



Our Ref: CO2 ASX Announce Media Release – 2011 Half-Year Announcement (296)

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ANNOUNCEMENT 296

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Dear Sir

CO2 Interim Half-Year Report Media Release

Enclosed is CO2 Group media release outlining the highlights of the Interim Report for the Half-Year Ended 31 March 2011 released to the ASX earlier today.

Contact details for media are included at the end of the media release.

Yours faithfully
CO2 Group Limited

A handwritten signature in black ink, appearing to read 'Harley Whitcombe', written over a horizontal line.

Harley Whitcombe
Company Secretary

CO2 Group Limited

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CO2 Group poised for growth with record half-year NPAT of \$1.5 million

- **NPAT up 306% on PCP**
- **EBIT of \$2.2 million**
- **Record revenue of \$15 million - up 120% on PCP**
- **Well funded with \$14 million of cash on hand and no debt**
- **Record results achieved in absence of carbon policy**
- **Well placed for continued growth**

Melbourne, 25 May 2011: Environmental services company CO2 Group Limited ("CO2" ASX: COZ) today reported a record net profit after tax (NPAT) of \$1.5 million for the half-year ended 31 March 2011. This compares to a loss of \$745,000 for the previous half-year to 31 December 2009. Earnings before interest and tax was \$2.2 million (31 December 2009: a loss of \$1.6 million), and revenue was at record levels, up 120% to \$15 million (31 December 2009: \$6.8 million).

Basic earnings per share were 0.55 cents. While no dividend was declared for the period, the Board continues to review the company's dividend policy.

The strong financial performance was achieved in an environment of continued uncertainty around the federal government's policy on carbon. This highlights that the Australian carbon market is not just a function of Federal regulation, with many industries investing heavily in carbon offset strategies due to environmental approvals, corporate policy and brand development.

Revenue of \$15 million is a key achievement for CO2 and illustrates the growing base of annuity income being generated from the company's long term, 30-50 year contracts. Importantly, as revenue continues to grow, corporate costs remain largely fixed at around \$6.5 million per annum.

CO2 successfully executed all contracts during the half-year with all customers remaining supportive and committed to their projects. No contractual issues have arisen and a number of new customer opportunities are being pursued.

CO2 is now managing estates of approximately 17,900 hectares of carbon plantings for its blue chip customer base, and preparations are now well advanced to establish a further 4,400 hectares for the 2011 planting season. This will take total plantings to 22,300 hectares, an almost 25% increase on projects already established.

During the period, CO2 continued to diversify its operations into other areas of environmental services. In New Zealand, where the government has legislated and implemented a Carbon Trading Scheme, CO2 has been engaged in mapping and forestry management inventory consulting projects. Mine site rehabilitation, broader environmental plantings, carbon accounting and inventory management are all new services which are being actively marketed.

CO2's Chief Executive Officer Mr Andrew Grant commented: "This is a pleasing half-year performance for CO2 and marks a key turning point in the company's development. We have invested heavily in our business to date and the results are now starting to materialise into meaningful returns.

"Blue chip corporations clearly recognise the merits of having proven carbon offset strategies irrespective of the uncertainty around government policy on carbon. This clearly confirms and underpins CO2's business model.

"Revenue growth is a key highlight for the half and indicates a growing level of predictable, annuity style revenue which we are generating from long term contracts. This reflects the company's business model which is to be the long-term carbon asset manager for major companies.

Outlook

CO2 is well placed for growth with \$14 million of cash on hand and no debt. CO2's strong cash position gives it the necessary flexibility to pursue additional growth opportunities, and the company does not require additional capital to fund expansion.

In the current half, CO2 expects to ramp up development of new products and services. The company will shortly launch a major new business initiative aimed at facilitating the trading of renewable energy certificates and carbon credits, and other initiatives such as consulting and site rehabilitation services are progressing. Continued investment in research and development is also a focus. New contracts with potential customers in Australia and other markets are being pursued.

With likely changes to government policy, the company remains one of the few corporations in Australia that will benefit from the new legislation.

CO2 is in good shape. Government legislation is likely to impact around 1,000 large carbon emitters in Australia. CO2, which is currently partnering with 10 companies locally, is still in its early stages of growth.

-ENDS-

Issued by:

Andrew Grant: CEO, CO2 Group Limited

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