

Our Ref: CO2 ASX Announce 2010 Annual General Meeting Notice (288)

24 January 2011

ANNOUNCEMENT 288

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

By ASX Online
Number of pages: 30
(including this page)

Dear Sir

Re: Notice of 2010 Annual General Meeting & Proxy

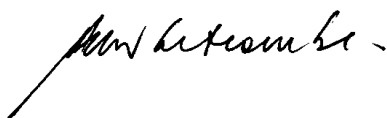
Enclosed are the following CO2 Group Limited documents which will be sent to shareholders today:

- Notice of Annual General Meeting with supporting Explanatory Memorandum; and
- Pro forma Proxy Form.

The Annual Report for the period ended 30 September 2010 which will be sent to those shareholders who have requested a copy was released to the market on 23 November 2010. The Report is available on our web site www.co2australia.com.au.

The Company's Annual General Meeting will be held on Thursday 24 February 2011 at 2.00 pm.

Yours faithfully,



Harley Whitcombe
Company Secretary

ENC

CO2 Group Limited

Level 11, 225 St Georges Terrace Perth WA 6000
PO Box 7312 Cloisters Square Perth WA 6850

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Creating a better climate

CO2 GROUP LIMITED

ABN 50 009 317 846

NOTICE OF ANNUAL GENERAL MEETING

A PROXY FORM IS ENCLOSED

Please read the Notice and Explanatory Memorandum carefully.

If you are unable to attend the Annual General Meeting, please complete and return the enclosed Proxy Form in accordance with the specified directions.

NOTICE OF ANNUAL GENERAL MEETING

CO2 Group Limited (ABN 50 009 317 846)

Time: 2.00 pm (WST)
Date: 24 February 2011
Place: Function Room
Level 2
QV1 Building
250 St Georges Terrace
Perth Western Australia 6000

Notice is given of the 2010 annual general meeting of CO2 Group Limited (**Company or CO2 Group**). This notice of meeting is issued by CO2 Group of Level 11, 225 St George's Terrace, Perth, Western Australia.

BUSINESS

The business of the meeting will consist of the following:

ORDINARY BUSINESS

1 FINANCIAL REPORT

To receive and consider the financial report, the directors' report and the auditor's report of the Company for the financial year ended 30 September 2010.

2 REMUNERATION REPORT – RESOLUTION 1

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report as set out in the Annual Report for the financial year ending 30 September 2010."

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

3 RE-ELECTION OF DIRECTOR – RESOLUTION 2

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That Harley Ronald Whitcombe retires pursuant to Rule 7.1(d) of the Company's constitution, and being eligible, is re-elected as a director of the Company."

4 RE-ELECTION OF DIRECTOR – RESOLUTION 3

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That Paul John Favretto, retires pursuant to Rule 7.1(d) of the Company's constitution, and being eligible, is re-elected as a director of the Company."

SPECIAL BUSINESS

APPROVAL OF EMPLOYEE INCENTIVE PLAN AND THE GIVING OF TERMINATION BENEFITS UNDER THE EMPLOYEE INCENTIVE PLAN

5 APPROVAL OF EMPLOYEE INCENTIVE PLAN - RESOLUTION 4

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That approval is given to the grant of Incentives and the allotment and issue of Shares upon exercise or vesting of the Incentives under the terms of the CO2 Group Limited Employee Incentive Plan (**Incentive Plan**) and the terms of the Incentive Plan, for the purposes of ASX Listing Rule 7.2, Exception 9(b) and for all other purposes, as detailed in the Explanatory Memorandum accompanying this notice of annual general meeting."*

6 CORPORATIONS ACT APPROVAL TO THE GIVING OF TERMINATION BENEFITS UNDER THE EMPLOYEE INCENTIVE PLAN - RESOLUTION 5

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That approval is given to the giving of termination benefits under the Incentive Plan by the Company to a person or their associates in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate of the Company, for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes, as detailed in the Explanatory Memorandum accompanying this notice of annual general meeting"

7 ASX LISTING RULE APPROVAL TO THE GIVING OF TERMINATION BENEFITS UNDER THE EMPLOYEE INCENTIVE PLAN - RESOLUTION 6

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That approval is given to the entitlement or potential entitlement of any officer of the Company or its child entities (being any entity which is controlled by the Company within the meaning of section 50AA of the Corporations Act or a subsidiary of the Company) to termination benefits under the Incentive Plan for the purposes of ASX Listing Rule 10.19 and for all other purposes, as detailed in the Explanatory Memorandum accompanying this notice of annual general meeting."

APPROVAL OF TERMINATION BENEFITS UNDER THE EXISTING ESOP AND THE TERMS OF EXISTING EMPLOYEE OPTIONS

8 CORPORATIONS ACT APPROVAL OF TERMINATION BENEFITS UNDER THE EXISTING ESOP AND THE TERMS OF EXISTING EMPLOYEE OPTIONS - RESOLUTION 7

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That approval is given to the giving of termination benefits by the Company to a person or their associates in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate of the Company for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes under:

- (a) the CO2 Group Limited Employee Share Option Plan approved by members at the Annual General Meeting of CO2 Group Limited held on 8 November 2007 (**Existing ESOP**); and*
- (b) the terms of the Existing Employee Options,*

as detailed in the explanatory memorandum accompanying this notice of annual general meeting."

9 LISTING RULE APPROVAL OF TERMINATION BENEFITS UNDER THE EXISTING ESOP AND THE TERMS OF EXISTING EMPLOYEE OPTIONS - RESOLUTION 8

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That approval is given to the entitlement or potential entitlement of any officer of the Company or its child entities (being any entity which is controlled by the Company within the meaning of section 50AA of the Corporations Act or a subsidiary of the Company) to termination benefits for the purposes of ASX Listing Rule 10.19 and for all other purposes under:

(a) Existing ESOP; and

(b) the terms of the Existing Employee Options,

as detailed in the explanatory memorandum accompanying this notice of annual general meeting."

AMENDMENTS TO THE CONSTITUTION

10 INSERTION OF PROPORTIONAL TAKEOVER PROVISIONS – RESOLUTION 9

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That pursuant to sections 136 and 648G of the Corporations Act, the Constitution be amended as detailed in the Explanatory Memorandum accompanying this notice of annual general meeting."

11 AMENDMENT TO DISTRIBUTION OF PROFITS PROVISIONS – RESOLUTION 10

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That pursuant to section 136 of the Corporations Act, the Constitution be amended as detailed in the Explanatory Memorandum accompanying this notice of annual general meeting."

VOTING EXCLUSION STATEMENTS

RESOLUTION 4

The Company will disregard any votes cast by or on behalf of a Director and an associate of a Director (except a Director who is ineligible to participate in any employee incentive scheme of the Company or any associate of such Director), as required under ASX Listing Rule 7.2 Exception 9(b).

However, the Company, need not disregard a vote cast if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 5

The Company will disregard any votes cast by or on behalf of Shareholders who are also managerial or executive officers of the Company and who are proposed participants in the Incentive Plan (and their associates), as required under section 200E of the Corporations Act.

However, the Company, need not disregard a vote cast if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 6

The Company will disregard any votes cast by or on behalf of an officer of the Company or any of its child entities who is entitled to participate in a termination benefit.

However, the Company, need not disregard a vote cast if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 7

The Company will disregard any votes cast by or on behalf of Shareholders who are also managerial or executive officers of the Company and are participants in the Existing ESOP or have been granted Existing Employee Options (and their associates), as required under section 200E of the Corporations Act.

However, the Company need not disregard a vote cast if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 8

The Company will disregard any votes cast by or on behalf of an officer of the Company or any of its child entities who is entitled to participate in a termination benefit.

However, the Company need not disregard a vote cast if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Accordingly, Shareholders and associates of Shareholders who are also eligible to participate in the grant of Incentives under the Incentive Plan or any other incentive under an employee incentive scheme of the Company (including the Existing ESOP), or is a recipient of the Existing Options and wish to preserve the benefit of Resolutions 4, 5, 6, 7, and 8 should carefully consider their ability to vote on each resolution.

HOW TO VOTE

How do you exercise your right to vote?

All holders of ordinary shares appearing on the CO2 Group Limited share register at 5.00pm (WST) on 22nd February 2011 are entitled to attend and vote at the meeting.

Jointly held shares

If your shares are jointly held, only one of the joint holders is entitled to vote. If more than one holder votes in respect of jointly held shares, only the vote of the holder whose name appears first on the register will be counted. You need not exercise all of your votes in the same way, nor need you cast all of your votes.

Corporations voting

In order to vote at the meeting, a corporation, which is a member, may appoint a person to act as its representative. A representative does not have to be a shareholder of CO2 Group. The appointment should comply with section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment including any authority under which it is signed. Alternatively, you may appoint a proxy to vote on your behalf.

Voting by proxy

If you cannot attend, you may appoint a proxy to attend and vote for you. A proxy does not have to be a Shareholder. To ensure that all Shareholders can exercise their right to vote on each proposed resolution, a CO2 Group shareholder proxy form is enclosed with this notice of annual general meeting together with a reply paid envelope.

A Shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

Proxy forms must be deposited at CO2 Group's registry, Computershare Investor Services Pty Limited by using the enclosed reply paid envelope or by posting, delivery or facsimile to:

CO2 Group Limited share registry

Computershare Investor Services Pty Limited

Mail: GPO Box 242
Melbourne Victoria 3001
Australia

Delivery: Level 2, Reserve Bank Building,
45 St George's Terrace, Perth,
Western Australia, 6000

Facsimile: 1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)

Enquires: 1300 798 306 (within Australia)
+61 3 9415 4830 (outside Australia)

to be received not less than 48 hours before the time of the meeting, that is, by 2.00pm (WST) on 22nd February 2011.

The proxy form provides details of what you need to do to appoint a proxy to attend and vote for you.

If you appoint the Chairman of the meeting as your proxy and you do not specifically direct how the Chairman is to vote as your proxy, the Chairman will exercise your votes in favour of the resolutions.

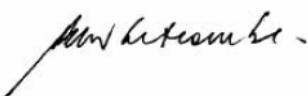
Voting procedure

As ordinary resolutions, Resolutions 1, 2, 3, 4, 5, 6, 7 and 8 will be approved if at least 50% of the votes cast by Shareholders entitled to vote on the resolutions at the meeting are voted in favour of the resolutions.

As special resolutions, Resolution 9 and 10 will be approved if at least 75% of the votes cast by Shareholders entitled to vote on the resolution at the meeting are voted in favour of the resolutions.

Under the terms of the CO2 constitution, a poll is to be conducted as directed by the Chairman of the meeting.

By Order of the Board
CO2 Group Limited



Harley Whitcombe
Company Secretary

Dated: 24 January 2011

CO2 GROUP LIMITED
ABN 50 009 317 846

EXPLANATORY MEMORANDUM TO SHAREHOLDERS

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be transacted at the annual general meeting of the Company to be held on 24th February 2011.

At that meeting, Shareholders will be asked to pass resolutions to:

- adopt the Remuneration Report for the financial year ended 30 September 2010;
- re-elect Harley Ronald Whitcombe and Paul John Favretto;
- adopt the Employee Incentive Plan;
- approve the giving of certain termination benefits; and
- amend the Constitution.

The purpose of this Explanatory Memorandum is to provide information that the Board believes to be material to Shareholders in deciding whether or not to pass those resolutions. This Explanatory Memorandum should be read in conjunction with the accompanying notice of annual general meeting.

ORDINARY BUSINESS

CONSIDERATION OF FINANCIAL REPORTS

The Corporations Act requires that the Financial Report, Directors' Report and the Auditor's Report of the Company be laid before the Annual General Meeting. Whilst the Corporations Act does not require shareholders to approve these reports, Shareholders will have the opportunity to raise questions in respect to these reports at the meeting.

As a Shareholder, you are entitled to submit a written question to the auditor prior to the meeting provided that the question relates to:

- the contents of the Auditor's Report; or
- the conduct of the audit in relation to the Financial Report.

All written questions must be received by the Company no later than five business days before Thursday, 24 February 2011. All questions must be sent to the Company and may not be sent directly to the auditor. The Company will then forward all questions to the auditor.

The Company's auditor or his representative will be present at the meeting and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in preparing its Financial Report, and the independence of the auditor.

RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT FOR THE FINANCIAL YEAR ENDING 30 SEPTEMBER 2010

The Annual Report for the financial year ended 30 September 2010 contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for Directors and Specified Executives.

Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on the resolution is advisory only and is not binding on the Directors or the Company.

A reasonable opportunity will be allowed for the Shareholders to ask questions about and make comments on the Remuneration Report.

RESOLUTION 2 - RE-ELECTION OF DIRECTOR

Harley Ronald Whitcombe B.Bus, CPA

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

Mr Whitcombe retires pursuant to Rule 7.1(d) of the Constitution and being eligible, seeks re-election.

RESOLUTION 3 - RE-ELECTION OF DIRECTOR

Paul John Favretto LL.B.

Mr Favretto has worked for 20 years in the financial services industry holding senior management positions with Citibank Limited (1976 – 1985) and Bankers Trust Australia Limited (1986 – 1994). He was recently Managing Director of Avatar Industries Limited.

Mr Favretto retires pursuant to Rule 7.1(d) of the Constitution and being eligible, seeks re-election.

RESOLUTION 4 – APPROVAL OF EMPLOYEE INCENTIVE PLAN

Background

The Company proposes to adopt a new employee incentive plan (**Incentive Plan**). A summary of the terms of the Incentive Plan is set out below.

As at the date of the Meeting, no securities will have been issued under the Incentive Plan. The Company will cease to issue options under its existing Employee Share Option Plan (**Existing ESOP**). However, any options previously granted under the Existing ESOP will continue in accordance with their individual terms and the terms and conditions of the Existing ESOP.

Purpose of the Incentive Plan

The primary purpose of the Incentive Plan is to retain, attract and motivate key personnel. The Board believes that the success of the Company depends in a large measure on the skills and motivation of the people engaged in the management of the Company's business. It is therefore important that the Company is able to retain and attract people of the highest calibre.

The Incentive Plan will form an important part of a comprehensive remuneration strategy for the Company's employees, aligning their interests with those of Shareholders by linking their rewards to the long term success of the Company and its financial performance.

The Company's Existing ESOP previously only permitted the grant of options. Since the Existing ESOP was adopted, taxation legislation changes have significantly reduced the effectiveness of options as an incentive for employees. Accordingly, the new Incentive Plan is structured so that the Board may award Performance Rights as well as Options to eligible employees (together **Incentives**). In contrast to an

Option, a Performance Right does not have an exercise price and therefore allows an employee, subject to satisfaction of the relevant vesting conditions and performance hurdles (as applicable), to benefit by their Performance Rights vesting into Shares without the payment of any cash consideration.

The adoption of employee incentive plans which allow for the grant of performance rights (such as the proposed Incentive Plan) is a current trend among ASX listed companies.

Non-executive directors, contractors and casual employees are not eligible to participate in the Incentive Plan. In addition, Ian Trahar, who is an employee of CO2 Group, will not participate in the Incentive Plan.

Incentive Plan and requirement for Shareholder approval

The Board is seeking Shareholder approval for the Incentive Plan in accordance with the ASX Corporate Governance Council's Best Practice Recommendations.

Shareholder approval is also being sought under ASX Listing Rules 7.2, Exception 9(b) and 10.19, as well as to approve the potential giving of termination benefits under the Incentive Plan for the purposes of sections 200B and 200E of the Corporations Act.

If the Incentive Plan is approved, any grants to executive Directors under the Incentive Plan will still require further prior Shareholder approval. There is no current proposal to make any grant of Incentives to executive Directors.

Key Features of the Proposed Incentive Plan

Eligible employees: Under the terms of the Incentive Plan, the Board may determine which full and part time employees of the CO2 Group and its associated bodies corporate may participate in the Incentive Plan.

The Incentive Plan is targeted at CO2 Group's senior management and employees, including executive Directors (as determined by the Board from time to time). There are currently approximately 12 employees who will be eligible to participate in the Incentive Plan. Ian Trahar, who is an employee of CO2 Group, will not participate in the Incentive Plan.

Non-executive directors, contractors and casual employees are not eligible to be granted Incentives.

Incentives: The Incentive Plan allows the Board to grant Performance Rights and Options to eligible participants.

Exercise Price: The Board's current policy is to grant only Performance Rights under the Incentive Plan, which will not require the employee to pay any amount to the Company upon vesting.

However the Board may choose to grant Options under the Incentive Plan at any time, without further shareholder approval. If it chooses to do so, the exercise price of any Options granted under the Incentive Plan is at the absolute discretion of the Board and the Board will determine the exercise price from time to time. Typically, any Options granted would have an exercise price calculated by reference to a volume weighted average price of the Shares for a period prior to the date of grant.

Number of Incentives to be granted: The number of Incentives granted under the Incentive Plan will be decided by the Board from time to time.

However, CO2 Group will generally be seeking to take advantage of the form of disclosure relief provided by ASIC Class Order 03/184 in respect of employee incentive schemes. In order to be able to take advantage of that form of relief, the maximum number of securities which may be granted to employees under incentive plans (including the Incentive Plan and the Existing ESOP) in a rolling 5 year period is 5% of the issued share capital of the Company (calculated at the date of the offer under the Incentive Plan), subject to a range of exclusions, including securities issued under a disclosure document, to certain senior executives or issues of securities outside of Australia.

The Board notes that Performance Rights involve less risk to an employee than Options, as they do not require the employee to pay any amounts to the Company upon exercise. As a result, where the Board decides to grant Performance Rights, an employee will typically receive fewer Performance Rights when compared with the number of Options they would have otherwise received under the Incentive Plan or any other employee incentive plan.

Vesting Conditions: The vesting terms for grants of Incentives under the Incentive Plan will be decided by the Board from time to time.

Where appropriate, and where employees (i.e. senior management) can exercise significant influence over the business, the Board will establish policies on vesting of Incentives using performance hurdles which may be linked to performance over the long term to encourage employees to focus on performance over the long term.

The Board considers that a vesting condition requiring the employee to satisfy a minimum term of employment of 2 years after the date of grant is appropriate, given the current stage of the Company's development.

Vesting on change of control: Incentives that remain subject to a vesting condition immediately vest and are received or become exercisable by the participant in the event that a takeover bid is made for CO2 Group, or another corporate transaction is pursued (such as a scheme of arrangement, selective capital return etc) which results in the bidder acquiring voting power to more than 50% of CO2 Group.

The Board also has a general discretion to allow Incentives to immediately vest if the Board determines, acting in good faith and consistent with its fiduciary duties, that a person has obtained voting power which is sufficient to control the composition of the Board.

Incentives will lapse on their expiry date.

Vesting in other circumstances: The Board may permit a participant to exercise Incentives or have such Incentives vested, in other limited situations, such as where a resolution is passed approving the disposal of CO2 Group's main undertaking or on a winding up of CO2 Group.

Expiry Date: The Board may set out in an invitation to participate in the Incentive Plan the date and times when any Incentives lapse. The expiry date will be no later than 7 years after the date of grant.

Impact of cessation of employment: *Treatment of Incentives on Cessation of Employment*

Cause	Incentives which have not vested	Incentives which have vested
<i>Termination for ill health or death</i>	Immediately lapse unless Board determines otherwise	May be exercised (in the case of ill health) by the participant, or (in the case of death) by the participant's personal representative, until the Incentive lapses
<i>Termination for cause (e.g. fraud, dishonesty, material breach of obligations)</i>	Immediately lapse unless Board determines otherwise	Immediately lapse unless Board determines otherwise
<i>Termination by consent (e.g. resignation)</i>	Immediately lapse unless Board determines otherwise	Are able to be exercised during the period 30 days after cessation of employment or a longer period allowed by the Board
<i>Redundancy, constructive dismissal, other termination by Company not dealt with above</i>	Incentives automatically vest and are able to be exercised during the period 30 days after cessation of employment or a longer period allowed by Board	Are able to be exercised during the period 30 days after cessation of employment or a longer period allowed by the Board

Exercise into acquirer shares: Subject to the ASX Listing Rules, the Incentive Plan provides flexibility for CO2 Group to agree with any successful acquirer of CO2 Group to an arrangement whereby Incentives will become exercisable or vest into shares of the successful acquirer or its parent in lieu of Shares. Any such exercise or vesting will be on substantially the same terms and subject to substantially the same conditions as the holder may exercise or vest Incentives to acquire Shares, but with appropriate adjustments to the number and kind of shares subject to the Incentives, as well as to any exercise price.

Entitlement for Incentives: Subject to the terms of the Incentive Plan, vesting and the satisfaction of any performance conditions, each Incentive entitles the holder to receive one fully paid ordinary share in CO2 Group.

Transferability: Incentives are only transferable upon a takeover bid where the Incentives are transferred to the bidder, upon a scheme of arrangement where the Incentives are transferred to the acquirer, by force of law upon death of the Incentive holder or upon bankruptcy of the Incentive holder, or otherwise with the consent of the Board.

<i>Right to participate in dividends:</i>	Incentives will not entitle the holder to any dividends (or Shares or rights in lieu of dividends) declared or issued by the Company.
<i>Adjustment for rights issues:</i>	The exercise price of Incentives (if applicable) will be adjusted in the manner provided by the ASX Listing Rules in the event of the Company conducting a rights issue prior to the lapse of the relevant Incentive.
<i>Other rights to participate in bonus issues, reorganisations and new issues etc:</i>	If the Company completes a bonus issue during the term of an Incentive, the number of Shares the holder is then entitled to will be increased by the number of Shares which the holder would have been issued in respect of Incentives if they were exercised (in the case of Options) or are vested and are received (in the case of Performance Rights) immediately prior to the record date for the bonus issue. In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Incentives to which the holder is entitled or the exercise price of the Incentives (if applicable), or both as appropriate, will be adjusted in the manner provided for in the Listing Rules. Subject to the terms of the Incentive Plan and as otherwise set out above, during the currency of the Incentives and prior to their exercise (in the case of Options) or vesting and receipt (in the case of Performance Rights), the holder is not entitled to participate in any new issue of securities of the Company as a result of their holding the Incentives.
<i>Listing:</i>	The Incentives will not be listed.
<i>Board discretion:</i>	Notwithstanding the Board's current policy, under the terms of the Incentive Plan, the Board has absolute discretion to determine the exercise price, the expiry date and vesting conditions of any grants made under the Incentive Plan, without the requirement for further Shareholder approval.

The requirement for shareholder approval

As indicated above, the Board is seeking Shareholder approval to the terms of the Incentive Plan in accordance with the ASX Corporate Governance Council's Best Practice Recommendations. Approval is also being sought under ASX Listing Rules 7.2, Exception 9(b).

ASX Listing Rule 7.2

Shareholder approval in accordance with ASX Listing Rule 7.2, Exception 9(b) will exempt grants under the Incentive Plan from the calculation of the 15% annual limit on the grant of new securities without prior Shareholder approval, for a period of three years from the date of the passing of Resolution 4.

In the absence of approval under ASX Listing Rule 7.2, Exception 9(b), grants under the Incentive Plan can still occur but is counted as part of the 15% limit which would otherwise apply during a 12 month period.

In accordance with ASX Listing Rule 7.2, Exception 9(b), the following information is provided to members:

- a) as at the date of the Meeting, no grants will have yet been made under the proposed Incentive Plan.
- b) the Company will cease to grant options under its Existing ESOP. The total number of options granted under the Existing ESOP since it was approved are:

Number	Exercise price	Grant date	Expiry date
1,580,000	\$0.49	20 November 2008	30 November 2012

In addition, the following options have been granted to employees and executives of the CO2 Group under contracts of employment or otherwise in relation to their employment:

Number	Exercise price	Grant date	Expiry date
7,300,000	\$0.12	3 September 2004	12 November 2011
166,667	\$0.12	15 September 2004	12 November 2011
1,000,000	\$0.12	15 November 2004	12 November 2011
300,000	\$0.12	15 November 2006	12 November 2011
500,000	\$0.55	21 June 2007	21 June 2011
3,000,000	\$0.50	8 November 2007	31 July 2011
3,000,000	\$0.60	8 November 2007	31 July 2011
2,000,000	\$0.70	8 November 2007	31 July 2011
1,000,000	\$0.80	8 November 2007	31 July 2011
4,500,000	\$0.52	20 November 2008	2 December 2012

The options listed in this paragraph (b) are "**Existing Employee Options**".

- c) a summary of the terms of the proposed Incentive Plan are set out above. A copy of the full terms of the Incentive Plan are available for inspection at the Company's registered office during business hours, or may be obtained free of charge from the Company at Level 11, 225 St Georges Terrace, Perth, Western Australia.

A voting exclusion statement for Resolutions 4 is included in the Notice.

Other Information

The primary purpose of the grant of Incentives under the Incentive Plan is not to raise capital, but to form part of the employee's remuneration package. No funds will be raised from the grant of the Incentives. If Performance Rights are granted and vest, then no funds will be raised upon the issue of the Shares. However, if Options are granted and are exercised, then the net exercise price paid upon the issue of the Shares will be used for general working capital purposes. An employee must contribute their own money to the Company to fund the exercise price of any Options.

There are no significant opportunity costs to the Company or benefits foregone by the Company in granting the Incentives upon the terms of the Incentive Plan proposed.

The Directors are not aware of any information other than that set out in this Explanatory Memorandum that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the proposed Resolution 4.

Directors' Recommendation and Open Proxies

The Board (other than Andrew Grant, Dr Christopher Mitchell and Harley Whitcombe who do not make a recommendation because they are each eligible to participate in the Incentive Plan) considers that the Incentive Plan remains an appropriate mechanism to assist in the recruitment, reward, retention and motivation of senior executives and employees of the CO2 Group, and therefore the Board recommends that Shareholders vote in favour of Resolution 4. The Chairman intends to vote open proxies in favour of the Resolution 4.

RESOLUTIONS 5 AND 7 – SEPARATE CORPORATIONS ACT APPROVALS OF THE GIVING OF TERMINATION BENEFITS

Approvals under Section 200B of the Corporations Act

Termination benefits and requirement for Shareholder approval

The Corporations Act restricts the benefits which can be given to certain persons (those who hold a managerial or executive office, as defined in the Corporations Act) on leaving their employment with the Company or a related body corporate (the **Group**). Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the Group if it is approved by shareholders or an exemption applies.

The provisions of the Corporations Act relating to termination benefits were amended in 2009 to significantly reduce the maximum termination benefits that can be given without prior shareholder approval and to expand the scope of the provisions. The new, lower termination benefits cap applies to all directors (including executive directors of CO2 Group) and, since November 2009, to all key management personnel of the Group (that is, to all persons whose remuneration is required to be disclosed in the CO2 Group Remuneration Report), including those who are not Directors. Additionally, persons subject to the restrictions remain subject to them for at least three years after they cease to be a managerial or executive officer.

Benefits includes the exercise of a discretion

Under the termination benefits laws, the term "benefit" has a wide operation and relevantly includes the Board exercising its discretion under the rules of the relevant plan or terms of an Existing Employee Option to permit:

- a) in the context of Resolution 5, the early vesting of Incentives granted under the Incentive Plan; and
- b) in the context of Resolution 7, the early vesting of the Existing Employee Options (which includes the options granted under the Existing ESOP) (for further details on the Existing Employee Options, see the disclosures in relation to ASX Listing Rule 7.2 above).

The Board does not propose to grant any further options under the Existing ESOP. The number of Existing Employee Options (which includes those granted under the Existing ESOP) is 24,346,667.

Circumstances for early vesting

Circumstances in which the early vesting is permitted for:

- a) Incentives under the Incentive Plan; and
- b) the options granted under the Existing ESOP and/or the Existing Employee Options,

include termination of the employee's employment or office with the Company due to redundancy or in other circumstances where the Board exercises its discretion to do so.

The relevant resolutions therefore seek the approval of any "termination benefit" that may be provided to:

- a) in respect of Resolution 5, a participant under the Incentive Plan;

b) in respect of Resolution 7, a participant under the Existing ESOP or a recipient of the Existing Options, who, from time to time, holds a managerial or executive office (as defined in the Corporations Act) in the Group, in addition to any other termination benefits that the Group may provide to that person without shareholder approval under the Corporations Act.

Specifically, in respect of each of Resolutions 5 and 7 Shareholder approval is being sought to give the Board (or the Board's delegate) the capacity to exercise certain discretions under the Incentive Plan, the Existing ESOP or the terms of the Existing Employee Options (as relevant), including the discretion to determine to vest some or all of the unvested Incentives or options (as relevant) of any relevant participant who is affected by the new termination benefits laws when they leave employment with the Group.

Approval is being sought in respect of any current or future participant who holds:

- a) a managerial or executive office in the Group at the time of their leaving or at any time in the three years prior to their leaving; and
- b) Incentives or Existing Employee Options (as relevant) at the time of their leaving.

The Company is seeking the separate approvals to assist the Group to meet its existing obligations to employees of the Group, and to provide the Group with the flexibility to continue to remunerate employees fairly and responsibly.

If the relevant Shareholder approval is obtained and the Board exercises its discretion to vest some or all of an affected participant's unvested options (or to provide that the participant's Incentives do not lapse but will continue and be tested in the ordinary course), the value of the benefit will be disregarded when calculating the relevant participant's cap for the purposes of calculating the permissible termination benefits payable under the Corporations Act.

Each of Resolutions 5 and 7 are independent from the other and should be considered by Shareholders separately and on their own merits.

Section 200E of the Corporations Act

Section 200E requires certain information to be provided to Shareholders in approving a termination benefit. Whilst the value of the proposed termination benefits cannot currently be ascertained, the manner in which the value of the proposed termination benefits is calculated, and the matters, events and circumstances that will, or are likely to, affect the calculation of the value are as set out below.

Details of the termination benefits

In respect of the Incentives, the Incentive Plan contains provisions setting out the treatment of unvested Incentives in situations such as where an employee leaves the Company (in certain circumstances). For example, under the rules of the Incentive Plan, where a participant resigns from his or her employment with the Company before his or her Incentives have vested, the Board may exercise its discretion to determine that some or all of the Incentives will vest, and the basis on which vesting may occur (which may include, without limitation, timing and conditions).

The Existing ESOP and Existing Employee Options have similar provisions.

As noted above, the exercise of these discretions will constitute a "benefit" for the purposes of the Corporation Act's termination benefits provisions.

Value of the termination benefits

The value of the termination benefits that the Board may give under the Incentive Plan, Existing ESOP or in respect of the Existing Employee Options cannot be determined in advance. This is because various matters will or are likely to affect that value.

Specifically, the value of a particular benefit will depend on factors such as the Company's share price at the time of vesting and the number of Incentives or options (as relevant) that the Board decides to vest.

Some of the factors that may affect the value of the termination benefits are as follows:

- a) the participant's length of service and the portion of any relevant performance periods that have expired at the time they leave employment;
- b) the participant's total fixed remuneration at the time grants are made and at the time they leave employment; and
- c) the number of unvested Incentives or options that the participant holds at the time they leave employment.

Voting exclusion

A voting exclusion statement is included in the Notice in respect of each of Resolutions 5 and 7.

Directors' Recommendations and Open Proxies

See the Directors' Recommendations below.

RESOLUTIONS 6 AND 8 – SEPARATE ASX LISTING RULES APPROVALS OF THE GIVING OF TERMINATION BENEFITS

ASX Listing Rule 10.19

ASX Listing Rule 10.19 limits the aggregate value of all termination benefits (other than superannuation benefits or provident fund and benefits required by law) that are or may become payable to officers to 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules.

Shareholder approval is required to exceed this limit.

The limit applies to any officer of the Company or its child entities. A child entity is defined as any entity which is controlled by the Company within the meaning of section 50AA of the Corporations Act or subsidiary of the Company.

Calculating the termination benefits payable at any one time is inherently difficult. It is dependent upon, for example, whether the vesting conditions for Incentives or options have or will vest and the rights of the recipient upon termination (which in some circumstances requires the exercise of discretion of the Board), the value of those "rights" (which will fluctuate based on the Company's share price), the value of other termination benefits (such as accrued long service leave etc) and the Company's equity interest at that time.

Using the last accounts given to ASX under the ASX Listing Rules, the equity interests of the Company calculated in accordance with the ASX Listing Rules are approximately A\$15.5 million. In the event that the value of the cumulative termination benefits payable at any one time by the Company to its officers exceeds 5% of this amount (being approximately \$775,000 which amount itself will vary with the Company's equity interests), then the Company seeks Shareholder approval to ensure that each current or future officer of the Company or its child entities will be entitled to any termination benefits under:

- a) in respect of Resolution 6, the Incentive Plan; and
 - b) in respect of Resolution 8, the Existing ESOP and/or the terms of the Existing Employee Options,
- in each case, including any accelerated vesting of the Incentives or Existing Employee Options (as relevant) at the discretion of the board.

Voting exclusion

A voting exclusion statement is included in the Notice in respect of each of Resolutions 6 and 8.

Directors' Recommendations and Open Proxies

The Board (other than Andrew Grant, Dr Christopher Mitchell and Harley Whitcombe) recommends that Shareholders vote in favour of Resolutions 5, 6, 7 and 8. The Chairman intends to vote open proxies in favour of the Resolutions 5, 6, 7 and 8. Being the possible recipient of termination benefits under one or more of the Incentive Plan, Existing ESOP or Existing Employee Options, it is not appropriate for Andrew Grant, Dr Christopher Mitchell or Harley Whitcombe to make a recommendation.

RESOLUTIONS 9 AND 10 – SEPARATE AMENDMENTS TO THE CONSTITUTION

Shareholder approval is sought for the two separate amendments to the Constitution. If either special resolution is passed, the relevant amendments will be effective immediately following the Annual General Meeting.

Each of Resolutions 9 and 10 are independent from the other and should be considered by Shareholders separately and on their own merits.

Requirement for Shareholder approval

Under section 136 of the Corporations Act, a company must obtain member approval by a special resolution to modify or repeal its constitution. Accordingly, Resolutions 9 and 10 each seek member approval to adopt the relevant proposed amendments to the Constitution.

Resolution 9 - Insertion of proportional takeover provisions

Background

The Corporations Act permits a company's constitution to include a provision that enables it to refuse to register the transfer of shares acquired under a proportional takeover bid unless shareholders in a general meeting approve the bid.

The Directors consider it in the interests of Shareholders to introduce a proportional takeover provision by inserting a new Rule 15 in the Constitution for the maximum period permitted by law, being three years.

The form of proposed new Rule 15 is located set in **Part 1 of Annexure A** to this Notice.

Proportional Takeover Bid

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares (i.e. less than 100%).

This means that control of a company may pass without shareholders having the chance to sell all their shares to the bidder. The bidder may take control of a company without paying an adequate amount for gaining control. To deal with this possibility, a company may provide in its constitution that if a proportional takeover bid is made for shares in the company, shareholders must vote on whether to accept or reject the offer and that decision will be binding on all the shareholders. The benefit of the provision is that shareholders are able to decide collectively whether the proportional offer is acceptable in principle and it may ensure that any partial offer is appropriately priced.

Effect of a Proportional Takeover Bid Provision

If a proportional takeover bid is made, the Directors must ensure that a meeting of Shareholders is held and the Shareholders vote on a resolution to approve the takeover bid at least 14 days before the last day of the bid period. Each Shareholder has one vote for each Share held. The vote is decided on a simple

majority. The bidder and its associates are not allowed to vote. If the resolution is not passed, no transfer will be registered as a result of the takeover bid and the offer will be taken to have been withdrawn. If the resolution is not voted on by the deadline, the resolution approving the bid is taken to have been passed. If the bid is approved (or taken to have been approved) all valid transfers must be registered, providing they comply with the other provisions of the Constitution.

The proportional takeover approval provisions do not apply to full takeover bids and will only apply for 3 years after the date of the adoption of the proposed amendment to the Constitution (i.e. until 24 February 2014) unless again renewed by Shareholders.

Knowledge of any Acquisition Proposals

At the date of this Notice, no Director or executive Officer is aware of any current proposal by any person to acquire or to increase the extent of a substantial interest in the Company.

Reasons for and Potential Advantages and Disadvantages of the Provision

The Directors consider that the takeover approval provisions have no potential advantages or disadvantages for directors because they will remain free to make recommendations on whether a resolution approving a proportional takeover bid should be passed and whether the offer under the bid should be accepted. The reasons for, and potential advantages of, the proposed proportional takeover approval rule for Shareholders include:

- a) Shareholders have the right to decide by majority vote whether to accept a proportional takeover bid;
- b) it may help Shareholders to avoid being locked in as a minority and avoid the bidder acquiring control of the Company without paying an adequate control premium (i.e. not being required to pay for all of the Shares on issue);
- c) it increases Shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced; and
- d) knowing the view of the majority of Shareholders may help each individual Shareholder to form an opinion on whether to accept or reject an offer under the bid.

The potential disadvantages of the proposed proportional takeover approval rule for shareholders include:

- a) proportional takeover bids for Shares in the Company may be discouraged;
- b) Shareholders may lose an opportunity to sell some of their Shares at a premium; and
- c) the likelihood of a proportional takeover succeeding may be reduced.

The Directors do not believe the possible disadvantages outweigh the advantages of the proportional takeover provisions operating for the next three years.

Resolution 10 - Amendment to distribution of profits provisions

Reason for proposed amendments

Amendments are proposed to the Constitution to reflect amendments made to the Corporations Act on 28 June 2010 that have changed the circumstances in which companies are able to pay dividends to shareholders.

In the past, a company has only been able to pay dividends out of profits, whether earned in that year or retained from past years.

The recent changes to the law remove the limitation on a company only paying dividends out of profits. This change to the law has been made recognising the increasing volatility of company profitability resulting from changes in treatments under Australian Accounting Standards. In particular, the

Government expressed concern that the many non-cash expenses that companies are now required to recognise in their financial statements, impede the ability of a company to pay dividends under the profits test, notwithstanding that those non-cash expenses do not affect the company's financial ability to pay the dividend.

Accordingly, the changes to the Corporations Act now allow a company to pay a dividend where:

- a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the proposed dividend;
- b) the payment of the dividend is fair and reasonable to shareholders as a whole; and
- c) the payment of the dividend will not materially prejudice the company's ability to pay its creditors.

For the purpose of the changes, assets and liabilities are calculated in accordance with accounting standards in force at the relevant time.

Although the Constitution currently allows dividends to be paid in accordance with the new law, it does not provide flexibility the Board considers is required in respect of capitalising dividends, ancillary power and reserves. Therefore the Board proposes that the changes be made to the Constitution to provide future flexibility to the Board to pay dividends and take all other actions in relation to dividends in the circumstances permitted by law.

As a result of the amendments to the shareholder dividend provisions, the Company has proposed certain other consequential amendments to the Constitution.

The form of proposed amended Rule 14 is located set in **Part 2 of Annexure A** to this Notice.

Directors' Recommendation and Open Proxies

The Board recommends that Shareholders vote in favour of each of Resolutions 9 and 10. The Chairman intends to vote open proxies in favour of the Resolutions 9 and 10.

2007 AGM	means the annual general meeting of CO2 Group held on 8 November 2007.
Annual General Meeting or AGM or Meeting	means the Annual General Meeting of Shareholders of the Company to be held at the Function Room, Level 2, QV1 Building, 250 St Georges Terrace, Perth Western Australia 6000, on Thursday, 24 February 2011 at 2.00pm (WST), or any adjournment thereof.
ASX	means ASX Limited (ABN 98 008 624 691), or as the context requires, the financial market operated by it.
ASX Listing Rules	means the Listing Rules of ASX.
Board	means the board of Directors of the Company.
Company or CO2 Group	means CO2 Group Limited (ABN 50 009 317 846).
Constitution	means the Company's constitution.
Corporations Act	means the Corporations Act 2001 (Cth).
Director	means a director of the Company.
Existing Employee Options	means the options granted to employees of the CO2 Group or its associated entities as set out in the section of the Explanatory Memorandum relating to Resolution 4 and ASX Listing Rule 7.2.
Existing ESOP	means the CO2 Group Limited Employee Share Option Plan approved by Shareholders at the 2007 AGM.
Incentive Plan	means the CO2 Group Limited Employee Incentive Plan as amended from time to time.
Incentives	means Performance Rights and Options.
Notice	means the notice of Meeting and the Explanatory Memorandum.
Option	means an option to acquire a Share, subject to vesting and satisfaction of any performance conditions, granted in accordance with the Incentive Plan.
Performance Right	means an entitlement to one Share, subject to vesting and satisfaction of any performance conditions, granted in accordance with the Incentive Plan.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a person, corporation or body holding a Share on the CO2 Group share register.

Annexure A

Part 1 – Insertion of proportional takeover approval rule (new rule 15)

15 Proportional takeover provisions

15.1 Definitions

approving resolution has the same meaning as in section 648D of the Act;

approving resolution deadline has the same meaning as in section 648D of the Act;

associate has the meaning specified in section 9 of the Act for the purposes of Chapter 6 of the Act;

proportional takeover bid has the meaning specified in section 9 of the Act.

15.2 Prohibition on registration of transfers without approval

Where a proportional takeover bid in respect of shares included in a class of shares in the company has been made:

- a) the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under the proportional takeover bid is prohibited unless and until a resolution to approve the proportional takeover bid is passed in accordance with this constitution;
- b) a person (other than the bidder or an associate of the bidder) who, as at the end of the day on which the first offer under the proportional takeover bid was made, held shares included in that class is entitled to vote on an approving resolution and, for the purposes of so voting, is entitled to 1 vote for each such share;
- c) neither the bidder nor an associate of the bidder may vote on an approving resolution;
- d) an approving resolution must be voted on at a meeting, convened and conducted by the company, of the persons entitled to vote on the resolution under the Act; and
- e) an approving resolution is taken to have been passed if the proportion which the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50%, and otherwise is taken to have been rejected.

Subject to the Act, the directors may determine that the provisions of this rule 15 apply to the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under a proportional takeover bid that is made prior to the date that this constitution is adopted or this rule 15 is renewed.

15.3 Meetings

- a) The provisions of this constitution relating to a general meeting of the company apply, with such modifications as the circumstances require (including, without limitation, to the requisite notice period to ensure that the meeting is convened on or before the

approving resolution deadline), in relation to a meeting that is convened for the purposes of this rule 15.

- b) Where takeover offers have been made under a proportional takeover bid, then the directors must ensure that a resolution to approve the proportional takeover bid is voted on in accordance with this rule 15 before the approving resolution deadline in relation to the proportional takeover bid.
- c) Where a resolution to approve a proportional takeover bid is voted on in accordance with this rule 15 before the approving resolution deadline in relation to the proportional takeover bid, the company must, on or before the approving resolution deadline:
 - (1) give to the bidder; and
 - (2) serve on the Exchange,

a written notice stating that a resolution to approve the proportional takeover bid has been voted on and that the resolution has been passed or has been rejected, as the case requires.

15.4 Approving resolution deemed to have been passed

Where, as at the end of the day before the approving resolution deadline in relation to a proportional takeover bid under which offers have been made, no resolution to approve the proportional takeover bid has been voted on in accordance with this rule 15, then a resolution to approve the proportional takeover bid is, for the purposes of this rule 15, deemed to have been passed in accordance with this rule 15.

15.5 Proportional takeover bid rejected

Where an approving resolution is voted on and is rejected then:

- a) despite section 652A of the Act, all offers under the proportional takeover bid that have not, as at the end of the approving resolution deadline, resulted in binding contracts are deemed to be withdrawn at the end of the approving resolution deadline;
- b) the bidder must immediately, after the end of the approving resolution deadline, return to each Member any documents that were sent by the Member to the bidder with the acceptance of the offer;
- c) the bidder may rescind and must, as soon as practicable after the end of the approving resolution deadline, rescind each contract resulting from the acceptance of an offer made under the proportional takeover bid; and
- d) a member who has accepted an offer made under the proportional takeover bid is entitled to rescind the contract (if any) resulting from that acceptance.

15.6 Effect of this rule

This rule 15 ceases to have effect on the third anniversary of the later of the date of its adoption or of its most recent renewal.

Annexure A

Part 2 – Amendment of distribution of profits rule (rule 4 and other ancillary changes)

Note: text marked like "profits" is to be deleted and text marked like "or determine" is to be inserted.

Rule 4 Distributions of profits

4.1 Dividends

- (a) The directors may ~~from time to time decide pay any interim and final dividends that, in their judgment, the financial position~~ that any interim or final dividend is payable and fix the amount, record date, time for payment and method of payment ~~the company justifies.~~
- (b) The directors may rescind a decision to pay a dividend ~~if they decide, before the payment date, that the company's financial position no longer justifies the payment.~~
- (c) The directors may pay any dividend required to be paid under the terms of issue of a share.
- (d) Paying a dividend does not require confirmation at a general meeting.
- (e) Subject to any rights or restrictions attached to any shares or class of shares:
 - (1) all dividends must be paid equally on all shares, except that a partly paid share confers an entitlement only to the proportion of the dividend which the amount paid (not credited) on the share is of the total amounts paid and payable (excluding amounts credited);
 - (2) for the purposes of rule 4.1(e)(1), unless the directors decide otherwise, an amount paid on a share in advance of a call is to be taken as not having been paid until it becomes payable; and
 - (3) interest is not payable by the company on any dividend.
- (f) Subject to the ASTCASX Settlement Operating Rules, the directors may fix a record date for a dividend, with or without suspending the registration of transfers from that date under rule 5.3.
- (g) Subject to the ASTCASX Settlement Operating Rules, a dividend in respect of a share must be paid to the person who is registered, or entitled under rule 5.1(c) to be registered, as the holder of the share:
 - (1) where the directors have fixed a record date in respect of the dividend, on that date; or
 - (2) where the directors have not fixed a record date in respect of that dividend, on the date fixed for payment of the dividend,and a transfer of a share that is not registered, or left with the company for registration under rule 5.1(b), on or before that date is not effective, as against the company, to pass any right to the dividend.
- (h) When resolving to pay a dividend, the directors may direct payment of the dividend from any available source permitted by law, including:
 - (1) ~~direct payment of the dividend~~ wholly or partly by the distribution of specific assets, including paid-up shares or other securities of the company or of another body corporate, either generally or to specific members; and

- (2) unless prevented by the Listing Rules, ~~direct payment of the dividend to~~ particular members wholly or partly out of any particular fund or reserve or out of profits derived from any particular source, and to the other members wholly or partly out of any other particular fund or reserve or out of profits derived from any other particular source.
- (i) Subject to the ASTCASX Settlement Operating Rules, where a person is entitled to a share because of a transmission event, the directors may, but need not, retain any dividends payable on that share until that person becomes registered as the holder of that share or transfers it.
- (j) The directors may retain from any dividend payable to a member any amount presently payable by the member to the company and apply the amount retained to the amount owing.
- (k) The directors may decide the manner and means of the payment of any dividend or other amount in respect of a share. Different methods of payment may apply to different members or groups of members (such as overseas members). Without limiting any other method of payment which the company may adopt, any dividend or other amount payable by the company to a member in respect of a share may be paid:
 - (1) by cheque sent to the address of the member shown in the register of members or, in the case of joint holders, to the address shown in the register of members of any of the joint holders, or to such other address as the member or any of the joint holders in writing direct; or
 - (2) at the risk of the member or the joint holders, by such electronic or other means approved by the directors directly to an account nominated in writing by the member or the joint holders.

The directors may decide that, where an electronic means of payment is offered by the company to members, the cost of issuing a cheque to a member who elects to be paid by cheque may be deducted from any dividend payable to that member.
- (l) The directors may adopt procedures limiting the type of accounts which are eligible to receive payment under rule 4.1(k)(2).
- (m) A cheque sent under rule 4.1(k)(1) may be made payable to bearer or to the order of the member to whom it is sent or another person that the member directs and is sent at the member's risk.
- (n) If the directors decide to make a payment by electronic or other means approved by the directors under rule 4.1(k)(2) and an account is not nominated by the member or joint holders or an electronic transfer into a nominated account is rejected or refunded, the company may hold the amount payable in a separate account of the company until the member or joint holders nominate a valid account, without any obligation to pay interest, and the amount so held is to be treated as having been paid to the member or joint holders at the time it is credited to that account.
- (o) Where a member does not have a registered address or the company believes that a member is not known at the member's registered address, the company may credit an amount payable in respect of the member's shares to an account of the company to be held until the member nominates a valid account.

- (p) An amount credited to an account under rules 4.1(n) or 4.1(o) is to be treated as having been paid to the member at the time it is credited to that account. The company will not be a trustee of the money and no interest will accrue on the money.
- (q) If a cheque for an amount payable under rule 4.1(k) is not presented for payment for 11 calendar months after issue or an amount is held in an account under rule 4.1(n) or 4.1(o) for 11 calendar months, the directors may reinvest the amount, after deducting reasonable expenses, into shares in the company on behalf of, and in the name of, the member concerned and may stop payment on the cheque. The shares may be acquired on market or by way of new issue at a price the directors accept is market price at the time. Any residual sum which arises from the reinvestment may be carried forward or donated to charity on behalf of the member, as the directors decide. The company's liability to pay the relevant amount is discharged by an application under this rule 4.1(q). The directors may do anything necessary or desirable (including executing any document) on behalf of the member to effect the application of an amount under this rule 4.1(q). The directors may determine other rules to regulate the operation of this rule 4.1(q) and may delegate their power under this rule to any person.

4.2 Capitalising profits

- (a) Subject to the Listing Rules, any rights or restrictions attached to any shares or class of shares and any special resolution of the company, the directors may capitalise and distribute among those members who would be entitled to receive dividends and in the same proportions, any amount:
 - (1) forming part of the undivided profits of the company;
 - (2) representing profits arising from an ascertained accretion to capital or a revaluation of the assets of the company;
 - (3) arising from the realisation of any assets of the company; or
 - (4) otherwise available for distribution as a dividend.
- (b) The directors may resolve that all or any part of the capitalised amount is to be applied:
 - (1) in paying up in full, at an issue price decided by the resolution, any unissued shares in or other securities of the company;
 - (2) in paying up any amounts unpaid on shares or other securities held by the members; or
 - (3) partly as specified in rule 4.2(b)(1) and partly as specified in rule 4.2(b)(2).

The members entitled to share in the distribution must accept that application in full satisfaction of their interest in the capitalised amount.
- (c) Rules 4.1(e), (f) and (g) apply, so far as they can and with any necessary changes, to capitalising an amount under this rule 4.2 as if references in those rules to:
 - (1) a dividend were references to capitalising an amount; and
 - (2) a record date were references to the date the directors resolve to capitalise the amount under this rule 4.2.
- (b) Where in accordance with the terms and conditions on which options to take up shares are granted (and being options existing at the date of the passing of the resolution referred to in rule 4.2(b)) a holder of those options will be entitled to an issue of bonus shares under this rule 4.2, the directors may in determining the number of unissued

shares to be so issued, allow in an appropriate manner for the future issue of bonus shares to options holders.

4.3 Ancillary powers

- (a) To give effect to any resolution to satisfy a dividend as set out in rule 4.1(h)(1) or to capitalise any amount under rule 4.2, the directors may:
- (1) settle as they think expedient any difficulty that arises in making the distribution or capitalisation and, in particular:
 - (A) make cash payments in cases where shares or other securities in the company become issuable in fractions; and
 - (B) decide that amounts or fractions of less than a particular value decided by the directors may be disregarded in order to adjust the rights of all parties;
 - (2) fix the value for distribution of any specific assets;
 - (3) pay cash or issue shares or other securities to any member in order to adjust the rights of all parties;
 - (4) vest any of those specific assets, cash, shares or other securities in a trustee on trust for the persons entitled to the dividend or capitalised amount; and
 - (5) authorise any person to make, on behalf of all the members entitled to any further shares or other securities as a result of the distribution or capitalisation, an agreement with the company or another body corporate which provides, as appropriate:
 - (A) for the issue to them of those further shares or other securities credited as fully paid up; or
 - (B) for payment by the company on their behalf of the amounts or any part of the amounts remaining unpaid on their existing shares or other securities by applying their respective proportions of the amount resolved to be capitalised.

Any agreement made under an authority referred to in rule 4.3(a)(5) is effective and binds all members concerned.

- (b) If the company distributes to members (either generally or to specific members) securities in the company or in another body corporate or trust (whether as a dividend or otherwise and whether or not for value), each of those members appoints the company as his or her agent to do anything needed to give effect to that distribution, including agreeing to become a member of that other body corporate.
- (c) If a distribution of assets, shares or securities to a particular member or members is in the director's discretion considered impracticable or would give rise to parcels of securities which do not constitute a marketable parcel, the directors may make a cash payment to those members or allocate the assets, shares or securities to a trustee to be sold on behalf of, and for the benefit of, those members, instead of making the distribution or issue to those members.

4.4 Reserves

- (a) The directors may set aside out of the company's profits any reserves or provisions they decide.

(b) The directors may appropriate to the company's profits any amount previously set aside as a reserve or provision.

(c) Setting aside an amount as a reserve or provision does not require the directors to keep the amount separate from the company's other assets or prevent the amount being used in the company's business or being invested as the directors decide.

4.5 Carrying forward profits

The directors may carry forward any part of the profits remaining that they consider should not be distributed as dividends or capitalised, without transferring those profits to a reserve or provision.

4.6 Share investment plan

The directors may:

(a) establish a share investment plan on terms they decide, under which:

(1) the whole or any part of any dividend or interest due to members or holders of any convertible securities of the company who participate in the plan on their shares or any class of shares or any convertible securities; or

(2) any other amount payable to members,

may be applied in subscribing for or purchasing securities of the company or of a related body corporate; and

(b) amend, suspend or terminate a share investment plan.

4.7 Dividend selection plans

The directors may:

(a) implement a dividend selection plan on terms they decide, under which participants may choose:

(1) to receive a dividend from the company paid wholly or partly out of any available source, including any particular fund or reserve or out of profits derived from any particular source; or

(2) to forego a dividend from the company in place of some other form of distribution from the company or another body corporate or a trust; and

(b) amend, suspend or terminate a dividend selection plan.

Rule 1.1 Definitions and Interpretation

The definition of "ASTC Settlement Rules" be deleted in its entirety and replaced with:

"ASX Settlement Operating Rules means the operating rules of ASX Settlement Pty Limited and, to the extent that they are applicable, the operating rules of the Exchange and the operating rules of ASX Clear Pty Limited".

Various Rules throughout the Constitution to be amended as follows

References to "ASTC Settlement Rules" in rules 1.1(i)(6), 1.2(b)(1), 2.6(d) 3.6(d) and 5.3, heading 1.2 and the table of contents, be deleted and replaced with "ASX Settlement Operating Rules".

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 798 306
(outside Australia) +61 3 9415 4830

000001 000 COZ
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 2.00pm (WST) Tuesday 22 February 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View the annual report, 24 hours a day, 7 days a week:

www.co2australia.com.au

To view and update your securityholding:

www.investorcentre.com

Your secure access information is:

SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of CO2 Group Limited hereby appoint

☐

the Chairman
of the Meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of CO2 Group Limited to be held at Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia on Thursday, 24 February 2011 at 2.00pm (WST) and at any adjournment of that meeting.

Important for Items 6 and 8: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 6 and 8 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 6 and 8 and your votes will not be counted in computing the required majority if a poll is called on these Items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 6 and 8 of business.

☐

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Director - Mr Harley Ronald Whitcombe	☐	☐	☐
Resolution 3	Re-election of Director - Mr Paul John Favretto	☐	☐	☐
Resolution 4	Approval of Employee Incentive Plan	☐	☐	☐
Resolution 5	Corporations Act approval to the giving of Termination Benefits under the Employee Incentive Plan	☐	☐	☐
Resolution 6	ASX Listing Rule approval to the giving of Termination Benefits under the Employee Incentive Plan	☐	☐	☐
Resolution 7	Corporations Act approval of Termination Benefits under the existing ESOP and the Terms of Existing Employee Options	☐	☐	☐
Resolution 8	Listing Rule approval of Termination Benefits under the existing ESOP and the Terms of Existing Employee Options	☐	☐	☐
Resolution 9	Insertion of Proportional Takeover Provisions	☐	☐	☐
Resolution 10	Amendment to Distribution of Profits Provisions	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date ____/____/____

COZ

999999A

Computershare +