entity other than as a director of the Group
- not have been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the company or Group or 5% of the individual directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

Term of office

The company's Constitution specifies that, apart from a Managing Director, one third of the board and/or any directors who have been in office for three or more years must retire from office at each annual general meeting ("AGM") and may seek re-election. Directors can hold office for a term of three years or up to the third AGM before haveing to retire and seek re-election.

Chair and chief executive officer (CEO)

The Chair is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of Chair.

The CEO is responsible for implementing Group strategies and policies. The board charter specifies that these are separate roles to be undertaken by separate people.

Commitment

The board held eleven board meetings during the year.

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 September 2013, and the number of meetings attended by each director is disclosed on page 21.

Commitment (continued)

The commitments of non-executive directors are considered by the nomination committee prior to the directors' appointment to the board of the company and are reviewed each year as part of the annual performance assessment.

Independent professional advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chair is required, but this will not be unreasonably withheld.

Performance assessment

The Chairman reviews the performance of the board and the performance of individual directors. The board intends to implement a formal process for the review and appraisal of the overall performance of the board and individual directors.

Board committees

The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the remuneration and audit committees. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the company website. All matters determined by committees are submitted to the full board as recommendations for board decisions.

Nomination committee

The company does not have a nomination committee. Given the size of the current board, the board does not consider it necessary to maintain a formal nomination committee. This is not consistent with recommendation 2.4 of CGC which is not considered practical as the board can properly address this function without the need to delegate to a committee.

The membership of the board is reviewed by the existing board on a continuous basis.

The board as a whole is responsible for establishing criteria for board membership, reviewing board membership and nominating directors.

The main criteria for the appointment of directors are expertise, experience and qualifications which will contribute to the competent and efficient operation of the board.

The appointment and retirement of non-executive directors is reviewed by the board on a continuous basis.

Remuneration committee

The board appointed a Remuneration Committee on 15 December 2005. The current members of the Committee are:

Remuneration committee (continued)

Mr P Favretto (Chairman) - Non-executive director.
Mr I Trahar - Executive director
Dr C Mitchell - Executive director

Details of these directors' attendance at remuneration committee meetings are set out in the directors' report on page 21.

The remuneration committee operates in accordance with its charter which is available on the company website. The remuneration committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, and other senior executives.

The full board has retained full responsibility for determining the remuneration of non-executive directors. The full board elected to approve the issue of unlisted options to the two non-executive directors appointed in July 2005. The issue of the options was approved by shareholders at the general meeting after their appointment.

The issue of options to non executive directors is not consistent with the guidelines to recommendation 9.3 of CGC, however the board considered the issue of options in the circumstances to be in the best interests of shareholders in lieu of more substantial cash fees.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report". In accordance with group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements. Details of this policy can be found on the company's website.

Code of conduct

The company has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The purchase and sale of company securities by directors and employees is not permitted during the periods between year and half-year end and the release of the half-yearly and annual financial results to the market. At all times, any transactions undertaken must be notified to the Company Secretary in advance.

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Code of conduct (continued)

A copy of the Code and the trading policy are available on the company's website.

Safeguard integrity in financial reporting

The board appointed an Audit Committee on 15 December 2005. The current members of the Committee are:

Mr P Favretto (Chairman) - Non-executive director
Mr I Trahar - Executive director
Dr C Mitchell - Executive director

The structure of the audit committee is not consistent with recommendation 4.3 of the CGC in that it is not comprised solely of non-executive directors. The Company only has one non-executive director, and the size of the full board is five members. As the independent director and Dr Mitchell are not financial professionals, the board considered that the Chairman, who is also an executive director, should also be a member to ensure the Committee is balanced and has the desired technical expertise and industry knowledge.

The audit committee operates in accordance with a charter that is available on the company website. The main responsibilities of the committee are to:

- Ensure that an effective internal control framework exists within the company;
- Review the annual and half-year reports, financial statements and other information distributed externally;
- Review audit reports and letters to the Board from the external auditors;
- Liaise with external auditors ensuring that the annual audit and half-year review are conducted in an effective manner;
- Nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual audit and half-year review; and
- Monitor compliance with the Corporations Act 2001, ASX Listing Rules, and other matters outstanding with other regulatory and financial authorities.

External auditors

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Deloitte Touche Tohmatsu is the external auditor of the Group.

An analysis of fees paid to the external auditors is provided in note 29 to the financial statements.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Continuous disclosure and shareholder communication

The company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the company’s website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group’s operations, the material used in the presentation is released to the ASX and posted on the company’s web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders receive a copy of the company’s annual and half yearly reports, either via mail or by electronic means if they so wish. In addition, the company seeks to provide further opportunities for shareholders to participate through electronic means. Initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, press releases for the last three years and financial reports for the last five years available on the company’s website.

Recognise and manage risk

The board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the company website. In summary, the company policies are designed to ensure strategic, operational, legal, reputational, and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct (see page 38) is required at all times and the board actively promotes a culture of quality and integrity.

Corporate reporting

The CEO and CFO have made the following certifications to the board:

Corporate reporting (continued)

- that the company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

CO2 Group Limited ABN 50 009 317 846
Annual report - 30 September 2013

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of CO2 Group Limited and its subsidiaries. The financial statements are presented in the Australian currency.

CO2 Group Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

CO2 Group Limited
Level 11, 225 St Georges Terrace
Perth, Western Australia 6000

Its principal place of business is:

CO2 Group Limited
349, Moray Street
South Melbourne Victoria 3205

Registered postal address is:

PO Box 7312
Cloisters Square WA 6850

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 17, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 29th November 2013. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.co2australia.com.au

For queries in relation to our reporting please call 08 9321 4111 or e mail *questions@co2australia.com.au.*

	Notes	Consolidated Year to **30 September 2013 $**	30 September 2012 $
Revenue from continuing operations	5	**45,339,991**	64,263,790
Other income	6	**836,486**	(358,441)
Cost of environmental credits sold		**(37,275,039)**	(35,135,183)
Employee benefits expense		**(7,686,991)**	(5,843,919)
Depreciation and amortisation expense	7	**(750,685)**	(502,854)
Other expenses		**(1,401,328)**	(1,158,364)
Consulting expense		**(870,252)**	(488,723)
Legal fees		**(341,334)**	(159,280)
Travel		**(1,115,290)**	(652,403)
Insurance		**(287,783)**	(241,790)
Rent		**(823,968)**	(836,866)
Research and development		**(398,349)**	(343,688)
Marketing		**(267,786)**	(522,342)
Aquaculture concept		**(2,272,514)**	(261,518)
Plantation costs		**(3,220,117)**	(10,844,374)
Finance costs	7	**(1,796)**	(4,654)
Share of profit/(loss) from associates	35	**(198,389)**	136,051
Profit/(loss) before income tax		**(10,735,144)**	7,045,442
Income tax benefit/(expense)	8	**3,955,621**	(2,132,744)
Profit/(loss) for the year		**(6,779,523)**	4,912,698
		Cents	Cents
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	38	**(1.50)**	1.19
Diluted earnings/(loss) per share	38	**(1.50)**	1.12

The above consolidated income statement should be read in conjunction with the accompanying notes.

	Notes	Consolidated Year to 30 September 2013 $	30 September 2012 $
Profit/(loss) for the year		**(6,779,523)**	4,912,698
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	27(a)	**7,262**	1,347
Other comprehensive income for the year, net of tax		**7,262**	1,347
Total comprehensive income for the year		**(6,772,261)**	4,914,045
Total comprehensive income for the year is attributable to:			
Owners of CO2 Group Limited		**(6,772,261)**	4,914,045
Total comprehensive income for the year attributable to owners of CO2 Group Limited arises from:			
Continuing operations		**(6,772,261)**	4,914,045

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CO2 Group Limited
Consolidated balance sheet
As at 30 September 2013

	Notes	Consolidated 30 September 2013 $	30 September 2012 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**14,228,258**	27,984,424
Trade and other receivables	10	**1,616,028**	2,227,971
Inventories	11	**2,175,282**	5,763,004
Other current assets	12	**535,106**	629,302
Accrued income	13	**765,620**	100,584
Total current assets		**19,320,294**	36,705,285
Non-current assets			
Investments accounted for using the equity method	14	**-**	198,389
Other financial assets	15	**9,354**	9,354
Property, plant and equipment	16	**7,508,111**	4,042,529
Deferred tax assets	17	**9,570,739**	5,825,033
Intangible assets	18	**4,959,014**	3,840,169
Exploration and evaluation, development and mine properties		**98,832**	98,832
Total non-current assets		**22,146,050**	14,014,306
Total assets		**41,466,344**	50,719,591
LIABILITIES			
Current liabilities			
Trade and other payables	19	**3,023,699**	2,260,091
Borrowings	20	**-**	16,080
Current tax liabilities	22	**40,367**	869,564
Provisions	21	**785,637**	600,820
Deferred income	23	**1,294,597**	4,078,492
Total current liabilities		**5,144,300**	7,825,047
Non-current liabilities			
Provisions	25	**74,030**	57,145
Total liabilities		**5,218,330**	7,882,192
Net assets		**36,248,014**	42,837,399
EQUITY			
Contributed equity	26	**44,288,480**	43,785,575
Other reserves	27(a)	**5,261,335**	5,574,102
Retained earnings		**(13,301,801)**	(6,522,278)
Total equity		**36,248,014**	42,837,399

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated	Notes	**Issued capital $**	**Foreign currency translation reserve $**	**Options premium reserve $**	**Financial assets revaluation reserve $**	**Share-based payments reserve $**	**Accumulated losses $**	**Total equity $**
Balance at 1 October 2011		30,829,938	(47)	1,670,705	63,278	4,922,103	(20,357,802)	17,128,175
Profit for the year as reported in the 2012 financial statements		-	-	-	-	-	4,912,698	4,912,698
Exchange differences on translation of foreign operations		-	1,347	-	-	-	-	1,347
Total comprehensive income for the year		**-**	**1,347**	**-**	**-**	**-**	**4,912,698**	**4,914,045**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs and tax	26	17,892,412	-	-	-	-	-	17,892,412
Shares issued on acquisition of subsidiary		1,710,664	-	-	-	-	-	1,710,664
Adjustment to financial assets revaluation reserve on acquisition of subsidiary		-	-	-	(88,018)	-	-	(88,018)
Capital reduction s258 Corporations Act		(7,104,625)	-	-	-	-	7,104,625	-
Performance rights issued to employees		457,186	-	-	-	(457,186)	-	-
Recognition of share based payments		-	-	-	-	1,280,121	-	1,280,121
Lapsed options in share based payments reserve		-	-	-	-	(1,818,201)	1,818,201	-
		12,955,637	-	-	(88,018)	(995,266)	8,922,826	20,795,179
Balance at 30 September 2012		**43,785,575**	**1,300**	**1,670,705**	**(24,740)**	**3,926,837**	**(6,522,278)**	**42,837,399**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated	Notes	**Issued capital $**	**Foreign currency translation reserve $**	**Options premium reserve $**	**Financial assets revaluation reserve $**	**Share-based payments reserve $**	**Accumulated losses $**	**Total equity $**
Balance at 1 October 2012		43,785,575	1,300	1,670,705	(24,740)	3,926,837	(6,522,278)	42,837,399
Profit for the year as reported in the 2013 financial statements		-	-	-	-	-	(6,779,523)	(6,779,523)
Exchange differences on translation of foreign operations		-	7,262	-	-	-	-	7,262
Total comprehensive income for the year		**-**	**7,262**	**-**	**-**	**-**	**(6,779,523)**	**(6,772,261)**
Transactions with owners in their capacity as owners:								
Performance rights issued to employees		502,905	-	-	-	(502,905)	-	-
Recognition of share-based payments		-	-	-	-	182,876	-	182,876
		502,905	-	-	-	(320,029)	-	182,876
Balance at 30 September 2013		**44,288,480**	**8,562**	**1,670,705**	**(24,740)**	**3,606,808**	**(13,301,801)**	**36,248,014**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	**Consolidated Year to 30 September 2013 $**	30 September 2012 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**46,642,379**	58,114,292
Payments to suppliers and employees (inclusive of goods and services tax)		**(59,544,424)**	(61,451,599)
		(12,902,045)	(3,337,307)
Interest and finance costs paid		**(1,796)**	(4,654)
Income taxes paid		**(596,861)**	(5,020,536)
Net cash (outflow) from operating activities	37	**(13,500,702)**	(8,362,497)
Cash flows from investing activities			
Payments for property, plant and equipment	16	**(132,086)**	(109,083)
Payments of investment in joint venture partnership		**-**	(72,563)
Payments for intangible assets	18	**(401,014)**	(83,562)
Payment of development costs	18	**(948,241)**	(624,278)
Proceeds from sale of property, plant and equipment		**-**	39,342
Interest received		**772,249**	1,150,333
New cash inflow on acquisition of subsidiary	32(e)	**469,709**	276,858
Net cash (outflow) inflow from investing activities		**(239,383)**	577,047
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**-**	17,892,412
Repayment of borrowings	24(a)	**(16,081)**	(8,697)
Net cash (outflow) inflow from financing activities		**(16,081)**	17,883,715
Net (decrease) increase in cash and cash equivalents		**(13,756,166)**	10,098,265
Cash and cash equivalents at the beginning of the financial year		**27,984,424**	17,886,159
Cash and cash equivalents at end of year	9	**14,228,258**	27,984,424

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. CO2 Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements comprise the consolidated financial statements of the Group.

(i) Compliance with IFRS

The financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ("IFRS").

(ii) Early adoption of standards

The Company has not elected to early adopt any Standards that are not required to be applied in this accounting period.

(iii) 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.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CO2 Group Limited ('Company' or 'Parent entity') as at 30 September 2013 and the results of all subsidiaries for the year then ended. CO2 Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the separate financial statements of CO2 Group Limited.

(ii) Joint ventures

Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 35.

Joint venture entities
The interest in a joint venture partnership is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss, and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Details relating to the partnership are set out in note 35.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(c) Segment reporting

The 'management approach', under which segment information is presented is the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors.

1 Summary of significant accounting policies (continued)

(c) Segment reporting (continued)

Information reported to the Board of Directors for the purposes of resource allocation and assessment of performance is currently more specifically focused on 4 key reportable segments, being Carbon Sink Establishment, Environmental Offsets, Aquaculture, and Other.

(d) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is CO2 Group Limited's functional and presentation currency.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non controlling interests as appropriate).

(e) 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 Group 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 Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of environmental credits

Revenue from the sale of environmental credits is recognised when the Group has transferred to the buyer the significant risks and rewards of the ownership of the environmental credits.

(ii) Project revenue

Carbon sink project revenue is recognised in proportion to the work performed in relation to the product development and the various stages of completion of the carbon sinks. Work performed that has not been invoiced is recognised as revenue and the balance is held as accrued income. If payment has been received in excess of the stage of completion of the project, the liability is recognised in deferred income.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(ii) Project revenue (continued)

Management related income is recognised on an accrual basis in accordance with the substance of the relevant contract.

(iii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group 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.

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established, refer note .

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(g) Income tax

The income tax expense or benefit for the period is the tax payable or recoverable on the current period's taxable income based on the income tax rate that has been enacted or substantially enacted by the balance sheet date adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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, the deferred income tax is 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 substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

1 Summary of significant accounting policies (continued)

(g) Income tax (continued)

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 foreign operations where the company 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.

(i) Tax consolidation legislation

CO2 Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, CO2 Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, CO2 Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

1 Summary of significant accounting policies (continued)

(h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 16). Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 30). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Company recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1 Summary of significant accounting policies (continued)

(i) Business combinations (continued)

Transaction costs associated with business combinations (excluding the costs of issuing equity instruments or raising new borrowings) are expensed as incurred.

(j) Impairment of assets

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 reviewed 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For 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 that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Cash and cash equivalents

For the purpose of presentation in the consolidated 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 consolidated balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are generally due for settlement within 30 days.

1 Summary of significant accounting policies (continued)

(l) Trade receivables (continued)

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

(m) Inventories

Inventory is stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group's asset development activities involve the development and management of carbon sinks under contract to third parties. It also involves the acquisition of forestry rights and other assets which are held to offer for resale to third parties.

(n) Investments and other financial assets

Classification
The Group classifies its investments in the following categories: environmental credits at FVTPL, loans and receivables 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 re-evaluates this designation at each reporting date.

(i) Environmental credits at fair value through profit or loss

Environmental credits 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. Assets in this category are classified as other current assets.

1 Summary of significant accounting policies (continued)

(n) Investments and other financial assets (continued)

(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 (note 10) and receivables in the balance sheet.

(iii) 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.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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.

Loans and receivables are carried at amortised cost using the effective interest method.

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.

Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value of available for sale assets are recorded through equity, unless there is an impairment.

1 Summary of significant accounting policies (continued)

(n) Investments and other financial assets (continued)

Environmental credits at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'Environmental credits at FVTPL' category are presented in profit or loss within other income or other expenses in the period in which they arise.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

Fair value
The fair values of environmental credits are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

1 Summary of significant accounting policies (continued)

(o) Property, plant and equipment (continued)

Land is not depreciated. For carbon sinks held by the Group the economic benefits from the asset are consumed in a pattern which is linked to the production level of carbon credits. Such assets are depreciated on a unit of production basis. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Freehold buildings	10 - 50 years
- Plant and equipment	2 - 15 years
- Leasehold improvements	Length of lease
- Vehicles	3 - 30 years
- Furniture, fittings and equipment	5 years
- Carbon sinks	30 - 50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(p) Intangible assets

(i) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life.

(ii) Other intangible assets

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

1 Summary of significant accounting policies (continued)

(p) Intangible assets (continued)

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(iv) Goodwill

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(v) NGAC Accreditation

The accreditation under the New South Wales Greenhouse Gas Abatement Scheme (NSWGGAS) allows the Group to generate revenues from any single project and is transferrable between projects at no significant additional cost. During 2011 the Carbon Farming Initiative (CFI) received Royal Assent and the Clean Energy Bill passed through the House of Representatives. Under the CFI the Group will continue to generate revenues from its existing projects, accordingly the NGAC accreditation will continue to be amortised on a unit of production basis.

(q) Trade and other payables

These amounts represent liabilities for goods and services measured initially at fair value provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Borrowings

Borrowings are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

1 Summary of significant accounting policies (continued)

(r) Borrowings (continued)

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

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

(s) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1 Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(iii) Share-based payments

The fair value of options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised on a straight line basis over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date of unlisted options is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(u) 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 consolidated 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.

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2013 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

1 Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations (continued)

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised $NIL of such gains in other comprehensive income.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and *AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

1 Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations (continued)

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and *AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013) (continued)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the Group already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

1 Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations (continued)

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and *AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013) (continued)

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. The Group is still assessing the impact of these amendments.

The Group will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending 30 September 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)
AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 September 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(w) Parent entity financial information

The financial information for the Parent entity, CO2 Group Limited, disclosed in note 40 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of CO2 Group Limited. Dividends received from associates are recognised in the Parent entity's profit or loss when its right to receive the dividend is established.

1 Summary of significant accounting policies (continued)

(w) Parent entity financial information (continued)

(ii) Tax consolidation legislation

CO2 Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, CO2 Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, CO2 Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate CO2 Group Limited for any current tax payable assumed and are compensated by CO2 Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to CO2 Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(iii) Financial guarantees

Where the Parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

2 Financial risk management

The Group's activities may expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures, as management considers this unnecessary given the nature and size of the Group's operations.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group holds the following financial instruments:

	Consolidated	
	30 September 2013 $	30 September 2012 $
Financial assets		
Cash and cash equivalents	**14,228,258**	27,984,424
Trade and other receivables	**1,616,028**	2,227,971
Other current assets	**535,106**	629,302
Other financial assets	**9,354**	9,354
	16,388,746	30,851,051
Financial liabilities		
Trade and other payables	**3,023,699**	2,260,091
Borrowings	**-**	16,080
Current tax liabilities	**40,367**	869,564
	3,064,066	3,145,735

(a) Market risk

(i) Foreign exchange risk

The Group has commenced operations internationally via its joint venture and is exposed to foreign exchange risk arising from currency exposures with respect to the NZ dollar.

2 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

Consolidated	**30 September 2013 NZD $**	30 September 2012 NZD $
Trade receivables	**892,249**	-
Trade payables	**(270,500)**	(732)

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in Other financial assets - investments as available-for-sale investments. The Group is not exposed to commodity price risk.

Neither the Group nor the parent entity is exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

Cash deposits at variable rates expose the Group to cash flow interest rate risk. The Group does not have borrowings issued at fixed rates which would expose the Group to fair value interest rate risk.

As at the end of the reporting period, the Group had the following variable rate deposits:

Consolidated	**30 September 2013**		30 September 2012	
	Weighted average interest rate %	**Balance $**	Weighted average interest rate %	Balance $
Deposits at call	**3.6%**	**12,441,792**	5.1%	25,992,698
Net exposure to cash flow interest rate risk		**12,441,792**		25,992,698

2 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

Sensitivity

At 30 September 2013, if interest rates had increased by 70 or decreased by 100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $80,466 higher / $114,952 lower (2012 changes of +70 / - 100 bps: $169,055 higher / $241,507 lower), mainly as a result of higher / lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The Group measures credit risk on a fair value basis.

Trade accounts receivable consist mainly of a small number of large enterprises which have individual contracts for the supply of carbon sinks. With very few customers, of which all have significant financial standing, the Group is able to maintain very low levels of credit risk.

Apart from the above, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

2 Financial risk management (continued)

(b) Credit risk (continued)

	Consolidated	
	30 September 2013 $	30 September 2012 $
Trade receivables		
Counterparties with external credit rating (Moody's)		
	-	-
*Counterparties without external credit rating **		
Group 1	**-**	-
Group 2	**1,539,325**	2,172,002
Group 3	**-**	-
	1,539,325	2,172,002
Total trade receivables	**1,539,325**	2,172,002

* Group 1 - new customers (less than 6 months)
Group 2 - existing customers (more than 6 months) with no defaults in the past
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.(note 9)

(i) Maturities of financial liabilities

The tables below analyse the Group’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)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities **At 30 September 2013**	**Less than 6 months** $	**6 - 12 months** $	**Between 1 and 2 years** $	**Between 2 and 5 years** $	**Over 5 years** $	**Total contrac-tual cash flows** $	**Carrying amount (assets)/ liabilities** $
Non-derivatives							
Non-interest bearing	3,023,699	40,367	-	-	-	3,064,066	3,064,066
Total non-derivatives	3,023,699	40,367	-	-	-	3,064,066	3,064,066
At 30 September 2012							
Non-derivatives							
Non-interest bearing	1,390,527	869,564	-	-	-	2,260,091	2,260,091
Fixed rate	16,140	-	-	-	-	16,140	16,140
Total non-derivatives	1,406,667	869,564	-	-	-	2,276,231	2,276,231

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Disclosure of fair value measurements are performed by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 September 2013:

2 Financial risk management (continued)

(d) Fair value measurements (continued)

Consolidated - at 30 September 2013	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	**194,443**	**-**	**-**	**194,443**
Trading securities	**-**	**-**	**-**	**-**
Derivatives for hedging	**-**	**-**	**-**	**-**
Available-for-sale financial assets				
Equity securities	**-**	**-**	**-**	**-**
Debt securities	**-**	**-**	**-**	**-**
Other (contingent consideration)	**-**	**-**	**-**	**-**
Total assets	**194,443**	**-**	**-**	**194,443**
Liabilities				
Derivatives used for hedging	**-**	**-**	**-**	**-**
Total liabilities	**-**	**-**	**-**	**-**

Consolidated - at 30 September 2012	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	348,695	-	-	348,695
Total assets	348,695	-	-	348,695
Liabilities				
Derivatives used for hedging	-	-	-	-
Total liabilities	-	-	-	-

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to note 18 for details of these assumptions and the potential impact of changes to the assumptions. As at 30 September 2013 there has been no impairment of goodwill.

(b) Critical judgements in applying the entity's accounting policies

(i) Revenue recognition

The Group's policy for recognising revenue from Carbon Sequestration Plantation Services is based on management's estimation of the stage of completion for these projects by reference to costs incurred compared to total estimated costs at completion. As at 30 September 2013, the Group has recognised $420,558 (2012: $50,909) as accrued income and $420,336 (2012: $3,605,984) as deferred income as a result of the application of this policy.

(ii) Development costs

Management continually evaluates the commercial and technical feasibility of projects, together with the ability to complete the project and generate revenues. As at 30 September 2013, the Group has capitalised $2,859,668 (2012: $1,911,427) as development costs as a result of following this policy.

4 Segment information

(a) Description of segments

Business Segments
The Group operates wholly within four reportable segments.

4 Segment information (continued)

(a) Description of segments (continued)

Carbon Sink Establishment
The establishment of accredited forest carbon sinks throughout Southern Australia on behalf of third parties, primarily for large domestic and international companies and state governments.

Environmental offsets (formerly Carbon Offsets)
The provision of abatement certificates generated from accredited forest carbon sinks owned by the Group, and trading in environmental credits (Renewable Energy Certificates) from March 2011.

Aquaculture
Development of a large scale land-based aquaculture project in Northern Australia by Western Australian Resources Limited, acquired 20 August 2012.

Other
'Other' is the aggregation of the Group's other operating segments that are not separately reportable.

(b) Segments

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 September 2013 is as follows:

Year to 30 September 2013	**Carbon sink establishment**	**Environ-mental offsets**	**Aquaculture**	**Other**	**Consolidated**
	$	**$**	**$**	**$**	**$**
Segment revenue					
Sales and external customers	4,356,061	37,286,906	-	2,885,512	44,528,479
Total sales revenue	4,356,061	37,286,906	-	2,885,512	44,528,479
Other revenue			5,593	805,919	811,512
Total segment revenue	4,356,061	37,286,906	5,593	3,691,431	45,339,991
Consolidated revenue					45,339,991
Segment profit/(loss)					
Segment profit/(loss)	**638,139**	**625,483**	**(5,581,549)**	**2,127,378**	(2,190,549)
Central administration and directors' salaries					(8,544,595)
Loss before income tax					(10,735,144)
Income tax benefit					3,955,621
Loss for the year					(6,779,523)
Segment assets					
Segment assets	**7,379,373**	**7,243,504**	**1,793,331**	**752,192**	17,168,400
Unlocated assets					24,297,944
Total assets					41,466,344

4 Segment information (continued)

(b) Segments (continued)

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 September 2012 is as follows:

Year to 30 September 2012	Carbon sink establishment $	Environmental offsets $	Other $	Consolidated $
Segment revenue				
Sales and external customers	22,501,732	38,072,916	2,425,888	63,000,536
Total sales revenue	22,501,732	38,072,916	2,425,888	63,000,536
Other revenue			1,263,254	1,263,254
Total segment revenue	22,501,732	38,072,916	3,689,142	64,263,790
Consolidated revenue				64,263,790
Segment profit				
Segment profit	10,301,741	2,548,555	1,547,349	14,397,645
Central administration and directors' salaries				(7,352,203)
Profit before income tax				7,045,442
Income tax charge				(2,132,744)
Profit for the year				4,912,698
Segment assets				
Segment assets	10,413,178	4,635,090	739,184	15,787,452
Unlocated assets				34,932,139
Total assets				50,719,591

Segment revenues, expenses, and assets are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of forest carbon sinks, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributed to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment assets do not include income taxes.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, investment revenue and finance costs, income tax expense, and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

5 Revenue

	Consolidated Year to 30 September 2013 $	30 September 2012 $
From continuing operations		
Sales revenue		
Project development fees	**4,356,061**	22,501,732
Sale of environmental credits	**37,286,906**	38,072,916
Carbon sink project management fees	**2,061,167**	2,033,326
Fee for services	**824,344**	392,562
	44,528,478	63,000,536
Other revenue		
Interest from financial assets not at fair value through profit or loss	**742,561**	1,219,228
Office services	**21,597**	13,415
Crop share and agistment	**41,762**	30,611
Barramundi sales	**5,593**	-
	811,513	1,263,254
	45,339,991	64,263,790

6 Other income

	Notes	Consolidated Year to 30 September 2013 $	30 September 2012 $
Net gain on disposal of property, plant and equipment		**-**	30,736
Gain/(loss) on environmental credits FVTPL		**642,449**	(389,177)
Discount on acquisition	32	**194,037**	-
		836,486	(358,441)

7 Expenses

	30 September 2013 $	30 September 2012 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**2,104**	-
Plant and equipment	**98,207**	88,822
Leasehold improvements	**70,776**	69,596
Plant and equipment under finance leases	**11,738**	19,037
Carbon sinks	**498,543**	283,016
Total depreciation	**681,368**	460,471
Amortisation		
Patents and trademarks	**-**	602
NGAC	**19,983**	26,220
Software	**49,334**	15,561
Total amortisation	**69,317**	42,383
Total depreciation and amortisation	**750,685**	502,854
Research and development		
Research and development	**714,140**	343,688
Research and development cost paid and expensed	**714,140**	343,688
Finance costs		
Interest and finance charges	**1,796**	4,654
Finance costs expensed	**1,796**	4,654
Rental expense relating to operating leases		
Minimum lease payments	**823,968**	836,866
Total rental expense relating to operating leases	**823,968**	836,866

7 Expenses (continued)

Employee benefits expense		
Equity settled share based payments	**182,876**	1,280,121
Superannuation	**545,472**	385,900
Other employee benefits	**6,958,642**	4,177,898
	7,686,990	5,843,919

8 Income tax expense

(a) Income tax expense/(benefit)

	Consolidated Year to 30 September 2013 $	30 September 2012 $
Current tax	**41,985**	3,744,086
Deferred tax	**(3,716,565)**	(1,530,075)
Adjustments for current tax of prior periods	**(297,524)**	(81,267)
Adjustments for deferred tax of prior periods	**16,483**	-
	(3,955,621)	2,132,744

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated Year to 30 September 2013 $	30 September 2012 $
Profit/(loss) from continuing operations before income tax expense	**(10,735,144)**	7,045,442
Tax at the Australian tax rate of 30.0% (2012 - 30.0%)	**(3,220,543)**	2,113,633
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	**244,657**	59,385
Effect of tax concessions (research and development)	**1,785,000**	(30,000)
Research and Development tax offset	**(2,380,000)**	-
Sundry items	**(123,714)**	57,486
	(3,694,600)	2,200,504
Difference in overseas tax rates	**20,020**	13,507
Under provision of income tax in previous year	**(281,041)**	(81,267)

8 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable (continued)

	Consolidated Year to	
	30 September 2013 $	30 September 2012 $
Income tax expense/(benefit)	**(3,955,621)**	2,132,744

(c) Tax consolidation legislation

CO2 Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, CO2 Group Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate CO2 Group Limited for any current tax payable assumed and are compensated by CO2 Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to CO2 Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables

8 Income tax expense (continued)

(d) Franking account

	Consolidated Year to	
	30 September 2013 $	30 September 2012 $
Franking account balance (tax paid basis)	**7,937,590**	7,338,967
impact on franking account balance of dividends not recognised	**-**	-
	7,937,590	7,338,967

9 Current assets - Cash and cash equivalents

	Consolidated	
	30 September 2013 $	30 September 2012 $
Cash at bank and in hand	**1,737,968**	1,991,628
Deposits at call	**12,441,792**	25,992,698
Other cash and cash equivalents	**48,498**	98
	14,228,258	27,984,424

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2.

(b) Cash at bank and on hand

Of the cash at bank and on hand, $996,785 (2012: $826,623) is non-interest bearing, and $741,183 (2012: $1,165,005) is in accounts that earn interest.

(c) Cash not available for use

Included in deposits at call is an amount of $275,487 (2012: $275,487) which is held as security for bank facilities (note 24).

(d) Deposits at call

Deposits at call are interest bearing.

10 Current assets - Trade and other receivables

	Consolidated	
	30 September 2013 $	30 September 2012 $
Trade receivables	**1,539,325**	2,172,002
Loans to employees	**76,703**	55,969
	1,616,028	2,227,971

An employee is charged interest on a loan provided by the Group at 7.5% interest per annum, which is comparable to the average commercial rate of interest. Interest on the outstanding loan balance is payable monthly. The loan is unsecured.

(a) Past due but not impaired

As of 30 September 2013, trade receivables of $110,351 (2012: $5,317) were past due but not impaired.

	Consolidated	
	30 September 2013 $	30 September 2012 $
Up to 3 months	**19,436**	-
3 to 6 months	**90,915**	5,317
	110,351	5,317

(b) Interest rate risk

Information about the Group’s exposure to interest rate risk in relation to trade and other receivables is provided in note 2.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The average credit period on rendering of invoices is 30 days.

Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

11 Current assets - Inventories

	Consolidated	
	30 September 2013 $	30 September 2012 $
Work in progress	**22,801**	-
Seed - at cost	**184,923**	255,227
Carbon sinks under development - at cost	**1,967,558**	5,507,777
	2,175,282	5,763,004

Carbon sinks under development relates to costs incurred on plantings for carbon sinks on behalf of customers.

Inventories of $158,000 (2012: $129,000) are expected to be recovered after more than twelve months.

12 Current assets - Other current assets

	Consolidated	
	30 September 2013 $	30 September 2012 $
Prepayments	**252,387**	159,504
Accrued interest	**54,977**	84,665
Deposits paid	**33,299**	36,438
Environmental credits at FVTPL	**194,443**	348,695
	535,106	629,302

Environmental credits have been purchased on the spot market. They do not represent carbon credits produced by the Group's carbon sinks. All credits generated from the Group's plantations were sold during the financial year.

13 Current assets - Accrued income

	Consolidated	
	30 September 2013 $	30 September 2012 $
Carbon sink development	**420,558**	50,909
Accrued income from Kansai plantations	**13,579**	14,667
Accrued income from trading and environmental credits	**331,483**	35,008
	765,620	100,584

14 Non-current assets - Investments accounted for using the equity method

	Consolidated	
	30 September 2013 $	30 September 2012 $
Interest in joint venture partnership (note 35)	**-**	198,389
	-	198,389

(a) Interest in joint venture partnership

The interest in the CO2 New Zealand Limited Partnership is accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the parent entity.

15 Non-current assets - Other financial assets - investments

	Consolidated	
	30 September 2013 $	30 September 2012 $
Available-for-sale investments	**9,354**	9,354
	9,354	9,354

16 Non-current assets - Property, plant and equipment

Consolidated	**Freehold land** $	**Freehold buildings** $	**Plant and equipment** $	**Leasehold improvements** $	**Leased plant and equipment** $	**Carbon sinks** $	**Total** $
At 1 October 2011							
Cost or fair value	709,799	-	582,551	302,256	280,213	4,201,540	6,076,359
Accumulated depreciation	-	-	(384,700)	(128,937)	(234,657)	(926,539)	(1,674,833)
Net book amount	709,799	-	197,851	173,319	45,556	3,275,001	4,401,526
Year ended 30 September 2012							
Opening net book amount	709,799	-	197,851	173,319	45,556	3,275,001	4,401,526
Additions	-	-	84,442	25,640	-	-	110,082
Disposals	-	-	-	-	(8,606)	-	(8,606)
Depreciation charge	-	-	(88,822)	(69,596)	(19,038)	(283,017)	(460,473)
Closing net book amount	709,799	-	193,471	129,363	17,912	2,991,984	4,042,529
At 30 September 2012							
Cost or fair value	709,799	-	666,993	327,896	168,090	4,201,540	6,074,318
Accumulated depreciation	-	-	(473,522)	(198,533)	(150,178)	(1,209,556)	(2,031,789)
Net book amount	709,799	-	193,471	129,363	17,912	2,991,984	4,042,529
Consolidated							
Year ended 30 September 2013							
Opening net book amount	709,799	-	193,471	129,363	17,912	2,991,984	4,042,529
Acquisition of subsidiary	-	261,340	211,389	-	-	-	472,729
Additions	-	-	65,098	66,986	-	3,542,137	3,674,221
Depreciation charge	-	(2,104)	(98,207)	(70,776)	(11,738)	(498,543)	(681,368)
Closing net book amount	709,799	259,236	371,751	125,573	6,174	6,035,578	7,508,111
At 30 September 2013							
Cost	709,799	261,340	946,570	394,883	168,090	7,743,677	10,224,359
Accumulated depreciation	-	(2,104)	(574,819)	(269,310)	(161,916)	(1,708,099)	(2,716,248)
Net book amount	709,799	259,236	371,751	125,573	6,174	6,035,578	7,508,111

16 Non-current assets - Property, plant and equipment (continued)

(a) Recoverability of carbon sinks

During the period, the Group carried out a review of the recoverable amount of the carbon sinks used to generate carbon credits. The review confirmed that the carbon sinks were not impaired. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The carbon sinks have not been subject to a revaluation as a result of this review and continue to be held at cost.

17 Non-current assets - Deferred tax assets

	Consolidated	
	30 September 2013 $	30 September 2012 $
The balance comprises temporary differences attributable to:		
Tax losses	**1,748,511**	-
Provisions	**263,632**	197,390
Accruals	**76,284**	5,768
Carbon sinks	**5,031,415**	5,688,436
Intangible assets	**49**	48
Depreciable assets	**1,038,192**	424,351
Accrued interest	**(116,211)**	75,702
Research & development	**(851,133)**	(566,662)
R&D tax offset	**2,380,000**	-
	9,570,739	5,825,033
Net deferred tax assets	**9,570,739**	5,825,033

	Consolidated	
Movements:		
Opening balance at 1 October 2011 and 2012	**5,825,033**	4,286,649
Charged/credited:		
- to profit or loss	**3,716,566**	1,530,075
- directly to equity	**-**	57,989
Unitlisation of tax losses	**-**	(32,388)
Under (over) provision of deferred tax in previous year	**(16,483)**	(17,292)
Acquisition of subsidiary	**45,623**	-
Closing balance at 30 September	**9,570,739**	5,825,033

17 Non-current assets - Deferred tax assets (continued)

Movements	**Tax Losses** $	**Provisions** $	**Intangibles & research & development** $	**Accruals** $	**Accrued income & available-for-sale investment** $	**Carbon sinks & depreciable assets** $	**R&D Tax offset** $	**Total** $
At 1 October 2011	25,424	197,505	(382,314)	14,137	(59,085)	4,490,982	-	4,286,649
(Charged)/credited								
- to profit or loss	-	(116)	(184,376)	(8,369)	101,471	1,621,465	-	1,530,075
Under (over) provision of deferred tax in previous year	6,964	-	-	-	(24,674)	418	-	(17,292)
Unitlisation of tax losses	(32,388)	-	-	-	-	-	-	(32,388)
- directly to equity	-	-	-	-	57,989	-	-	57,989
At 30 September 2012	-	197,389	(566,690)	5,768	75,701	6,112,865	-	5,825,033
(Charged)/credited								
- to profit or loss	1,748,511	11,252	(284,471)	71,723	(167,530)	(42,919)	2,380,000	3,716,566
Acquisition of subsidiary	-	45,623	-	-	-	-	-	45,623
Under (over) provision of deferred tax in previous year	-	9,367	-	(1,207)	(24,383)	(260)	-	(16,483)
At 30 September 2013	**1,748,511**	**263,631**	**(851,161)**	**76,284**	**(116,212)**	**6,069,686**	**2,380,000**	**9,570,739**

18 Non-current assets - Intangible assets

Consolidated	**Development costs $**	**Goodwill $**	**Patents, trademarks and other rights $**	**Computer software $**	**Other intangible assets $**	**NGAC accreditation $**	**Total $**
At 1 October 2011							
Cost	1,381,328	-	3,072	-	790,166	408,380	2,582,946
Accumulation amortisation and impairment	(94,178)	-	(2,470)	-	(790,166)	(96,524)	(983,338)
Net book amount	1,287,150	-	602	-	-	311,856	1,599,608
Year ended 30 September 2012							
Opening net book amount	1,287,150	-	602	-	-	311,856	1,599,608
Development costs recognised as an asset	624,277	-	-	-	-	-	624,277
Additions	-	-	-	99,124	-	-	99,124
Acquisition through business combination	-	1,559,543	-	-	-	-	1,559,543
Amortisation charge	-	-	(602)	(15,561)	-	(26,220)	(42,383)
Closing net book amount	1,911,427	1,559,543	-	83,563	-	285,636	3,840,169
Cost	2,005,605	1,559,543	3,072	99,124	790,166	408,380	4,865,890
Accumulation amortisation and impairment	(94,178)	-	(3,072)	(15,561)	(790,166)	(122,744)	(1,025,721)
Net book amount	1,911,427	1,559,543	-	83,563	-	285,636	3,840,169

18 Non-current assets - Intangible assets (continued)

Consolidated	Development costs $	Goodwill $	Patents, trademarks and other rights $	Computer software $	Other intangible assets $	NGAC accreditation $	Total $
Year ended 30 September 2013							
Opening net book amount	1,911,427	1,559,543	-	83,563	-	285,636	3,840,169
Development costs recognised as an asset	948,241	-	-	-	-	-	948,241
Additions	-	-	-	84,424	316,589	-	401,013
Acquisition through business combination	-	191,264	-	-	-	-	191,264
Other charge	-	(352,356)	-	-	-	-	(352,356)
Amortisation charge	-	-	-	(49,334)	-	(19,983)	(69,317)
Closing net book amount	2,859,668	1,398,451	-	118,653	316,589	265,653	4,959,014
At 30 September 2013							
Cost	2,953,846	1,398,451	3,072	183,548	1,106,755	408,380	6,054,052
Accumulated amortisation	(94,178)	-	(3,072)	(64,895)	(790,166)	(142,727)	(1,095,038)
Net book amount	2,859,668	1,398,451	-	118,653	316,589	265,653	4,959,014

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to operating segment and country of operation.

For further information on goodwill on acquisitions during the current and previous financial year refer to note 32.

19 Current liabilities - Trade and other payables

	Consolidated	
	30 September 2013 $	30 September 2012 $
Trade payables	**767,507**	1,076,805
Accrued expenses	**1,871,668**	722,364
PAYG payable	**139,687**	135,387
Goods and service tax (GST) payable	**171,021**	237,130
Other payables	**73,816**	88,405
	3,023,699	2,260,091

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

20 Current liabilities - Borrowings

	Consolidated	
	30 September 2013 $	30 September 2012 $
Secured		
Lease liabilities (note 30)	**-**	16,080
Total secured current borrowings	**-**	16,080
Total current borrowings	**-**	16,080

(a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 24.

(b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

21 Current liabilities - Provisions

	Consolidated	
	30 September 2013 $	30 September 2012 $
Employee benefits	**785,637**	600,820
	785,637	600,820

22 Current liabilities - Current tax liabilities

	Consolidated	
	30 September 2013 $	30 September 2012 $
Current tax liabilities	**40,367**	869,564
	40,367	869,564

23 Current liabilities - Deferred income

	Consolidated	
	30 September 2013 $	30 September 2012 $
Government grants	**293,408**	185,160
Deferred income from carbon sink development	**420,336**	3,102,288
Deferred income on carbon sink management	**513,230**	503,696
Deferred income from trading and environmental credits	**-**	287,348
Deferred advisory income	**67,623**	-
	1,294,597	4,078,492

24 Non-current liabilities - Borrowings

(a) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	30 September 2013 $	30 September 2012 $
Lease liabilities	**-**	16,080
Total secured liabilities	**-**	16,080

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The Group has a $100,000 (2012: $100,000) facility on its company credit cards and has been required to provide a guarantee facility of $175,487 (2012: $175,487) in respect of office leases. The Group maintains a term deposit with the bank to secure these facilities.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

		Consolidated	
	Notes	**30 September 2013 $**	30 September 2012 $
Current			
Deposits at call	9	**275,487**	275,487
Total current assets pledged as security		**275,487**	275,487
Non-current			
Finance lease			
Plant and equipment		**-**	17,912
Total assets pledged as security		**275,487**	293,399

(b) Risk exposures

Information about the Group's exposure to interest rate and foreign exchange risk is provided in note 2.

25 Non-current liabilities - Provisions

(a) Movements in provisions

Consolidated 2013	**Employee benefits $**	**Total $**
Carrying amount at start of year	57,145	57,145
Charged/(credited) to the profit or loss - unwinding of discount	16,885	16,885
Carrying amount at end of year	74,030	74,030

Consolidated 2012	**Employee benefits $**	**Total $**
Carrying amount at start of year	117,122	117,122
Charged/(credited) to the profit or loss - unwinding of discount	(59,977)	(59,977)
Carrying amount at end of year	57,145	57,145

26 Issued capital

(a) Share capital

	Notes	**30 September 2013 Shares**	30 September 2012 Shares	**30 September 2013 $**	30 September 2012 $
Ordinary shares					
Ordinary shares - fully paid	26(b)	**452,850,575**	448,278,314	**44,288,179**	43,785,274
Convertible preference shares	26(c)	**30,150,190**	30,150,190	**301**	301
		483,000,765	478,428,504	**44,288,480**	43,785,575
Total contributed equity				**44,288,480**	43,785,575

26 Issued capital (continued)

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
1 October 2011	Opening balance	280,347,888	-	30,829,637
21 October 2011	Exercise listed options	150,000	-	18,000
26 October 2011	Exercise listed options	1,529,417	-	183,530
2 November 2011	Exercise listed options	831,200	-	99,744
9 November 2011	Exercise listed options	2,170,449	-	260,454
16 November 2011	Exercise listed options	15,931,263	-	1,911,752
21 November 2011	Exercise listed options	128,191,102	-	15,382,932
25 November 2011	Exercise listed options	300,000	-	36,000
31 December 2011	Section 258F Capital Reduction	-	-	(7,104,625)
31 August 2012	Acquisiton of WARL	14,208,282	-	1,704,994
7 September 2012	Acquisiton of WARL	46,687	-	5,602
26 September 2012	Performance rights	4,571,864	-	457,186
28 September 2012	Acquisiton of WARL	562	-	67
30 September 2012	Closing balance	448,278,714		43,785,273
1 October 2012	Opening balance	448,278,714	-	43,785,273
11 February 2013	Performance rights	4,571,861	-	502,906
		452,850,575		44,288,179
30 September 2013	Closing balance	452,850,575		44,288,179

(c) Movements in convertible preference share capital

Date	Details	Number of shares	$
30 September 2013	Closing balance	30,150,190	301
30 September 2013	Closing balance	30,150,190	301

(d) Convertible preference shares

The convertible preference shares were issued at $0.00001. To convert to fully paid ordinary shares each holder is required to pay $0.06499. Conversion can occur at any time at the election of the holders.

The convertible preference shares have limited voting rights as described in ASX Listing Rule 6.3 and are entitled to the payment of a dividend equal to one hundred thousandth of any dividends declared.

26 Issued capital (continued)

(e) Options

Information relating to the Group's Employee Option Plan and options issued to employees and executives of the Group, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 39.

27 Reserves

(a) Other reserves

	Consolidated	
	30 September 2013 $	30 September 2012 $
Financial assets revaluation reserve	**(24,740)**	(24,740)
Share-based payments	**3,606,808**	3,926,837
Foreign currency translation	**8,562**	1,300
Option premium reserve	**1,670,705**	1,670,705
	5,261,335	5,574,102

	Consolidated	
	30 September 2013 $	30 September 2012 $
Movements:		
Share-based payments		
Opening balance	**3,926,837**	4,922,103
Equity settled share-based payment	**182,876**	1,280,121
Issue of shares held by the CO2 Employee Share Trust to employees	**(502,905)**	(457,186)
Lapsed options	**-**	(1,818,201)
Balance 30 September	**3,606,808**	3,926,837
Foreign currency translation		
Opening balance	**1,300**	(47)
Currency translation differences arising during the year	**7,262**	1,347
Balance 30 September	**8,562**	1,300

27 Reserves (continued)

(a) Other reserves (continued)

	Consolidated	
	30 September 2013 $	30 September 2012 $
Financial assets revaluation reserve		
Opening balance	**(24,740)**	63,278
Acquisition of subsidiary	**-**	(88,018)
Balance 30 September	**(24,740)**	(24,740)

(b) Nature and purpose of other reserves

(i) Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the issue of shares held by the CO2 Employee Share Trust to employees
- in the parent entity the fair value of shares and options issued to employees of subsidiaries.

(ii) Option premium

The option premium represents the fair value of 47,734,412 CO2 Group Limited options issued as part consideration for the Ranger takeover bid in relation to unconditional acceptances received by the consolidated entity pursuant to the acceptances received under the Ranger takeover offer.

(iii) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(iv) Financial assets revaluation reserve

Changes in the fair value of assets classified as available for sale financial assets are taken to the financial assets revaluation reserve. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

28 Key management personnel disclosures

(a) Directors

The following persons were directors of CO2 Group Limited during the financial year:

28 Key management personnel disclosures (continued)

(a) Directors (continued)

(i) Chairman - executive

I N Trahar

(ii) Executive directors

H R Whitcombe
Dr C D Mitchell
A W T Grant (Chief Executive Officer)

(iii) Non-executive directors

Dr M B Hemmerling
P Favretto

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	*Position*	*Employer*
A J Soanes	Director and General Manager Operations	CO2 Australia Limited
Dr J Bulinski	Director	CO2 Australia Limited
P Thomas	Sales Director	CO2 Australia Limited

(c) Key management personnel compensation

	Consolidated Year to	
	30 September 2013 $	30 September 2012 $
Short-term employee benefits	**1,918,843**	1,850,295
Post-employment benefits	**210,859**	248,888
Long-term benefits	**30,345**	30,626
Termination benefits	**32,138**	-
Share-based payments	**149,043**	1,043,307
	2,341,228	3,173,116

Detailed remuneration disclosures are provided in the remuneration report on pages 22 to 31.

28 Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options can be found in the remuneration report on pages 24 and 29 to 31.

(ii) Performance Rights provided as remuneration and shares issued on vesting of performance rights

Details of performance rights provided as remuneration and shares issued on the exercise of such rights, together with terms and conditions of the rights, can be found in the remuneration report on pages 22 and 29 to 31.

(iii) Option holdings

The numbers of options over ordinary shares in the Company and rights to deferred shares granted under the executive short-term incentive scheme that were held during the financial year by each Director of CO2 Group Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Consolidated 2013 Name	**Balance at start of the year**	**Granted as compen-sation**	**Exercised**	**Other changes**	**Balance at end of the year**	**Vested and exercisable**	**Unvested**
Directors of CO2 Group Limited							
M B Hemmerling*	1,500,000	-	-	(1,500,000)	-	-	-
C D Mitchell	3,000,000	-	-	(3,000,000)	-	-	-
Other key management personnel of the Group							
A J Soanes	500,000	-	-	(500,000)	-	-	-
J Bulinksi	400,000	-	-	(400,000)	-	-	-
Consolidated 2012 Name							
Directors of CO2 Group Limited							
I N Trahar	89,960,018	-	(89,960,018)	-	-	-	-
H R Whitcombe	4,145,157	-	(3,645,157)	(500,000)	-	-	-
A W T Grant	3,868,654	-	(3,868,654)	-	-	-	-
M B Hemmerling*	1,500,000	-	-	-	1,500,000	1,500,000	-
C D Mitchell	3,000,000	-	-	-	3,000,000	3,000,000	-
P J Favretto	7,624,478	-	(7,624,478)	-	-	-	-
Other key management personnel of the Group							
A J Soanes	1,500,000	-	(1,000,000)	-	500,000	500,000	-
J Bulinksi	400,000	-	-	-	400,000	400,000	-

*Resigned 26 July 2013

28 Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel (continued)

Share holdings

The numbers of shares in the Company held during the financial year by each Director of CO2 Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Consolidated 2013 **Name**	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Received on vesting of rights to deferred shares**	**Other changes during the year**	**Balance at end of the year**
Directors of CO2 Group Limited					
Ordinary shares					
I N Trahar	214,673,321	-	-	-	214,673,321
H R Whitcombe	12,013,259	-	-	-	12,013,259
A W T Grant	5,121,982	-	-	1,863,050	6,985,032
M B Hemmerling*	575,625	-	-	-	575,625
C D Mitchell	971,525	-	-	931,525	1,903,050
P J Favretto	20,730,720	-	-	-	20,730,720
Other key management personnel of the Group					
Ordinary shares					
A J Soanes	1,465,763	-	-	465,762	1,931,525
J Bulinski	465,763	-	-	465,762	931,525

Consolidated 2012 Name					
Directors of CO2 Group Limited					
Ordinary shares					
I N Trahar	116,831,546	89,960,018	-	7,881,757	214,673,321
H R Whitcombe	7,742,000	3,645,157	-	626,102	12,013,259
A W T Grant	-	3,868,654	-	1,253,328	5,121,982
M B Hemmerling*	575,625	-	-	-	575,625
C D Mitchell	40,000	-	-	931,525	971,525
P J Favretto	12,500,522	7,624,478	-	605,720	20,730,720
Other key management personnel of the Group					
Ordinary shares					
A J Soanes	-	1,000,000	-	465,763	1,465,763
J Bulinski	-	-	-	465,763	465,763

*Resigned 26 July 2012

(e) Loans to key management personnel

There are no loans made to directors of CO2 Group Limited and other key management personnel.

29 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:

(a) Audit services

(i) Deloitte Touche Tohmatsu

	Consolidated Year to	
	30 September 2013 $	30 September 2012 $
Audit and review of financial reports	**142,010**	98,300
Non-audit services		
Other non-audit services (Yonderr Pty Ltd)	**-**	12,500
Total auditors' remuneration	**142,010**	110,800

30 Commitments

(a) Lease commitments: group as lessee

(i) Non-cancellable operating leases

Operating leases relate to five office facilities, each with different terms: 3 years with an option to renew for a further 3 years; 5 years with no option to renew; 2 years with 2 options for a further 3 years; 2 years 3 months with no option to renew; and 2 years with no option to renew. The operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. There are also fixed increase dates annually. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

The Group also leases 14 motor vehicles under operating leases with a term of three years, with no option to purchase the vehicle at the expiry of the lease period.

30 Commitments (continued)

(a) Lease commitments: group as lessee (continued)

(i) Non-cancellable operating leases (continued)

	Consolidated	
	30 September 2013 $	30 September 2012 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**800,873**	783,248
Later than one year but not later than five years	**791,521**	1,578,063
	1,592,394	2,361,311

(ii) Finance leases

Finance leases relate to motor vehicles with lease terms of 3 years. The Group has options to purchase the motor vehicles for a nominal amount at the conclusion of the lease arrangement. All finance leases have now ended.

	Consolidated	
	30 September 2013 $	30 September 2012 $
Commitments in relation to finance leases are payable as follows:		
Within one year	**-**	16,212
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
Minimum lease payments	**-**	16,212
Future finance charges	**-**	(132)
Recognised as a liability	**-**	16,080
Total lease liabilities (note 24)	**-**	16,080
Representing lease liabilities:		
Current	**-**	16,080
Non-current	**-**	-
	-	16,080

31 Related party transactions

(a) Parent entities

The parent entity within the Group and the ultimate Australian parent entity is CO2 Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 33.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 28.

32 Business combination

(a) Subsidiaries acquired

	Principal activity	**Date of acquisition**	**Proportion of shares acquired**	**Consideration transferred**
			(%)	$
2013				
Marine Farms Pty Ltd	Aquaculture	06-09-13	100	250,000
Ecofund Queensland Pty Ltd	Environmental advisory	04-03-13	100	250,000
Total				500,000
2012				
Western Australian Resources Limited	Aquaculture	20-08-12	100	2,601,669
Total				2,601,669

32 Business combination (continued)

(a) Subsidiaries acquired (continued)

Marine Farms Pty Ltd was purchased to be a prawn broodstock facility for the commercial breeding program for Project Sea Dragon. Ecofund Queensland Pty Ltd was purchased from the Queensland State Government. It is Queensland's largest provider of transaction and advisory services in carbon, environmental offsets and renewable energy markets, and holds an Australian Financial Services License. The acquisition has further expanded the group's business activities in emerging carbon markets, commercialising intellectual property, and diversifying into advisory and environmental markets trading. The name of Ecofund Queensland Pty Ltd has been changed to CO2 Group Financial Services Pty Ltd.

(b) Consideration transferred

	Ecofund Queensland Pty Ltd	**Marine Farms Pty Ltd**	**Western Australian Resources Limited**
	$	$	$
2013			
Cash paid	250,000	250,000	-
Total	250,000	250,000	-
2012			
Cash paid	-	-	562,429
Fair value of shares issued	-	-	1,710,664
Direct costs relating to the acquisition	-	-	161,251
Existing holding	-	-	167,325
Total	-	-	2,601,669

32 Business combination (continued)

(c) Assets acquired and liabilities assumed at the date of acquisition

	Ecofund Queensland Pty Ltd	Marine Farms Pty Ltd	Western Australian Resources Limited	Total
2013	$	$	$	$
Current assets				
Cash and cash equivalents	969,709	-	-	969,709
Trade and other receivables	149,095	5,810	-	154,905
Other current assets	64,435	-	-	64,435
Inventories	15,575	-	-	15,575
Non-current assets				
Plant and equipment	34,502	438,227	-	472,729
Deferred tax asset	45,624	-	-	45,624
Current liabilities				
Trade and other payables	(448,944)	-	-	(448,944)
Provision for employee benefits	(771,259)	-	-	(771,259)
Net assets acquired	58,737	444,037	-	502,774
2012				
Current assets				
Cash and cash equivalents	-	-	1,000,536	1,000,536
Other current assets	-	-	404,311	404,311
Other financial assets	-	-	9,355	9,355
Non-current assets				
Plant and equipment	-	-	999	999
Prepaid expenses	-	-	98,832	98,832
Current liabilities				
Trade and other payables	-	-	(119,551)	(119,551)
Net assets acquired	-	-	1,394,482	1,394,482

32 Business combination (continued)

(c) Assets acquired and liabilities assumed at the date of acquisition (continued)

The initial accounting for the acquisitions of Marine Farms Pty Ltd and Ecofund Queensland Pty Ltd has only been provisionally determined at the end of the reporting period. For tax purposes, the tax values of Marine Farms' assets are required to be reset based on market values of the assets. At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely tax values.

The accounting for the acquisition of Western Australian Resources Limited is no longer provisional, and adjustment has been made to the assets acquired after finalisation of tax matters. Current assets on acquisition increased by $352,356 on those provisionally reported in the previous annual report, due to tax and goods and service tax refunds.

(d) Goodwill arising on acquisition

	Ecofund Queensland Pty Ltd	Marine Farms Pty Ltd	Western Australian Resources Limited	Total
2013	$	$	$	$
Consideration transferred	250,000	250,000	-	500,000
Less: fair value of identifiable net assets acquired	(58,737)	(444,037)	-	(502,774)
Goodwill arising on acquisition	191,263	-	-	191,263
Discount on acquisition	-	(194,037)	-	(194,037)
2012				
Consideration transferred	-	-	2,601,669	2,601,669
Less: fair value of identifiable net assets acquired	-	-	(1,394,482)	(1,394,482)
Goodwill arising on acquisition	-	-	1,207,187	1,207,187

Goodwill arose in the acquisition of Ecofund Queensland Pty Ltd because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development.

A discount on acquisition arose in the acquisition of Marine Farms Pty Ltd because the consideration paid for the combination is less than the initial estimate of the fair value of the assets acquired.

32 Business combination (continued)

(d) Goodwill arising on acquisition (continued)

With the finalisation of asset values relating to the Western Australian Resources Limited acquisition, purchased goodwill has changed from the provisionally reported figure of $1,559,543. The goodwill is attributable to the synergies between WARL and the Group and the perceived high future profitability of the aquaculture project.

(e) Net cash inflow on acquisition of subsidiaries

	year ended 30 September 2013	year ended 30 September 2012
	$	$
Consideration paid in cash	(500,000)	(723,678)
Cash and cash equivalent balances acquired	969,709	1,000,536
	469,709	276,858

(f) Impact of acquisitions on the results of the Group

Included in loss for the year is $163,000 profit attributable to the additional business generated by Ecofund Queensland Limited, and a $1,100 loss attributable to Marine Farms Pty Ltd. Revenue for the year includes $1,399,386 for Ecofund Queensland Pty Ltd and $5,592 for Marine Farms Pty Ltd.

Had these business combinations been effected at 1 October 2012, the revenue of the Group from continuing operations would have been $51,272,284, and the loss for the year from continuing operations would have been $7,036,000. The directors of the Group consider these "pro-forma" numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

33 Subsidiaries and transactions with non-controlling interests

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of shares	Equity holding 2013 %	2012 %
CO2 Australia Limited *	Australia	Ordinary	**100**	100
Carbon Banc Limited *	Australia	Ordinary	**100**	100
Carbon Estate Pty Ltd *	Australia	Ordinary	**100**	100
CO2 New Zealand Limited *	Australia	Ordinary	**100**	100
Mallee Land Company Pty Ltd *	Australia	Ordinary	**100**	100
Mallee Carbon Limited *	Australia	Ordinary	**100**	100
Blue Leafed Mallee Limited *	Australia	Ordinary	**100**	100
Carbon Sinks Services Pty Ltd *	Australia	Ordinary	**100**	100
The Oil Mallee Company of Australia Limited *	Australia	Ordinary	**100**	100
Yonderr Pty Ltd *	Australia	Ordinary	**100**	100
Carbon Sink Services New Zealand Limited	New Zealand	Ordinary	**100**	100
Western Australian Resources Limited *	Australia	Ordinary	**100**	100
CO2 Group Financial Services Pty Ltd	Australia	Ordinary	**100**	-
Marine Farms Pty Ltd*	Australia	Ordinary	**100**	-

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 34.

34 Deed of cross guarantee

All companies in the Group except Carbon Sink Services New Zealand Limited ("CSSNZ") and CO2 Group Financial Services Pty Ltd ("CO2GFS") are parties to a deed of cross-guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The balance sheet and income statement of the closed group is the same as that of the consolidated entity except that they do not include CSSNZ and CO2GFS.

34 Deed of cross guarantee (continued)

Set out below is a consolidated income statement for the year ended 30 September 2013 of the Closed Group consisting of CO2 Group Limited, CO2 Australia Limited, Carbon Banc Limited, Carbon Estate Pty Ltd, CO2 New Zealand Limited, Mallee Land Company Pty Ltd, Mallee Carbon Limited, Blue Leafed Mallee Limited, Carbon Sinks Services Pty Ltd, The Oil Mallee Company of Australia Limited, Yonderr Pty Ltd, Western Australian Resources Limited, and Marine Farms Pty Ltd.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

	30 September 2013 $	30 September 2012 $
Consolidated income statement		
Revenue from continuing operations	**43,386,564**	64,216,296
Other income	**836,486**	(358,441)
Cost of environmental credits sold	**(36,780,462)**	(35,135,183)
Employee benefits expense	**(7,210,624)**	(5,843,919)
Depreciation and amortisation expense	**(740,405)**	(502,854)
Other expenses	**(1,387,822)**	(1,128,170)
Consulting expense	**(729,627)**	(484,030)
Legal fees	**(309,344)**	(159,280)
Travel	**(1,043,731)**	(607,277)
Insurance	**(270,188)**	(241,790)
Rent	**(756,084)**	(836,866)
Research & development	**(398,349)**	(343,688)
Marketing	**(257,752)**	(522,342)
Aquaculture concept	**(2,272,514)**	(261,518)
Plantation costs	**(2,527,447)**	(10,844,374)
Finance costs	**(1,796)**	(4,654)
Share of net profit/(loss) of associates and joint venture partnership accounted for using the equity method	**(198,389)**	136,051
Profit/(loss) before income tax	**(10,661,484)**	7,077,961
Income tax (expense) benefit	**3,953,546**	(2,123,638)
Profit/(loss) for the year	**(6,707,938)**	4,954,323

34 Deed of cross guarantee (continued)

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings (continued)

	30 September 2013 $	30 September 2012 $
Consolidated statement of comprehensive income		
Profit for the year	**(6,707,938)**	4,954,323
Total comprehensive income for the year	**(6,707,938)**	4,954,323

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 September 2013 of the Closed Group consisting of CO2 Group Limited, CO2 Australia Limited, Carbon Banc Limited, Carbon Estate Pty Ltd, CO2 New Zealand Limited, Mallee Land Company Pty Ltd, Mallee Carbon Limited, Blue Leafed Mallee Limited, Carbon Sinks Services Pty Ltd, The Oil Mallee Company of Australia Limited, Yonderr Pty Ltd, Western Australian Resources Limited, and Marine Farms Pty Ltd.

	30 September 2013 $	30 September 2012 $
Current assets		
Cash and cash equivalents	**14,076,475**	27,785,780
Trade and other receivables	**790,470**	2,226,353
Inventories	**2,152,481**	5,763,004
Other current assets	**780,470**	629,302
Accrued income	**587,316**	100,584
Total current assets	**18,387,212**	36,505,023
Non-current assets		
Investments accounted for using the equity method	**-**	198,389
Other financial assets - investments	**9,354**	9,354
Property, plant and equipment	**7,402,885**	4,042,529
Deferred tax assets	**9,570,755**	5,825,033
Intangible assets	**4,449,983**	3,840,169
Exploration and evaluation	**98,832**	98,832
Total non-current assets	**21,531,809**	14,014,306

34 Deed of cross guarantee (continued)

(b) Consolidated balance sheet (continued)

	30 September 2013 $	30 September 2012 $
Total assets	**39,919,021**	50,519,329
Current liabilities		
Trade and other payables	**2,052,268**	2,057,348
Borrowings	**-**	16,080
Current tax liabilities	**-**	869,564
Provisions	**780,234**	600,820
Deferred income	**1,209,033**	4,078,492
Total current liabilities	**4,041,535**	7,622,304
Non-current liabilities		
Provisions	**74,030**	57,145
Total liabilities	**4,115,565**	7,679,449
Net assets	**35,803,456**	42,839,880
Equity		
Issued capital	**40,707,180**	43,785,574
Reserves	**5,284,691**	5,574,102
Accumulated losses	**(10,188,415)**	(6,519,796)
Total equity	**35,803,456**	42,839,880

35 Interests in joint ventures

(a) Joint venture partnership

The Parent Entity has a 45% interest in the CO2 New Zealand Limited Partnership, which is resident in New Zealand and the principal activity of which is to assist large emitters to manage their carbon liability under the New Zealand Emissions Trading Scheme.

The interest in the CO2 New Zealand Limited Partnership is accounted for in the financial statements using the equity method of accounting.

During the financial year, on-ground operations commenced for the Limited Partnership's first Carbon Sequestration Management Services Agreement with Ngati Awa Group Holdings Limited.

35 Interests in joint ventures (continued)

(a) Joint venture partnership (continued)

	Consolidated Year to 30 September 2013 $	30 September 2012 $
Carrying amount of investment in partnership	**-**	198,389

	Consolidated Year to 30 September 2013 $	30 September 2012 $
Share of partnership's assets and liabilities		
Current assets	**448,717**	238,197
Non-current assets	**5,873**	7,916
Total assets	**454,590**	246,113
Current liabilities	**805,704**	47,724
Net assets	**(351,114)**	198,389
Share of partnership's revenue, expenses and results		
Revenue	**355,333**	1,420,238
Expenses	**(553,722)**	(1,284,187)
Profit/(loss) before income tax	**(198,389)**	136,051

Due to losses during the financial year exceeding the carrying value of the investment, the share of the loss of the joint venture partnership has been restricted to the amount required to write the asset down to NIL value.

36 Events occurring after the reporting period

(a) Acquisition of entity

On 25 October 2013, CO2 Group Limited acquired a further 45% share in CO2 New Zealand Limited Partnership ("CO2NZLP") for consideration of NZ$45,000, taking its ownership to 90%. The financial effects of this transaction have not been brought to account at 30 September 2013. The operating results and assets and liabilities of the Company will be consolidated from 25 October 2013.

37 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated Year to	
	30 September 2013 $	30 September 2012 $
Profit for the year	**(6,779,523)**	4,912,698
Depreciation and amortisation	**750,685**	502,854
Net (gain) loss on sale of non-current assets	**-**	(30,736)
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(642,449)**	-
Share of losses (profits) of joint venture partnership	**198,389**	(136,051)
Discount on acquisition	**(194,037)**	-
Equity settled share based payments	**182,876**	1,280,121
Interest income received	**(772,249)**	(1,150,333)
Change in operating assets and liabilities:		
(Increase) decrease in trade debtors and receivables	**611,943**	(40,722)
Decrease (Increase) in inventories	**45,585**	1,150,285
(Increase) decrease in other current assets	**94,196**	905,788
(Increase) decrease in deferred tax assets	**(3,745,706)**	(1,494,346)
(Increase) decrease in other operating assets	**(602,630)**	457,629
(Decrease) increase in trade creditors	**763,608**	(3,168,091)
(Decrease) increase in other operating liabilities	**(2,783,895)**	(10,143,810)
(Decrease) increase in provision for income taxes payable	**(829,197)**	(1,407,397)
(Decrease) increase in other provisions	**201,702**	(386)
Net cash inflow (outflow) from operating activities	**(13,500,702)**	(8,362,497)

38 Earnings per share

(a) Basic earnings per share

	Consolidated Year to 30 September 2013 Cents	30 September 2012 Cents
From continuing operations	**(1.50)**	1.19
Total basic earnings per share attributable to the ordinary owners of the Company	**(1.50)**	1.19

(b) Diluted earnings per share

	Consolidated Year to 30 September 2013 Cents	30 September 2012 Cents
From continuing operations	**(1.50)**	1.12
Total basic earnings per share attributable to the ordinary owners of the Company	**(1.50)**	1.12

(c) Reconciliation of earnings used in calculating earnings per share

	Consolidated Year to 30 September 2013 $	30 September 2012 $
Basic earnings per share		
Profit/(loss) from continuing operations	**(6,779,523)**	4,912,698
	(6,779,523)	4,912,698
Diluted earnings per share		
Profit/(loss) from continuing operations	**(6,779,523)**	4,912,698
Profit from continuing operations attributable to the ordinary equity holders of the Company	**(6,779,523)**	4,912,698

38 Earnings per share (continued)

(d) Weighted average number of shares used as denominator

	Consolidated Year to 2013 Number	Consolidated Year to 2012 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**451,309,920**	411,917,194
Adjustments for calculation of diluted earnings per share:		
Shares deemed to be issued for no consideration in respect of performance rights and convertible preference shares	**-**	26,230,845
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**451,309,920**	438,148,039

39 Share-based payments

(a) Employee Incentive & Option Plan

The establishment of the CO2 Group Limited Employee Incentive Plan and the CO2 Employee Share Trust was approved by shareholders at the 2010 annual general meeting. The Employee Incentive Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted performance rights which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The Group also has an employee option plan and to date 1,580,000 unlisted options have been granted under this plan. Additionally, the Group has granted listed and unlisted options to certain employees under their contracts of employment.

Options granted on this basis carry no dividend or voting rights.

Once vested, the options can be exercised at any time at the discretion of the employee.

The exercise price of unlisted options is based on the weighted average price at which the company’s shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted.

Set out below are summaries of options granted under the plan:

39 Share-based payments (continued)

(a) Employee Incentive & Option Plan (continued)

Options granted under the plan

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2013								
20-11-08	30-11-12	$0.49	1,580,000	-	-	(1,580,000)	-	-
20-11-08	02-12-12	$0.52	4,500,000	-	-	(4,500,000)	-	-
			6,080,000	-	-	(6,080,000)	-	-

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2012								
03-09-04	12-11-11	$0.12	7,300,000	-	(7,300,000)	-	-	-
15-09-04	12-11-11	$0.12	166,667	-	(166,667)	-	-	-
15-11-04	12-11-11	$0.12	1,000,000	-	(1,000,000)	-	-	-
15-11-05	12-11-11	$0.12	300,000	-	(300,000)	-	-	-
20-11-08	30-11-12	$0.49	1,580,000	-	-	-	1,580,000	1,580,000
20-11-08	02-12-12	$0.52	4,500,000	-	-	-	4,500,000	4,500,000
			14,846,667	-	(8,766,667)	-	6,080,000	6,080,000
Weighted average exercise price			-	-	$0.12	-	$0.51	$0.51

6,080,000 unlisted share options expired during the periods covered by the above tables.

39 Share-based payments (continued)

(a) Employee Incentive & Option Plan (continued)

Performance Rights

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2013								
30-09-11	01-02-13	-	4,571,862	-	(4,571,861)	(1)	-	4,571,861
30-09-11	01-02-14	-	4,571,862	-	-	-	4,571,862	-
			9,143,724	-	(4,571,861)	(1)	4,571,862	4,571,861

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2012								
30-09-11	30-09-12	-	4,571,862	-	(4,571,862)	-	-	4,571,862
30-09-11	01-02-13	-	4,571,862	-	-	-	4,571,862	-
30-09-11	01-02-14	-	4,571,862	-	-	-	4,571,862	-
			13,715,586	-	(4,571,862)	-	9,143,724	4,571,862

Fair value of options granted

The assessed fair value at grant date of performance rights granted on 30 September 2011 was 16 cents per right, based upon the share price of CO2 Group at the grant date.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated Year to 30 September 2013 $	Consolidated Year to 30 September 2012 $
Performance rights	**182,876**	1,280,121
	182,876	1,280,121

40 Parent entity financial information

(a) Summary financial information

The individual financial statements for the Parent entity show the following aggregate amounts:

	30 September 2013 $	30 September 2012 $
Balance sheet		
Current assets	**34,867,776**	41,098,248
Non-current assets	**7,191,142**	2,744,097
Total assets	**42,058,918**	43,842,345
Current liabilities	**658,481**	913,242
Non-current liabilities	**25,628**	20,853
Total liabilities	**684,109**	934,095
Net assets	**41,374,809**	42,908,250
Shareholders' equity		
Issued capital	**44,288,480**	43,785,575
Reserves		
Reserves	**5,302,513**	5,622,542
Retained earnings	**(8,216,184)**	(6,499,867)
	41,374,809	42,908,250
Profit or loss for the year	**(1,716,317)**	(2,088,091)
Total comprehensive income	**(1,716,317)**	(2,088,091)

40 Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

There are cross guarantees given by CO2 Group Limited and all its subsidiaries as described in note 34. No deficiencies of assets exist in any of these companies. The parent company has given no other guarantees.

(c) Contingent liabilities of the parent entity

The Parent entity did not have any contingent liabilities as at 30 September 2013 or 30 September 2012. For information about guarantees given by the Parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 September 2013, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 42 to 118 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 consolidated entity's financial position as at 30 September 2013 and of its performance for the year ended on that date, and

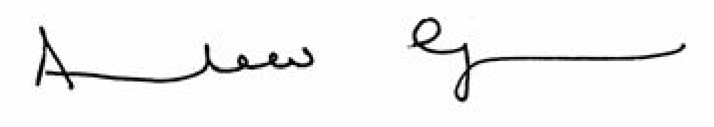
(b) the financial statements and notes set out on pages 42 to 118 are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 34 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 34.

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*.

This declaration is made in accordance with a resolution of Directors.



Andrew William Thorold Grant
Melbourne
29th November 2013

Deloitte.

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Independent Auditor's Report to the members of CO2 Group Limited

Report on the Financial Report

We have audited the accompanying financial report of CO2 Group Limited, which comprises the consolidated balance sheet as at 30 September 2013, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 43 to 119.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company'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.

Deloitte

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of CO2 Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of CO2 Group Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 31 of the directors' report for the year ended 30 September 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of CO2 Group Limited for the year ended 30 September 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants
Melbourne, 29 November 2013

The Shareholder information set out below was applicable as at 31 October 2013.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Ordinary shares
1 - 1000	210
1,001 - 5,000	599
5,001 - 10,000	357
10,001 - 100,000	754
100,001 and over	252
	2,172

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Gabor Holdings Pty Ltd (The Tricorp A/C)	111,173,125	24.55
Avatar Industries Pty Ltd	89,960,018	19.87
Crestpark Investments Pty Ltd	26,054,323	5.75
Pinnacle Superannuation P/L <PJF S/F A/C>	20,730,720	4.58
Gabor Holdings Pty Ltd	11,668,422	2.58
City Lane Pty Ltd (Whitcombe Family A/C)	9,576,372	2.11
Susan Wallwork	8,000,000	1.77
BNP Paribas Noms Pty Ltd ACF Pengana <DRP>	7,371,530	1.63
Pershing Australia Nominees Pty Ltd (Argonaut)	6,710,003	1.48
Susan Wallwork	6,545,188	1.45
Andrew William Thorold Grant	5,958,288	1.32
Mr Harry Carter & Mrs Judith Carter	3,500,000	0.77
Mrs GE Robertson & Mrs TM Salter <GKT Super Fund>	3,239,998	0.72
MRC Services Pty Ltd (Cooper Family Fund A/C)	3,228,616	0.71
Lopez Enterprises Pty Ltd (McAuliffe Super)	3,039,500	0.67
Victor M Lewis Pty Ltd	3,000,000	0.66
City Lane Pty Ltd (Harley Whitcombe S/F A/C)	2,436,887	0.54
Narrow Lane Pty Ltd <Super Fund>	2,129,375	0.47
Tomich Super Pty Ltd <Tomich Superfund A/c>	2,050,000	0.45
JP Morgan Nominees Australia Limited	2,000,000	0.44
	328,372,365	72.52

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Gabor Holdings Pty Ltd (and associates)	214,673,321	47.40%
Crestpark Investments Pty Ltd (and associates)	29,282,939	6.47%