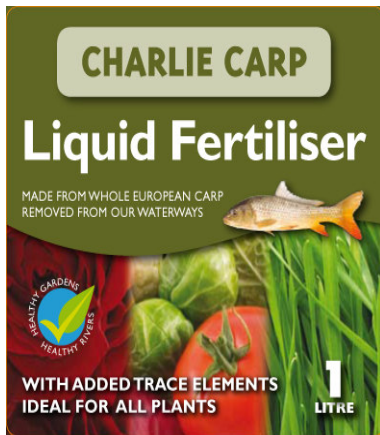


Managing Director's Report
30th June 2009
Charlie Carp Limited

Introduction

The June 2009 reporting period has been a successful year for the company, revenue has increased but we did not sustain the same level of profitability. There was a significant increase in our marketing costs and the associated costs of the establishment of a commercial distribution network and this affected our overall profitability. We hope that these benefits will flow through in the forthcoming years.

Sales and Marketing



Last year we alluded to the need to spend more money in the retail market on marketing and this year we did commit more funds in this area. This is an area of constant concern and it is hard to find the right mix and the most appropriate area to commit funds. And now that we have developed a commercial distribution network this will place further demands upon the company's resources.

The commitment to the commercial market did see an increase in sales and the product was generally well accepted. The test will be the current financial year as synthetic fertilizer prices have plummeted and it is more than likely that there will be a return to a more traditional fertilizer regime.

The issue of marketing and distribution remains the single biggest issue confronting the business. The markets that we operate within are extremely competitive and how to convince consumers of the merit of our product is a challenge. Our largest markets are Sydney, Melbourne and Brisbane and the costs of advertising in those markets are the most expensive and this fact alone makes it difficult for a small regional company to compete.

Financial Performance

The company's trading results were good with a good lift in revenue, and the maintenance of a sound trading profit. We will have to address the issues associated with increasing our manufacturing margins, as the market has become more competitive the "price point" of our product becomes more important and we can only remain competitive if we are "on the shelf at the right price".

The company's balance sheet remains strong and the overall financial position of the company is sound. The most important aspect of the company's financial performance is to continue to drive the company's earnings and work hard to maintain our margins. This is the best way to ensure that we develop the long term value of the company.

Factory

Last year we purchased a centrifuge to separate the liquid from the solids. This year we have been developing a drying process in order to turn our waste product into a "dry" product. This has necessitated the acquisition of some further equipment in order to manufacture a marketable dry product.



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The initial development of this product is encouraging and we are confident that will have the product in the market for spring 2010. At this stage it is our intention to produce the product in bulk and have the bulk product contract packed in order to reduce the costs to the business. The final nature of the product has yet to be decided upon but the upside to the business associated with this development is exciting.



Conclusion

The 2009 financial year has been satisfactory, we have retained our position within the retail market, and we have developed a commercial distribution network. We have expanded the productive capacity of the factory and have developed the capacity to expand our product range. These changes have been achieved and we have maintained a sound financial result and retained a strong balance sheet.

2010 is going to be a very challenging year for the company, I feel that a number of decisions will have to be made in order for the company to expand and grow. At this stage we are conducting a review of the business with the view to formulating a business plan or model addressing all the issues and associated factors limiting the company's growth and potential. In order for the company to grow, we will have to change many aspects of the company's

operations and relationships, but this is the only way to finally add some real shareholder value to the business.

I must thank Pip Whykes and Ron Kopanica for a job well done, again. We look forward to your attendance at the Annual General Meeting.

Harold Clapham
Managing Director