Our Ref: CO2 ASX Announce Appendix 4D Half Year Report 2009 (276)

19 February 2010

ANNOUNCEMENT 276

Company Announcements Office
Australian Stock Exchange
10th Floor
20 Bond Street
SYDNEY NSW 2000

By ASX Online
Number of pages: 24
(including this page)

Dear Sir

CO2 Group Report for the Half Year Ended 31 December 2009

The directors of CO2 Group are pleased to release to market the Half Year Report for the half year ended 31 December 2009 and attach the following documents:

ASX Appendix 4D
Half Year Report 2009

The Company highlights that on a normalised basis (i.e. removing the one off effect of the revaluation of the OMC acquisition in 2008) the Earnings Before Interest and Tax ("EBIT") for the first half of this financial year results in an improvement in EBIT compared to the prior comparable period.

The out look for the second half of the financial year is expected to trend in a similar manner as the 2009 second half and therefore should result in a strong performance for the full year both in EBIT and profit.

Please telephone Andrew Grant on (03) 9928 5111 or Harley Whitcombe on (08) 9321 4111 with any queries on the Company's 2009 Half Year Report.

Yours faithfully
CO2 Group Limited

Harley Whitcombe
Company Secretary

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CO2 Group Limited

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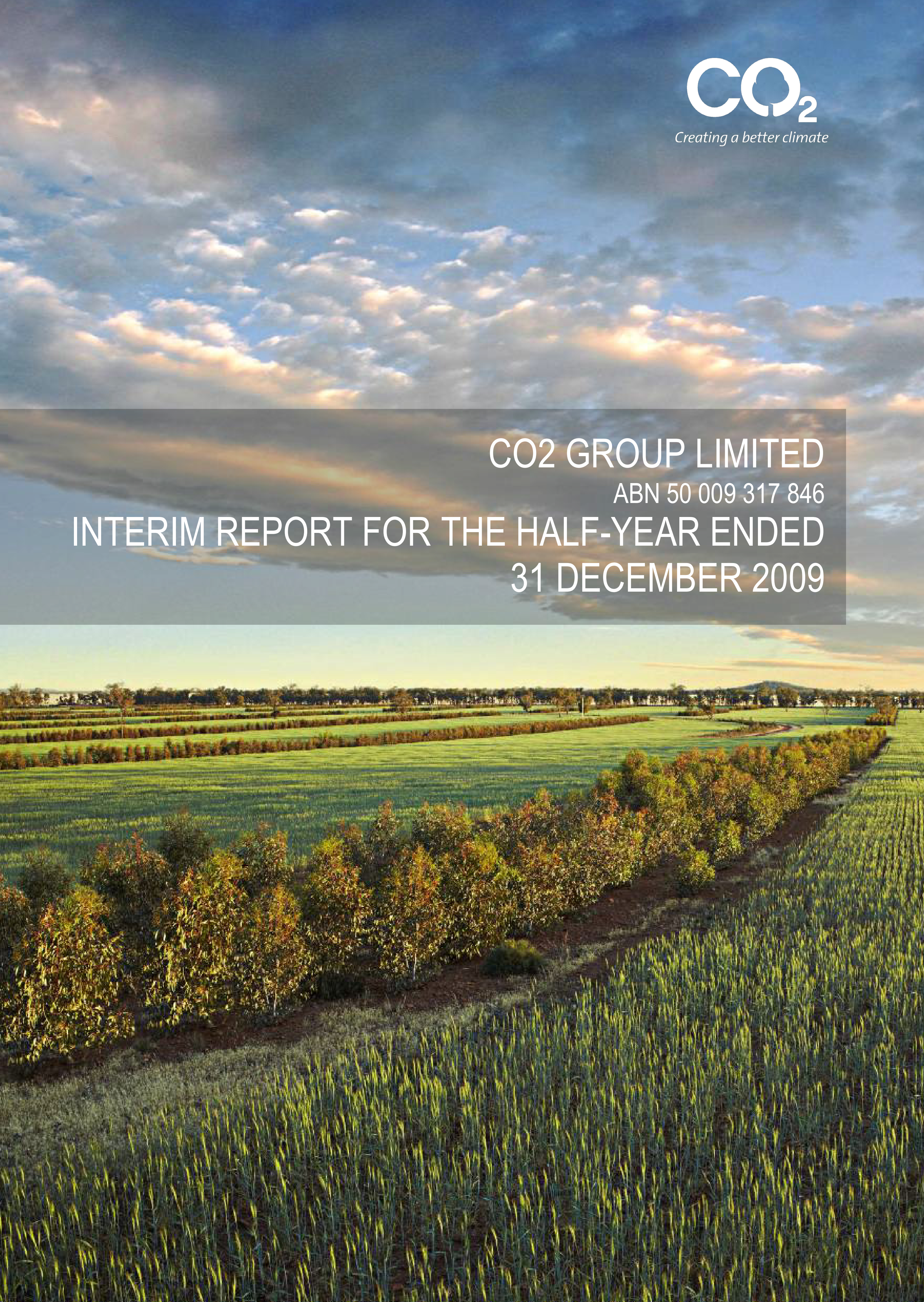

CO2

Creating a better climate

CO2 GROUP LIMITED

ABN 50 009 317 846

INTERIM REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2009 Annual report

CONTENTS

				$'000
Revenue from ordinary activities (Appendix 4D item 2.1)	up	53%	to	6,823
Profit / (loss) from ordinary activities after tax attributable to members (Appendix 4D item 2.2)	down	212%	to	(745)
Net profit / (loss) for the period attributable to members (Appendix 4D item 2.3)	down	212%	to	(745)

Dividends / distributions (Appendix 4D item 2.4)	Amount per security	Franked amount per security
Final dividend *(Prior year)*	-	-
Interim dividend	-	-

Key Ratios	**2009**	2008
	December	December
Net tangible assets per share ($)	**0.074**	0.042

DIRECTORS	Ian Norman Trahar B.Ec, MBA *Chairman*
	Andrew William Thorold Grant BSc (Hons), Grad Dip Bus Mg, MAICD *Chief Executive Officer*
	Harley Ronald Whitcombe B.Bus, CPA *Executive Director*
	Dr Malcolm Brian Hemmerling PhD, BSc (Hons),Dip T (Sec), FAICD *Non-executive Director*
	Dr Christopher David Mitchell PhD, BSc (Hons), GAICD *Executive Director*
	Paul John Favretto LL.B *Non-executive Director*
SECRETARY	Harley Ronald Whitcombe B.Bus, CPA
PRINCIPAL REGISTERED OFFICE IN AUSTRALIA	Level 11, 225 St George's 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 George's Terrace Perth, Western Australia 6000
STOCK EXCHANGE LISTING	CO2 Group Limited shares are listed on the Australian Stock Exchange. ASX code - COZ.
WEBSITE ADDRESS	www.co2australia.com.au

DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of CO2 Group Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

DIRECTORS

The names of the directors of the company during or since the end of the half-year are:

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

The above-named directors held office during and since the end of the half-year unless otherwise stated.

PRINCIPAL ACTIVITIES

The CO2 Group and its subsidiaries (the “CO2 Group”) principal activity in the course of the financial half year has been the provision of environmental services primarily carbon sequestration i.e. the establishment of accredited forest carbon sinks on behalf of third parties, primarily for large domestic and international companies and state governments.

COMPANY FINANCIAL PERFORMANCE

The CO2 Group is pleased with the overall financial performance of operations during the first half of the 2010 financial year. The success of the 2009 planting season continues to see the CO2 Group maintain its leadership position as Australia’s largest provider of dedicated forest carbon sink projects.

As highlighted below, significant growth in cash reserves and total revenue relating to operations has occurred over the last 6 months following the completion of forest carbon offset development programs for a number of customers. In the comparative half-year period the successful acquisition of The Oil Mallee Company of Australia Limited generated substantial other income as the purchase was at a significant discount compared to the fair value of the assets acquired.

	31 December 2009 $	31 December 2008 $
Total revenue	**6,822,968**	4,446,731
Other income	**133**	3,040,548
EBIT	**(1,589,581)**	1,094,540
Net profit/(loss)	**(745,042)**	666,784
Cash reserves	**10,888,785**	8,463,536

Directors' Report (continued)

The company's business, and revenue cycle, is seasonal. The half-year revenues represent the completion of the 2009 planting season and the commencement of the 2010 planting season. The majority of revenues for a planting season are recognised during the second half of the financial year. The results for the half-year period are a sound basis for a successful twelve months.

The directors also anticipate income growth via our annual management fees charged to our customers for all established programs. The CO2 Group now has contractual annual CPI adjusted management fees extending to the year 2060.

The Company's share price has fluctuated during the half-year period as various announcements have been made with respect to new forest carbon offset planting contracts, pending legislation and general market volatility.

The directors do not believe at this stage that they are able to provide any further comment or provide any predictions on the CO2 Group's future financial performance.

REVIEW OF OPERATIONS

ON GROUND RESULTS

Building on the success of 2009 into the first half of the 2010 financial year, CO2 Group continues to consolidate its market and operational reputation as Australia's dynamic market leader in providing low cost and low risk accredited carbon solutions through the establishment of dedicated forest carbon sink projects across southern Australia for governments and medium to large Australian and multinational companies.

Following this year's carbon offset plantings, CO2 Group has established over 16,500 hectares of dedicated forest carbon sink development programs since 2001 on behalf of our customers. As the estate grows in scale, our management responsibilities increase simultaneous to the growth of our operational responsibilities relating to new projects. The company has strengthened its relationships with contractors and has capitalised on opportunities emerging from the decline of major Managed Investment Scheme Forestry Companies.

During this period, CO2 Group has successfully fulfilled its audit requirements under the NSW Greenhouse Gas Abatement Scheme and remains one of only two companies to have created audited forestry carbon credits under a legislative scheme despite the Scheme having been in operation since 1 January 2003.

CO2 Group remains well positioned to capitalise on the expected significant growth in demand for carbon offsets due to the bipartisan support for reforestation as a major policy initiative of the Federal Government and Opposition. Growth areas include the increasing demand from our customers to meet requirements of state and federal governments to offset, at least partially, the emissions associated with major infrastructure and resource investment projects.

Finally, the overall success of CO2 Group's business development endeavours can be attributed to its ability to engage with farming families and create new employment opportunities in rural communities – many of which have been adversely affected by a series of below average seasons and limited employment opportunities. CO2 Group has established over 320 commercial agreements with rural landholders in southern Australia. This on-ground presence and activity in these regional communities has also stimulated new capital infrastructure, skills development and plant and equipment investments by regional communities in order to meet the demands of this emerging industry.

Review of Operations (continued)

RESEARCH AND DEVELOPMENT

CO2 Group continues to invest in strategic R&D, systems development and carbon accounting related projects. In particular, the focus for the first half of the 2010 financial year has been on several key R&D projects that will serve to expand both the range of landscapes across which CO2 Group can deliver forest carbon sinks, as well as the range of forest types and tree species that can be used for forest carbon sink plantings. These projects are in advanced stages and CO2 Group expects to finalise these in the second half of the financial year.

A major analysis of land availability was conducted during the reporting period. This has involved a comprehensive spatial review of climate, soils, land use, land clearing history, land pricing and sequestration rates across much of the Australian continent using our in-house Geographic Information System (GIS). Linking these data to a custom designed, proprietary database system referred to as the Carbon RAMP (Resource Availability Monitoring Platform), land availability can be estimated under a range of pricing and turnover scenarios. This unique system allows CO2 Group to model delivery capacity with a very high level of confidence and to structure long-term forest sink development contracts around achievable rates of forest sink development. CO2 Group believes this to be the most comprehensive land base analysis of its kind.

NEW FOREST CARBON SINK PROJECTS

CO2 Group, through its wholly owned subsidiary CO2 Australia, was successful in securing new forest carbon sink projects for a number of major Australian companies, in addition to expanding projects for existing clients. These projects are briefly summarised below:

Current Customers

Woodside – CO2 Australia established plantings for Woodside in New South Wales in 2008 and 2009 and Western Australia in 2009, and will establish major plantings during 2010, 2011 and 2012 in Western Australia.

INPEX Browse – CO2 Australia established a program for INPEX Browse in 2008 and continues to manage the project on behalf of INPEX Browse.

Newmont Australia Limited – CO2 Australia established plantings for Newmont in New South Wales in 2009, and subsequent to 31 December 2009 entered into an agreement to triple the size of the Newmont project. CO2 Australia will establish additional plantings for Newmont in Western Australia during the winter of 2010. The announcement regarding this transaction was made through the ASX on 17 February 2010.

Eraring Energy - a New South Wales State Government power utility, Australia's largest single point emitter. Plantings were undertaken in 2009, and will again be undertaken in 2010, as part of a project that first commenced in 2005.

Wannon Water – CO2 Australia established an integrated forest carbon sink across a number of properties in Victoria during 2009. Further plantings for Wannon Water in Victoria will be established in 2010.

Kansai Electric Power Company – CO2 Australia, via its related entity the Oil Mallee Company, continues to manage a forest carbon sink in Western Australia for Kansai Electric Power Company, one of the largest power utility companies in Japan.

Origin Energy – Pursuant to an Agreement established in 2005, CO2 Australia supply's Origin Energy with NSW Greenhouse Abatement Certificates (NGACs) from its mallee plantings. A transfer of NGACs occurred during this half year.

Country Energy – CO2 Australia's oldest client. An Agreement was established early in 2005 to deliver NSW Greenhouse Abatement Certificates (NGACs). The most recent transfer of NGACs occurred during this half year.

Review of Operations (continued)

New Customers

ACTEW Corporation Limited – CO2 Australia has been engaged to establish plantings in New South Wales for ACTEW in 2010. Less than six months after the initial engagement, ACTEW requested CO2 Australia increase the project size by at least 50%. ACTEW is a Government owned corporation providing essential utility services in the Australian Capital Territory.

CO2 Australia is in discussions with a number of prospective customers in relation to forest carbon sink projects of varying size.

ENVIRONMENTAL EXCELLENCE

CO2 Group continues to deliver a range of environmental benefits to the Australian landscape through its reforestation projects. First amongst these is the large amount of carbon dioxide that will be sequestered within the growing forests. During the reporting period, CO2 Group planted over 5.5 million mallee eucalypt seedlings, which over their life will sequester significant amounts of carbon dioxide and also contribute to the following important landscape benefits:

- reducing the risk of soil erosion and the loss of valuable topsoil;
- improving soil structure;
- reducing nitrification, sedimentation and degradation of waterways;
- reducing the risk of salinisation of land and waterways; and
- increasing biodiversity at both the local and regional scales.

During the first half of the 2010 financial year, CO2 Group was publicly recognised for its environmental excellence through two awards programs:

- CO2 Australia won the Business3000 Award in the Innovation category. The awards made by Business3000 promote business success and excellence in Melbourne.
- CO2 Group's CEO Andrew Grant was named the 2009 Ernst & Young National Entrepreneur Of The Year in the Cleantech category. The Entrepreneur Of The Year is the world's most prestigious business award for entrepreneurs.

AUSTRALIAN CARBON MARKET DEVELOPMENTS

The Australian Government's proposed emissions trading scheme, the Carbon Pollution Reduction Scheme (CPRS) was defeated in its amended form during the final sitting of the Senate in December 2010. The politics surrounding the introduction on a national emissions trading scheme have been covered in detail by the daily media during the latter part of 2009 and early 2010.

The Government has reintroduced the legislation into parliament during the February sitting period. Another defeat of the legislation would provide the government with grounds for a double dissolution election. Analysts have widely varying views on whether the Government will exercise this option.

In its submission to the international community as part of the Copenhagen Accord, the Australian Government recommitted to a unilateral 5% reduction in national greenhouse gas emissions from 2000 levels by 2020. A higher target will be contemplated in the context of a multi-lateral agreement.

Irrespective of policy positions in relation to emissions trading, both major political parties continue to recognise

Review of Operations (continued)

that biological sequestration is a significant greenhouse abatement option for Australia. The Opposition's climate policy released in February 2010 explicitly recognises the significant role biosequestration plays in reducing emissions as well as providing additional environmental and social benefits to rural Australia.

The underlying drivers for the development of a carbon market remain strong. Globally, greenhouse gas emissions continue to rise and locally Australia's climate continues to change. The Bureau of Meteorology's Annual Climate Statement reported that 2009 was Australia's second warmest year since reliable records began in 1910.

Within the market, large emitters continue to be required to make judgments about future emissions policy, especially when evaluating new projects and investments in carbon sinks remain an option to hedge against a future carbon price. Smaller emitters continue to be active in voluntary markets in order to differentiate themselves from their competitors.

INTERNATIONAL CARBON MARKET DEVELOPMENTS

The reporting period saw unprecedented global attention paid to the issue of climate change with considerable emphasis being placed on anticipated outcomes from the Conference of the Parties to the United Nations Framework Convention on Climate Change held in Copenhagen in December. The meeting produced a political statement referred to as the Copenhagen Accord.

Since the Conference of the Parties, key nations have begun the pledging process as part of the Copenhagen Accord. Outside the multi-lateral framework, domestic climate policy also continues to evolve in many countries. All Australia's major trading partners continue to develop responses to climate change and in many cases these include use of market-based mechanisms such as emissions trading:

- The European Union has agreed a conditional 20-30% emissions target for the Copenhagen Accord. Within Europe, the European Emissions Trading Scheme continues to operate, with carbon market analysts predicting an increase in value of that market during 2010.
- The US submitted a medium-term target to reduce greenhouse gas emissions in the range of 17% below 2005 levels by 2020 to the UN Framework Convention on Climate Change (UNFCCC). Domestically, a comprehensive compromise bill that includes a cap-and-trade scheme is under development.
- China, another big emitter relevant to Australia, is reported to have affirmed that it will endeavour to cut the amount of carbon produced per unit of economic output by 40 to 45 percent below projected growth levels by 2020 from 2005.
- Japan submitted a target of cutting emissions to 25% below 1990 levels by 2020, and domestically has announced a US$8.9 billion spend on anti-global warming measures as part of a stimulus package. Internationally, the Japanese Government remains a significant purchaser of AAUs.
- Late in 2010 New Zealand passed amendments to its emissions trading scheme, providing significant market certainty. Under the New Zealand scheme credits from forestry are able to be converted to AAUs and exported to other countries. Several such trades have already taken place.

Review of Operations (continued)

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 11.

This report is made in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors.

AWT Grant
Director
Melbourne
18 February 2010

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The Board of Directors
CO2 Group Limited
Level 11
225 St Georges Terrace
Perth WA 6000

18 February 2010

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 review of the financial statements of CO2 Group Limited for the half-year ended 31 December 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 review; and

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Ian Sanders
Partner

	Half-year Consolidated	
	31 December 2009 $	31 December 2008 $
Revenue from continuing operations	**6,822,968**	4,446,731
Other income	**133**	3,040,548
Employee benefits expense	**(1,766,044)**	(2,008,186)
Depreciation and amortisation expense	**(566,742)**	(111,353)
Other expenses	**(489,248)**	(480,417)
Consulting expenses	**(102,991)**	(162,836)
Legal fees	**(120,329)**	(163,354)
Travel	**(302,168)**	(270,061)
Insurance	**(98,455)**	(100,737)
Rent	**(334,153)**	(305,371)
Research and development	**(28,235)**	-
Marketing	**(118,351)**	(68,029)
Plantation costs	**(4,485,966)**	(2,722,398)
Finance costs	**(5,618)**	(22,401)
(Loss)/profit before income tax	**(1,595,199)**	1,072,136
Income tax benefit/(expense)	**850,157**	(405,352)
(Loss)/profit from continuing operations	**(745,042)**	666,784
(Loss)/profit for the half-year	**(745,042)**	666,784
	Cents	Cents
Earnings/(loss) per share:		
Basic earnings/(loss) per share	**(0.27)**	0.24
Diluted earnings/(loss) per share	**(0.27)**	0.17

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

	Half-year Consolidated 31 December 2009 $	31 December 2008 $
(Loss)/profit for the half-year	**(745,042)**	666,784
Other comprehensive income		
Changes in the fair value of available-for-sale financial assets, net of tax	**-**	(17,933)
Other comprehensive income for the year, net of tax	**-**	(17,933)
Total comprehensive income for the half-year	**(745,042)**	648,851
Total comprehensive income for the half-year is attributable to:		
Owners of CO2 Group Limited	**(745,042)**	648,851

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

	Notes	Consolidated 31 December 2009 $	30 June 2009 $
ASSETS			
Current assets			
Cash and cash equivalents		**10,888,785**	8,735,396
Trade and other receivables		**550,341**	263,521
Inventories		**3,084,798**	3,084,798
Current tax receivables		**255,836**	-
Other current assets		**158,069**	236,016
Accrued income		**266,804**	644,879
Total current assets		**15,204,633**	12,964,610
Non-current assets			
Other financial assets - investments		**313,593**	313,593
Property, plant and equipment		**5,056,730**	5,304,374
Deferred tax assets		**844,404**	512,524
Intangible assets		**7,013,389**	7,126,862
Total non-current assets		**13,228,116**	13,257,353
Total assets		**28,432,749**	26,221,963
LIABILITIES			
Current liabilities			
Trade and other payables		**1,202,372**	1,439,098
Borrowings		**39,762**	28,326
Current tax liabilities		**-**	518,164
Provisions		**521,174**	483,216
Deferred income		**8,604,169**	5,629,166
Total current liabilities		**10,367,477**	8,097,970
Non-current liabilities			
Borrowings		**66,823**	92,092
Total liabilities		**10,434,300**	8,190,062
Net assets		**17,998,449**	18,031,901
EQUITY			
Issued capital	3	**30,658,479**	30,014,166
Reserves	4	**6,557,077**	6,489,800
Accumulated losses		**(19,217,107)**	(18,472,065)
Total equity		**17,998,449**	18,031,901

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated	Notes	Issued capital $	Reserves $	Accumulated losses $	Total $
Balance at 1 July 2008		29,989,863	5,855,087	(19,153,242)	16,691,708
Changes in the fair value of available-for-sale financial assets, net of tax	4	-	(17,933)	-	(17,933)
Profit for half-year	4	-	-	666,784	666,784
Total comprehensive income for the half-year		**-**	**(17,933)**	**666,784**	**648,851**
Contributions of equity	3	24,303	-	-	24,303
Recognition of share-based payments	4	-	448,456	-	448,456
Balance at 31 December 2008		**30,014,166**	**6,285,610**	**(18,486,458)**	**17,813,318**
Balance at 1 July 2009		30,014,166	6,489,800	(18,472,065)	18,031,901
Loss for half-year		-	-	(745,042)	(745,042)
Changes in the fair value of available-for-sale financial assets, net of tax	4	-	-	-	-
Net income/(expense) recognised directly in equity	4	-	-	-	-
Total comprehensive income for the half-year		**-**	**-**	**(745,042)**	**(745,042)**
Contributions of equity	3	644,313	-	-	644,313
Recognition of share-based payments	3	-	67,277	-	67,277
Balance at 31 December 2009		**30,658,479**	**6,557,077**	**(19,217,107)**	**17,998,449**

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

	Half-year Consolidated 31 December 2009 $	31 December 2008 $
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**10,648,852**	11,654,480
Payments to suppliers and employees (inclusive of goods and services tax)	**(9,030,196)**	(6,166,565)
	1,618,656	5,487,915
Interest paid	**(5,618)**	(95,369)
Income taxes paid	**(255,723)**	-
Net cash inflow from operating activities	**1,357,315**	5,392,546
Cash flows from investing activities		
Payment for purchase of subsidiary	**-**	(844,846)
Payments for property, plant and equipment	**(6,200)**	(98,160)
Proceeds from sale of property, plant and equipment	**1,867**	237,097
Receipts from related parties - office & administrative services	**-**	14,983
Interest received	**169,927**	178,182
Net cash (outflow) inflow from investing activities	**165,594**	(512,744)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**644,313**	24,303
Repayment of borrowings	**(13,833)**	(639,258)
Net cash inflow (outflow) from financing activities	**630,480**	(614,955)
Net increase in cash and cash equivalents	**2,153,389**	4,264,847
Cash and cash equivalents at the beginning of the half-year	**8,735,396**	4,198,689
Cash and cash equivalents at end of the half-year	**10,888,785**	8,463,536

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by CO2 Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Compliance with IFRS

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

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. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

Changes in accounting policy

CO2 Group Limited had to change some of its accounting policies as the result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

AASB 8 Operating Segments

AASB 101 Presentation of Financial Statements

(b) Segment reporting

The company has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. Comparatives for 2008 have been restated.

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.

In previous years, segment information was not reported externally on the basis that the Group operated exclusively in the field of provision and management of carbon sinks within Australia. However, information reported to the Board of Directors for the purposes of resource allocation and assessment of performance is now currently more specifically focused on 3 key reportable segments, being Carbon Sink Establishment, Carbon Offsets, and Other.

2 SEGMENT INFORMATION

(a) Description of segments

Segments

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.

Carbon Offsets
The provision of abatement certificates generated from accredited forest carbon sinks owned by the Group.

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

(b) Segments

Half-year 2009	Carbon sink establishment $	Carbon Offsets $	Other $	Consolidated $
Segment revenue				
Sales to external customers	5,979,037	74,330	583,262	6,636,629
Total sales revenue	5,979,037	74,330	583,262	6,636,629
Total segment revenue	**5,979,037**	**74,330**	**583,262**	**6,636,629**
Finance costs				186,339
Consolidated revenue				**6,822,968**
Segment profit				
Segment profit	**1,033,512**	**24,923**	**307,389**	**1,365,824**
Central administration and directors' salaries				(2,961,023)
Loss before income tax				(1,595,199)
Income tax benefit				850,157
Loss for the half-year				**(745,042)**
Segment assets				
Segment assets	**6,064,440**	**9,670,025**	**219,829**	**15,954,294**
Unallocated assets				12,478,455
Total assets				**28,432,749**

2 Segment information (continued)

Half-year 2008	Carbon sink establishment $	Carbon Offsets $	Other $	Consolidated $
Segment revenue				
Sales to external customers	2,997,958	663,984	784,789	4,446,731
Total sales revenue	2,997,958	663,984	784,789	4,446,731
Total segment revenue	**2,997,958**	**663,984**	**784,789**	**4,446,731**
Segment profit/(loss)				
Segment profit	**(308,830)**	**654,972**	**(29,885)**	**316,257**
Central administration and directors' salaries				755,879
Profit before income tax				1,072,136
Income tax expense				(405,352)
Profit for the half-year				**666,784**
Segment assets				
Segment assets	**6,366,664**	**10,293,953**	**267,824**	**16,928,441**
Unallocated assets				9,293,522
Total assets				**26,221,963**

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.

3 ISSUANCES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

During the half-year reporting period, CO2 Group Limited issued 702,611 ordinary shares (2008: 22,000) for $84,313 on exercise of 702,611 listed options. 100,000 of the options were exercised by an Executive Director of the company.

An Executive Director of the company was issued with 1,000,000 ordinary shares on exercise of 1,000,000 unlisted options for $320,000.

A Non-Executive Director of the company was issued with 750,000 ordinary shares on exercise of 750,000 unlisted options for $240,000.

On 17 November 2009 750,000 unlisted options lapsed unexercised.

The company has not issued any unlisted share options during the half-year reporting period (2008: 6,080,000).

4 RESERVES

	Consolidated	
	31 December 2009 $	31 December 2008 $
Share-based payments reserve	**4,823,095**	4,755,817
Option premium	**1,670,705**	1,670,705
Financial assets revaluation reserve	**63,278**	63,278
	6,557,078	6,489,800
Movements:		
Share-based payments reserve		
Balance 1 July	**4,755,817**	4,083,460
Equity-settled share-based payment	**67,277**	448,456
Balance 31 December	**4,823,094**	4,531,916
Option premium reserve		
Balance 1 July	**1,670,705**	1,670,705
Balance 31 December	**1,670,705**	1,670,705
Financial assets revaluation reserve		
Balance 1 July	**63,278**	100,922
Loss on revaluation	**-**	(25,618)
Deferred tax liability recognised on loss	**-**	7,685
Balance 31 December	**63,278**	82,989

5 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There has been no matter or circumstance that has arisen since 31 December 2009 that has significantly affected, or may significantly affect:

- the company's operations in future financial periods, or
- the results of those operations in future financial periods, or
- the company's state of affairs in future financial periods.

The directors declare that:

(a) in the directors' opinion, the financial statements and notes set out on pages 12 to 23 are in accordance with the *Corporations Act 2001,* including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity; and

(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors.

AWT Grant
Director

Melbourne
18 February 2010

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

We have reviewed the accompanying half-year financial report of CO2 Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2009, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 21.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CO2 Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CO2 Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

Ian Sanders
Partner
Chartered Accountants
Melbourne, 18 February 2010