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The directors present their report on the consolidated entity (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 June 2009.

## 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:

- Mr Ian Norman Trahar
- Mr Andrew William Thorold Grant
- Mr Harley Ronald Whitcombe
- Dr Christopher David Mitchell
- Mr Paul John Favretto
- Dr Malcolm Brian Hemmerling

Dr Mitchell was a Non-executive Director of CO2 Group Limited until his appointment as an Executive Director on 18 August 2008.

## PRINCIPAL ACTIVITIES

The Group's principal activity during the course of the financial year has been the provision of environmental services primarily carbon sequestration i.e. the establishment of forest carbon sinks.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the Director's Report, financial statements or notes thereto.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2009 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 these financial statements because the directors believe it would be likely to result in unreasonable prejudice to the Group.

## INFORMATION ON DIRECTORS

### Mr Ian Norman Trahar

B.Ec, MBA  
Chairman

#### Experience and expertise

Mr Trahar has a resource and finance background. Ian is a member of the Australian Institute of Company Directors.

#### Other current listed company directorships

None.

#### Former directorships in last 3 years

Avatar Industries Limited (formerly a listed public company, now a private company).

#### Special responsibilities

Chairman of the Board.  
Member of the audit committee.  
Member of remuneration committee.

#### Interests in shares and options

116,831,546 ordinary shares in CO2 Group Limited.  
67,737,796 listed options over ordinary shares in CO2 Group Limited.

### Mr Andrew Grant

BSc (Hons), Grad Dip Bus Mg, MAICD  
Executive Director

#### Experience and expertise

Mr Grant has lead CO2 Group and its related entities since 2005. Andrew was the National Head of Ernst and Young's environmental advisory division and was the lead adviser to the New South Wales Government in relation to implementing the New South Wales Greenhouse Gas Abatement Scheme. He has over 25 years experience in broad acre land management and has managed major commercial forestry operations in Victoria. As a widely recognised authority on climate change and carbon trading, Andrew has advised many major corporations across Australia and has performed design and audit roles in a variety of carbon trades. With significant executive management experience, he has a unique combination of commercial, carbon trading and natural resource management skills.

Andrew was an Independent Director of the Cooperative Research Centre for Greenhouse Accounting. The CRC has been at the leading edge of carbon sequestration modelling and research. From 2006 to 2009, Andrew was Chairman of the Port Phillip Western Port Catchment Management Authority. Andrew is a Director of the Banksia Environmental Foundation, which runs the Banksia Awards, Australia's leading environmental awards.

#### Other current listed company directorships

None.

#### Former directorships in last 3 years

None.

#### Special responsibilities

Chief Executive Office – CO2 Group Limited.  
Managing Director – CO2 Australia Limited.

#### Interests in share and options

13,293,654 options over ordinary shares in CO2 Group Limited.

**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 listed company directorships**

None.

**Former directorships in last 3 years**

None.

**Special responsibilities**

Chief Financial Officer of CO2 Group Limited & Company Secretary.

**Interests in share and options**

7,742,000 ordinary shares in CO2 Group Limited.  
4,145,157 options over 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. Prior to joining CO2 Group full-time Chris 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 is a member of the Victorian Climate Change Minister's Reference Council on Climate Change Adaptation and was recently appointed to CSIRO's Environment and Natural Resources Sector Advisory Committee.

**Other current listed company directorships**

None.

**Former directorships in last 3 years**

None.

**Special responsibilities**

Member of audit committee until 18 August 2008.  
Member of Remuneration Committee.

**Interests in share and options**

4,000,000 options over ordinary shares in CO2 Group Limited.

**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 management positions with Citibank Limited (1976 to 1985) and Bankers Trust Australia Limited (1986 to 1994).

**Other current listed company directorships**

None.

**Former directorships in last 3 years**

Managing Director of Avatar Industries Limited (formerly a listed company, now a private company).

**Special responsibilities**

Chairman of remuneration committee.

Member of audit committee.

**Interests in share and options**

12,500,522 ordinary shares in CO2 Group Limited.

7,499,478 options over ordinary shares in CO2 Group Limited.

**Dr Malcolm Brian Hemmerling**

PhD, BSc (Hons), Dip T (Sec), FAICD

Non-Executive Director

**Experience and expertise**

Dr Hemmerling is the Commissioner for Consumer and Business Affairs in Adelaide. He has had extensive experience in leadership and management positions, having been Chief Executive Officer for The Sydney Organising Committee for the Olympic Games, Chief Executive Officer of the Australian Formula One Grand Prix in South Australia and Chief Executive Officer of Bob Jane T-Marts. Dr Hemmerling has also been the head of the Premier's Cabinet Office in South Australia. Dr Hemmerling is a fellow of the Australia Institute of Company Directors.

**Other current listed company directorships**

None.

**Former directorships in last 3 years**

Non-executive Director of Avatar Industries Limited (formerly a listed company, now a private company).

**Special responsibilities**

Chairman of audit committee.

Member of remuneration committee.

**Interests in share and options**

75,000 ordinary shares in CO2 Group Limited.

3,000,000 options over ordinary shares in CO2 Group Limited.

### Company secretary

The company secretary is Mr Harley Ronald Whitcombe. Mr Whitcombe was appointed company secretary on 12 November 2001. He has held similar positions with a number of other publicly listed companies. Mr Whitcombe has been a member of CPA Australia for over 25 years.

### 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 June 2009, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit		Remuneration	
	A	B	A	B	A	B
I Trahar	9	9	2	2	1	1
H Whitcombe	9	9	-	-	-	-
Dr M Hemmerling	7	9	2	2	1	1
Dr C Mitchell	9	9	-	-	-	-
A Grant	9	9	-	-	-	-
P Favretto	9	9	2	2	1	1

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

## REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share based compensation
- E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001

### A Principles used to determine the nature and amount of remuneration

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:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

#### Alignment to shareholders' interests:

- attracts and retains high calibre executives.

#### Alignment to program participants' interests:

- rewards capability and experience
- provides recognition for contribution.

The Board has established a remuneration committee which provides advice 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.

### Non executive directors

The shareholders of CO2 Group Limited on 26 October 2001 approved, for the purposes of the ASX Listing Rules and CO2 Group's Constitution, maximum aggregate directors' fees of \$250,000, 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 Board has previously recommended to shareholders at an Annual General Meeting that options be issued to two non executive directors as part of their remuneration package in lieu of higher cash remuneration in order to preserve the consolidated entity's cash resources and reduce ongoing costs.

The Board at the time of appointing the two non executive directors assessed the remuneration packages payable to its non executive directors with those paid to non executive directors with comparable expertise, experience and duties in companies of comparable size and stage of development as the consolidated entity. Based on this assessment, it was the Board's view that the remuneration package, including the number of options to be issued to Dr Hemmerling and Dr Mitchell, is appropriate and within acceptable remuneration levels for non executive directors.

The Board considered at the time that whilst in development phase it was, and continues to be, focused on preserving its cash flows. The decision to issue the options to Dr Hemmerling and Dr Mitchell in lieu of a higher cash director's fee is consistent with this objective.

To retain persons of the quality and experience of Dr Hemmerling and Dr Mitchell, the Board believes that it was appropriate to issue the options.

The options were issued at an exercise price which represented a significant premium to the market price at the time of issue. Accordingly to benefit from the options, the company's share price must exceed the exercise price before the options expire. The options are not transferable without Board approval and so it is unlikely any value can be obtained by the holders of the options without exercising the options.

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

Dr Mitchell became an executive director of the company on 18 August 2008.

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## 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  
(Director and Company Secretary)
- Dr Christopher David Mitchell  
(Non-executive Director until his appointment as Executive Director on 18 August 2008)
- Dr Malcolm Brian Hemmerling  
(Non-executive Director)
- Paul John Favretto  
(Non-executive director from 18 December 2007)

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

- Aaron Soanes, MAICD  
(Director and General Manager of Operations, CO2 Australia Limited)
- Ashley Shilkin  
(Commercial Manager, CO2 Australia Limited)
- Dr James Bulinski  
(Director, CO2 Australia Limited)

## Key management personnel and other executives of the group

2009	Short-term employee benefits				Post-employment benefits	Long-term benefits		Share-based payments	Total
	Cash Salary and fees \$	Cash bonus* \$	Non monetary benefits \$	Other \$	Super-annuation \$	Long service leave \$	Termination benefits	Options \$	
<b>Non-executive Directors</b>									
M Hemmerling	-	-	-	-	38,150	-	-	69,300	107,450
P Favretto	13,750	-	-	-	21,973	-	-	-	35,723
<b>Sub-total non-executive directors</b>	<b>13,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,123</b>	<b>-</b>	<b>-</b>	<b>69,300</b>	<b>143,173</b>
<b>Executive Directors</b>									
I Trahar	237,900	-	-	7,835	23,529	5,236	-	-	274,500
H Whitcombe	229,358	-	-	7,835	20,642	5,048	-	-	262,883
A Grant	293,578	-	31,890	-	26,422	6,462	-	401,102	759,454
C Mitchell (appointed 18 August 2008)	191,833	-	3,390	-	17,265	4,097	-	138,600	355,185
<b>Other key management personnel (Group)</b>									
A Soanes	207,732	-	2,979	-	18,696	4,572	-	20,050	254,029
A Shilkin	105,761	-	-	-	9,519	2,328	-	16,040	133,648
J Bulinski	132,193	-	11,232	-	11,611	2,910	-	16,040	173,986
<b>Total key management personnel compensation (Group)</b>	<b>1,412,105</b>	<b>-</b>	<b>49,491</b>	<b>15,670</b>	<b>187,807</b>	<b>30,653</b>	<b>-</b>	<b>661,132</b>	<b>2,356,858</b>

## Key management personnel and other executives of the group

2008	Short-term employee benefits				Post-employment benefits	Long-term benefits	Share-based payments	Total \$
	Cash Salary and fees \$	Cash bonus* \$	Non monetary benefits \$	Other \$	Super-annuation \$	Long service leave \$	Options \$	
<b>Non-executive Directors</b>								
M Hemmerling	-	-	-	-	40,775	-	-	40,775
C Mitchell	33,000	-	-	-	2,970	-	-	35,970
P Favretto (appointed 18 December 2007)	17,875	-	-	-	1,609	-	-	19,484
<b>Sub-total non-executive directors</b>	<b>50,875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,354</b>	<b>-</b>	<b>-</b>	<b>96,229</b>
<b>Executive Directors</b>								
I Trahar	237,900	-	-	-	23,529	21,083	-	282,512
H Whitcombe	198,777	-	-	7,238	17,890	20,326	-	244,271
A Grant	232,416	-	28,533	-	20,917	12,946	750,743	1,045,555
J McAuliffe (resigned 18 December 2008)	162,315	-	-	7,238	11,798	-	-	181,391
<b>Other key management personnel (Group)</b>								
A Soanes	204,713	15,000	-	-	17,634	5,036	17,200	259,583
A Shilkin	91,560	10,000	-	-	9,140	1,490	-	112,190
J Bulinski#	120,175	10,000	13,202	-	11,539	1,862	-	156,778
<b>Total key management personnel compensation (Group)</b>	<b>1,298,731</b>	<b>35,000</b>	<b>41,735</b>	<b>14,556</b>	<b>157,801</b>	<b>62,743</b>	<b>767,943</b>	<b>2,378,509</b>

\* Bonuses are granted at the complete discretion of the directors with reference to the achievement of perceived milestones in the development of the Group.

# Dr J Bulinski was appointed a director of CO2 Australia on 20 November 2007. Before his appointment he was the Manager of Research & Monitoring.

Amounts shown above include all Dr Bulinski's remuneration during the reporting period, whether as a director or as Manager of Research & Monitoring.

Amounts received in his position as a director amounted to \$94,836, made up of cash salary of \$70,102, cash bonus of \$10,000, non monetary benefits of \$7,701, and superannuation of \$7,033.

No director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

## 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 board has been considering the introduction of an Executive Bonus Scheme which the Remuneration Committee will develop and implement. This Scheme will be put to shareholders for approval.

As at the date of this Report there is no formal performance condition included in any directors' or executives' remuneration package. Service Agreements have been entered into by all executive directors and certain specified executives. Summarised below are the major terms of those agreements. The non-executive directors do not have service agreements.

Options issued to Messrs Grant and Soanes are not performance orientated. Both are experts in the field in which they operate and the board took the view that the best way to encourage these experts was to provide them with an opportunity to participate in the growth of the consolidated entity which will be generated directly from their endeavours. All shareholders will benefit from the results which will be achieved through these two executives' efforts. This is a growing business and quality people are required to grow the business.

The Remuneration Committee will 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.

### **IN Trahar, HR Whitcombe, CD Mitchell (appointed 18 August 2008) and J McAuliffe (resigned 18 December 2007) 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.

### **AWT Grant Managing Director of subsidiary CO2 Australia Limited and Chief Executive Officer of CO2 Group Ltd:**

- 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;
- One-off issue of 7,400,000 listed options exercisable at \$0.12 expiring on 12 November 2011, as approved by shareholders;
- 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.
- As part of Mr Grant's appointment as CEO on 18 July 2007, he was offered an executive option package which may result in a maximum of 9,000,000 options being issued to him. These options are to be issued to Mr Grant for no consideration. This issue of options was approved by shareholders at the Company's AGM held on 8 November 2007;
- The key terms of the options issued to Mr Grant are summarised as follows: (i) Series 1 – 3,000,000 options, exercise price \$0.50, vesting on 30 June 2008; (ii) Series 1a – 1,000,000 options, exercise price \$0.60, vesting on 30 June 2009; (iii) Series 2 – 2,000,000 options, exercise price \$0.60, vesting on 30 June 2009; (iv) Series 2a – 1,000,000 options, exercise price \$0.70, vesting on 30 June 2010; (v) Series 3 – 1,000,000 options, exercise price \$0.70, vesting on 30 June 2010; and (vi) Series 3a – 1,000,000 options, exercise price \$0.80, vesting on 30 June 2011.
- Series 1a, 2a and 3a will be issued if Series 1, 2 and 3 respectively are exercised by Mr Grant. All the options have an expiry date of 31 July 2011.

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**AJ Soanes Director and General 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, six months base salary is to be paid plus payment equivalent to three weeks of base salary for each completed year of service;
- Issue of 1,000,000 options exercisable at \$0.12, expiring 12 November 2011.

**A Shilkin Commercial Manager, 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, six months base salary is to be paid plus payment equivalent to three weeks of base salary for each completed year of service;
- Issue of 2,000,000 options exercisable at \$0.33, expiring 28 February 2010 and issued upon commencement of employment. The issue of these options was not performance based;
- The options were issued at an exercise price which represents a significant premium to the market price at the time of issue. Accordingly to benefit from the options, the company's share price must exceed the exercise price before the options expire. The options are not transferable without Board approval and so it is unlikely any value can be obtained by the holder of the options without exercising the options.

**Dr 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;
- Issue of 1,000,000 options exercisable at \$0.40, expiring 15 November 2010 and issued on 15 November 2006. The issue of these options was not performance based.
- The options were issued at an exercise price which represents a significant premium to the market price at the time of issue. Accordingly to benefit from the options, the company's share price must exceed the exercise price before the options expire. The options are not transferable without Board approval and so it is unlikely any value can be obtained by the holder of the options without exercising the options.

## D Share-based compensation

### Options

During the year, 1.58 million options over shares in CO2 Group Limited were granted under the CO2 Group Limited Employee Share Option Plan (which was approved by shareholders at the 2004 annual general meeting) to a number of employees including key management personnel.

Key management personnel have also been issued with share options as part of their contracts of employment, as detailed above.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Key Management Personnel	Date vested and exercisable	Expiry Date	Exercise price	Value per option at grant date
A Grant *	3 September 2004	12 November 2011	\$0.12	\$0.23
A Soanes *	15 November 2004	12 November 2011	\$0.12	\$0.43
M Hemmerling & C Mitchell	16 November 2005	16 November 2009	\$0.32	\$0.10
A Shilkin	8 March 2006	28 February 2010	\$0.33	\$0.09
J Bulinski	14 November 2006	15 November 2010	\$0.40	\$0.12
A Grant	30 June 2008	31 July 2011	\$0.50	\$0.16
A Grant	30 June 2009	31 July 2011	\$0.60	\$0.15
A Grant	30 June 2009	31 July 2011	\$0.60	\$0.15
A Grant	30 June 2010	31 July 2011	\$0.70	\$0.13
A Grant	30 June 2010	31 July 2011	\$0.70	\$0.13
A Grant	30 June 2011	31 July 2011	\$0.80	\$0.12
M Hemmerling & C Mitchell	20 November 2008	2 December 2012	\$0.52	\$0.05
A Soanes, A Shilkin, J Bulinski	20 November 2008	30 November 2012	\$0.49	\$0.04

\* Listed options

Details of options over ordinary shares in the company provided as remuneration to each director of CO2 Group Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of CO2 Group Limited. Further information on the options is set out in note 35 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2009	2008	2009	2008
<b>Directors of CO2 Group Limited</b>				
M Hemmerling	1,500,000	-	1,500,000	-
C Mitchell	3,000,000	-	3,000,000	-
A Grant	-	9,000,000	3,000,000	3,000,000
<b>Other key management personnel of the Group</b>				
A Soanes	500,000	-	500,000	320,000
J Bulinski	400,000	-	400,000	-
A Shilkin	400,000	-	400,000	-

The assessed fair value at grant date of options 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 unlisted options 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.

#### Shares provided on exercise of remuneration options

To date, there have been no ordinary shares in the company provided as a result of the exercise of remuneration options to directors of CO2 Group Limited or other key management personnel of the Group.

## E Additional information

### Performance of CO2 Group Limited

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2009:

	30 June 2009 \$	30 June 2008 \$	30 June 2007 \$	30 June 2006 \$	30 June 2005 \$
Revenue	14,833,919	12,305,354	3,953,696	-	-
Net profit (loss) before tax	1,563,573	356,258	(3,824,230)	(4,518,865)	(4,921,214)
Net profit (loss) after tax	681,177	1,573,272	(3,685,784)	(4,498,461)	(4,009,179)
	30 June 2009 \$	30 June 2008 \$	30 June 2007 \$	30 June 2006 \$	30 June 2005 \$
Share price at start of year	34c	38c	17c	30c	26c
Share price at end of year	17c	34c	38c	17c	30c
Dividend	-	-	-	-	-
Basic earnings per share	0.25cps	0.62cps	-1.79cps	-2.28cps	-2.08cps
Diluted earnings per share	0.18cps	0.38cps	-1.79cps	-2.28cps	-2.08cps

Changes in the wealth of the business currently bears no relationship to the remuneration of key management personnel.

### Share-based compensation:

Further details relating to share-based compensation are set out below.

Name	A	B	C	D
	Remuneration consisting of options	Value at grant date \$	Value at exercise date \$	Value at lapse date \$
<b>Options</b>				
M Hemmerling	64.5%	69,300	-	-
C Mitchell	39.5%	138,600	-	-
A Grant	55.2%	1,318,400	-	-
A Soanes	8.0%	20,050	-	-
A Shilkin	12.2%	16,040	-	-
J Bulinski	9.4%	16,040	-	-

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value of options at grant date calculated in accordance with AASB 2 Share-based Payment of options vested during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date. The convertible preference shares were valued at their intrinsic value at exercise date.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

## LOANS TO DIRECTORS AND EXECUTIVES

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 26 to the financial statements.

## SHARES UNDER OPTION

Unissued ordinary shares of CO2 Group Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of options	Number under option
Listed - various issue dates	12 November 2011	\$0.12	156,192,688
15 November 2005	17 November 2009	\$0.32	2,500,000
27 February 2006	28 February 2010	\$0.33	2,000,000
14 November 2006	15 November 2010	\$0.40	1,000,000
20 June 2007	21 June 2011	\$0.55	500,000
8 November 2007	31 July 2011	\$0.50	3,000,000
8 November 2007	31 July 2011	\$0.60	3,000,000
8 November 2007	31 July 2011	\$0.70	2,000,000
8 November 2007	31 July 2011	\$0.80	1,000,000
20 November 2008	2 December 2012	\$0.52	4,500,000
20 November 2008	30 November 2012	\$0.49	1,580,000
			<b>177,272,688</b>

No option holder has any right under the options to participate in any other share issue of the company or any other entity. No options have been exercised since the end of the financial year.

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 24(d).

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## 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.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

## 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.

The auditor (Deloitte Touche Tohmatsu) was not engaged for any non-audit services during the year.

## DIVIDENDS - CO2 GROUP LIMITED

The Directors of CO2 Group Limited do not recommend the payment of a dividend and no dividends have been paid or declared during either the year ended 30 June 2009 or 2008.

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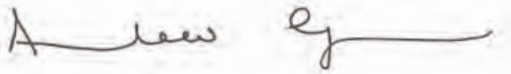
## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 38.

### **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.



**Andrew William Thorold Grant**

Director  
Melbourne  
20 August 2009

The Board of Directors  
CO2 Group Limited  
Level 11  
225 St George's Terrace  
Perth WA 6000

20 August 2009

Dear Board Members

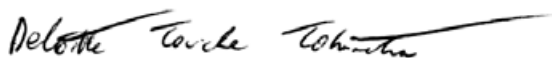
### **CO2 Group Limited**

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.

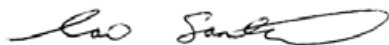
As lead audit partner for the audit of the financial statements of CO2 Group Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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**



**Ian Sanders**  
Partner  
Chartered Accountants