



**Andrew Grant**  
Chief Executive Officer  
CO2 Group Limited

**The 2009 financial year saw CO2 Group continue to consolidate its position as Australia's market leader in biosequestration offset programs.**

We've continued to expand our leadership as the top biosequestration company in Australia by increasing the area of forest carbon sinks under management across southern Australia, securing new blue chip customers, committing to additional projects with existing customers and maintaining our strong on-going commitment to research and development.

As market leader CO2 Group has established and is currently managing approximately 12,500 hectares of dedicated forest carbon sink plantings. The total number of trees planted by CO2 Group for biosequestration is now approximately 18 million.

As a direct result of these plantings, CO2 Group has established an extensive network with numerous contractors across southern Australia. Our activities to date have resulted in the generation of over 100 new jobs in regional Australia.

While it is encouraging to see the industry grow with new participants, CO2 Group is enjoying the benefits of being the most experienced forest carbon sink developer in the country. The experience acquired over the last ten years has been invaluable. Significant learnings on-ground, legally and legislatively have enabled CO2 Group to deliver accredited, low-cost abatement solutions to major Australian and international companies and governments.

It is my intention for CO2 Group to continue to build 'leadership through experience'. There are many advantages in developing this resource, not least of which is the value which major companies place on it in determining their carbon response. In this light, during the last financial year CO2 Group has expanded its blue chip customer portfolio. New contracts were formalised with Newmont Australia, Wannon Regional Water Corporation and ACTEW.

Two of our biggest customers, Eraring Energy and Woodside this year exercised options for the establishment of additional forest carbon sink plantings. These contracts significantly strengthen the company's financial position and ongoing performance.

Well supported by high level science and carbon accounting, CO2 Group has pioneered the industry with an estimated market share of 80%. Our customer base is strong, with demand increasing exponentially despite the uncertainty surrounding legislative decisions and wider economic conditions.

Australia's biosequestration industry is the most advanced in the world. With a large landmass, lower population density and a landscape significantly at-risk, a direct result of over clearing and new emerging threats posed by climate change, Australia can make use of forest carbon sinks in a way that many other countries cannot.

CO2 Group's approach to organisational growth is focused on the operational development of new Australian native species. They will provide the basis for further expansion into a range of marginal agricultural areas across Australia. Delivery into these landscapes is expected to greatly enhance the capacity for the company to deliver significant carbon abatement projects at scale.

Science underpins the success of the CO2 Group. Planting trees presents a natural, easy to understand solution to mitigating the effects of climate change, however the forestry management expertise and the subsequent scientific analysis required to accurately forecast and bring the carbon to account is complex and expensive. It also requires extensive data sets which take time to develop. CO2 Group has data sets which have been independently commissioned and generated over a 10 year period.

CO2 Group's carbon accounting is underpinned by a unique data management system, the first of its kind to be developed anywhere in the world. Indeed, it's IP such as this which we look to further invest during the coming year.

The past year, 2009, represents CO2 Group's second profitable year, with a 21% rise in revenues. Key achievements during this time include:

- Woodside exercising an option to undertake approximately \$75 million worth of additional forest carbon sink plantings;
- Eraring Energy, ACTEW, Newmont Asia Pacific and Wannon Water committing to forest carbon sink projects totalling in excess of \$14.6 million with management periods ranging between 30 and 50 years;
- CO2 Group successfully negotiating the takeover of the Oil Mallee Company; and
- CO2 Group delivering its first full scale field carbon inventory program through the NSW Greenhouse Gas Abatement Scheme.

The coming year is certain to bring a range of exciting developments and CO2 Group will continue to meet every

opportunity with enthusiasm and commitment.

The company remains steadfast in its quest to maximise the potential of our operations today, which is vital if we are to meet the climate change challenges of tomorrow.

I would like to thank and congratulate our staff for the continued development of projects and ongoing research and development which underpins the long term performance of the company.



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