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BARON
TRADERS LIMITED

1. Carbon Introduction

"Carbon Trading could be worth twice that of oil in the next decade"
Guardian Newspaper UK

"California could face steep carbon prices.....emitters may pay $70 per tonne in 2018-2020"
Barclays Capital February 2011

"Deutsche Bank analysts raise their forecasts for carbon prices in the first half of this year by 25%"
Point Carbon February 2012-05-16

"Countries such as Turkey, Chile Mexico & China are verging on pilot carbon market schemes by the end of the year under the guidance of a World Bank scheme."
World Bank January 2012

Opportunities

The international carbon markets provide investors with exciting potential for long term capital growth. Certified Emission Reduction carbon credits, referred to as CERs, are a fast growing and globally traded commodity already with the likelihood of significant appreciation as the markets mature and international demand increases.

2. Climate Change & Global Warming

During the 1990s world negotiations began to establish a global treaty to fight climate change and to establish a way to deal with its anticipated effects from both an economic and humanitarian point of view. Higher concentrations of green house gases (GHGs) in the earth's atmosphere were expected to further raise the global temperature – global warming. This would have the effect of significant and highly damaging changes to the ecosystems, and include wild fires, drought, increasing deserts in some areas and higher rainfall in others. This in turn leads to freak and destructive weather patterns that are already being experienced across the world today such as hurricanes, flooding and tornadoes. Furthermore this is happening hand in hand with an ever increasing global population.

Thus, the penultimate concerns are: increase in global temperatures through the erosion of the world's ability to regulate its own temperature within predefined limits through:

I. The erosion/destruction of carbon sinks (the forests and vegetation) through fire leading to further GHG emissions, leading to further global warming.

II. The oceans ability to absorb CO2 and the potential for temperature increases within the oceans to cause methane releases from the sea bed, leading to further global warming.

III. Reductions in ice leading to increasing absorption of heat from the sun and less reflection of the sun's rays back into the atmosphere, leading to further global warming.

IV. Increased industrialisation and burning of fossil fuels.

However, the ultimate concern results from the melting of sea ice, the melting of the Greenland ice sheets and the melting of the Icecaps at the North and South Poles. For unknown reasons, increases in global temperature are especially pronounced at the top and bottom of the globe.

It is estimated that the melting of the Greenland ice sheets will result in a 7 metre rise in global sea levels, while the melting of the South Pole would lead to a rise in global sea levels of 49 metres.

Chart A details the increases in C02 Concentrations over the last 50 years:

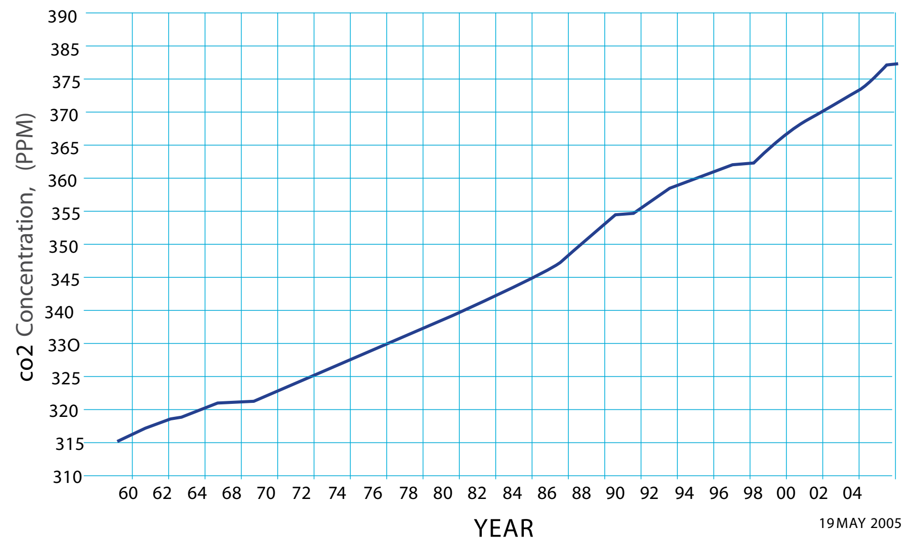
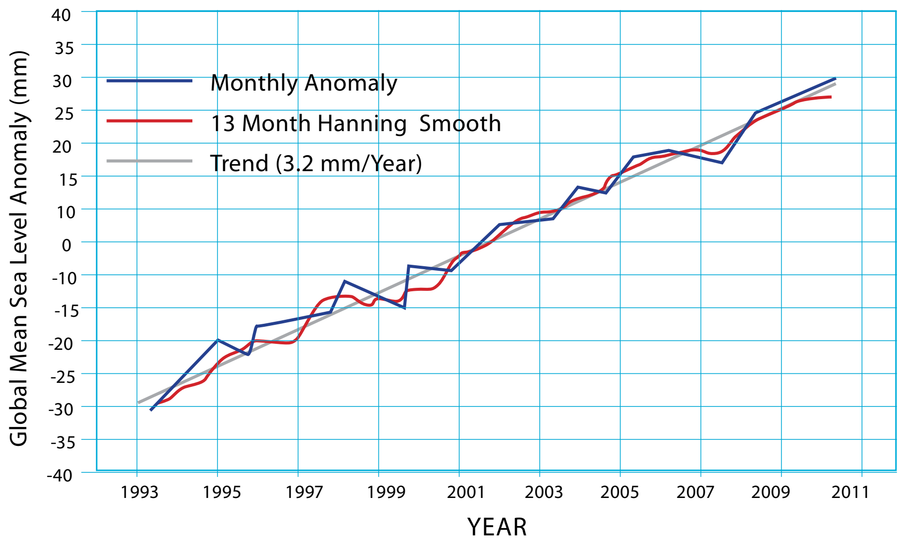


Chart B details increases in sea level since 1993:



3. Emission Trading Schemes (ETS)

The Intergovernmental Panel on Climate Change (IPCC) was formed by the United Nations (UN) in 1998 to prove the link between GHGs and global warming. Subsequently the UN formed its climate change division, called the United Nations Framework Convention on Climate Change (UNFCC) to tackle the fight against climate change and assist poorer countries to adapt to the changes this will bring.

In 1992 over 100 countries attended the "Earth Summit" in Rio de Janeiro adopted by the UNFCC. In 1997 55 countries adopted the Kyoto Protocol which created the Clean Development Mechanism (CDM), carbon credits and the cap and trade scheme that is in place today – ETS. CERs are part of the Kyoto protocol and their purpose is to assist developing nations achieve sustainable growth and reduce their carbon footprint.

As a result of the Kyoto Protocol, some countries that had ratified the Protocol developed their own emission reduction frameworks but Europe took the lead and in 2005 created the European Union Emission Trading Scheme (EU ETS). Today the EU ETS covers 15,000 polluting installations throughout Europe across eight heavy industries. These account for approximately 60% of Europe's total emissions. Every one of these heavy polluters must monitor and verify its emissions every year and retire an equal number of carbon permits. This can be in the form of European Union Allowances (EUAs) and / or Certified Emission Reduction certificates (CERs).

Twenty four additional emissions trading schemes are being planned around the world. New Zealand's is currently operational, Australia starts on 1st July 2012, South Korea, Mexico and Chinese emissions trading scheme are due to start by 2015.

4. Carbon - The Worlds Fastest Growing Market

The carbon trading mechanism sometimes referred to as the "Kyoto Surprise" has been unexpectedly successful in the support it has drawn from developing countries and has been a success story that is being rolled out today across the world. New Zealand is currently operational, Australia starts on 1st July 2012 and South Korea, Mexico and China are due to commence in 2015. Discussions are also underway in Japan, Canada, Brazil, India, South Africa, Russia and the Ukraine to name but a few with a view to introduce new carbon trading schemes which will take their lead from the Kyoto Protocol. Several others such as Chile and Turkey could also launch pilot carbon market schemes by the end of this year under the guidance of the World Bank scheme. There are a total of 24 additional emission trading schemes being planned around the world. All these programmes will significantly increase the volume of CERs that are traded globally.

"EU CO_2 price should be more than three times higher....the price today should be 40-60 Euros per metric tonne of carbon dioxide....by 2020, the price will need to rise to 60-90 Euros."

Bloomberg New Energy Finance Sept 2011

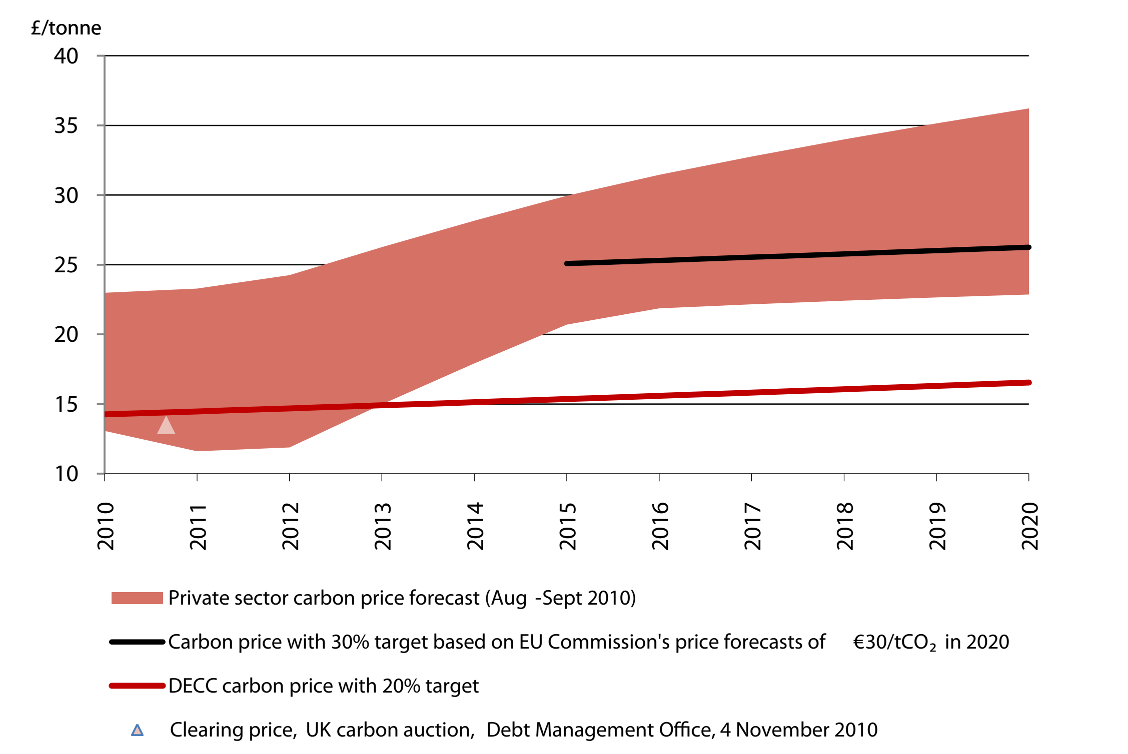
"Carbon will be the world's biggest commodity market and could become the world's biggest market overall."

Barclays Capital

"Carbon could become one of the fastest growing markets ever, with volumes comparable to credit derivatives inside of a decade."

Head of Emissions Trading at Merrill Lynch

Chart 3.D: EU ETS carbon price forecast



Source: HM Treasury, 2010

5. Why CERs?

The carbon credits you can purchase via Baron Traders Ltd, CERs, are accredited to internationally recognised and rigorous emission reduction standards and are an integral part of the UN CDM. They are a standardised commodity and can be bought and sold on global carbon exchanges or banked for future use. Individuals, private and public organisations can participate in the CER market, although, until recently it has been confined to large wholesale operations and other institutions such as banks. These CERs that are issued from projects around the world encourage investment in environmentally safe technologies to reduce GHGs, thus slowing global warming.

These CERs are the same UN carbon credits that are traded by the major banking institutions such as the WORLD BANK, who are trustees of 12 carbon funds and facilities capitalised at $2.7 billion. This clearly demonstrates the significant commitment of such global heavy weights to support market based instruments like CERs to tackle climate change.

Market volumes and price forecasts for CERs are encouraging with significant growth expected between now and 2020. Volumes reached $142 billion in 2011 and are estimated to reach between $2 and $3 trillion by 2020. The price of carbon could go up as high as €90 per tonne if Europe is to meet its carbon targets according to a Bloomberg report in 2011.

6. Investment

Participation in the CER market is best suited to investors with a medium to long term view although it is possible that a good return could be realised sooner. Since they are a traded commodity they can be liquidated at any time.

CERs are SIPP approved with a number of well established SIPP providers – please ask for more details.

The CERs you purchase will be held on a recognised UK Government Registry and from June 20th will be held on the new European Union Commission Registry under the FSA custodianship of the provider. This provides the optimum peace of mind and security that your asset is held in the safest of environments.

7. Key Points to Consider

According to a Thompson Reuters Point Carbon analyst poll published on 29th December 2011, the average price forecast for European Union Emissions Trading Scheme Eligible Certified Emission Reductions (EU ETS CERs) will rise significantly in the coming years.

While we are concerned with the current financial situation across Europe, a number of factors point to a significant increase in prices in the coming months and years. These are listed below:

I. The banning of Industrial Gas Certified Emission Reductions (IG CERs) from the European Union Emissions Trading Scheme; IG CERs represent 50% of the existing CER Supply. This has now been passed into law.

II. The banning of Certified Emission Reductions from Clean Development Mechanism projects that are registered after 2012: This further reduces the CER supply to the EU ETS by approximately 20%. This has now been passed into law.

III. The start of the third phase of the European Union Emissions Trading Scheme in 2013; during this phase, three new industries are due to be covered by Emissions legislation and Emission Permits (EUAs) are due to be auctioned to polluters as opposed to being given away for free. This has now been passed into law (although Eastern Europe has negotiated some concessions based on their reliance on Coal for power generation).

IV. The Set Aside: this is the proposed removal of 25% of the permit supply (EUAs) to the European Union Emissions Trading Scheme from 2013 to 2020, (so long as this intervention does not result in EUA prices above €30).

"Next month, EU officials and lawmakers will discuss an energy efficiency bill that could order the withdrawal or 'set aside' of surplus carbon permits in the 2013-2020 trading period of the EU emissions trading scheme (ETS). Many analysts expect a withdrawal of 500-800 million permits and say this could see carbon prices almost double from current levels of about 8 Euros3".

V. The European Emission Reduction Roadmap to 2020: The EU is trying to force legislation through that would commit to emission reductions of 80% below 1990 levels by 2050. An EU accord was recently vetoed by Poland which was the only dissenter. Negotiations are progressing on this and 26 Member states are in favour.

VI. An Auction Floor Price of £15 per EUA has now been confirmed by the UK Budget of 2012. This comes into force on 1st January 2013. There is now pressure for the remaining EU Members to follow the UK. As payments for EUAs / permits at auction provide significant tax revenues for member states we feel this is very likely.

VII In addition to this, in preparation for a global deal, as per the Durban COP, 24 Emission Trading Schemes are in development. The majority of these will accept CERs.

EU ETS CERs (European Union Emissions Trading Scheme Certified Emission Reductions) is an acronym used to describe CERs that are eligible for use within the European Union Emissions Trading Scheme post 2012 and have an equal compliance value to that of EUAs (European Union Allowance) which are the central permit used in the scheme. CERs are accredited by the United Nations.

Source: Reuters Point Carbon:
http://www.pointcarbon.com/news/1.1804163?date=20120320&sdtc=1&ref=search

Risk Warning

(a) All investments are speculative and will fluctuate in value. It should not be assumed that the value of investments will always rise. Past performance is not a reliable indicator of future results. You may get back less than the amount originally invested or even lose the full amount.

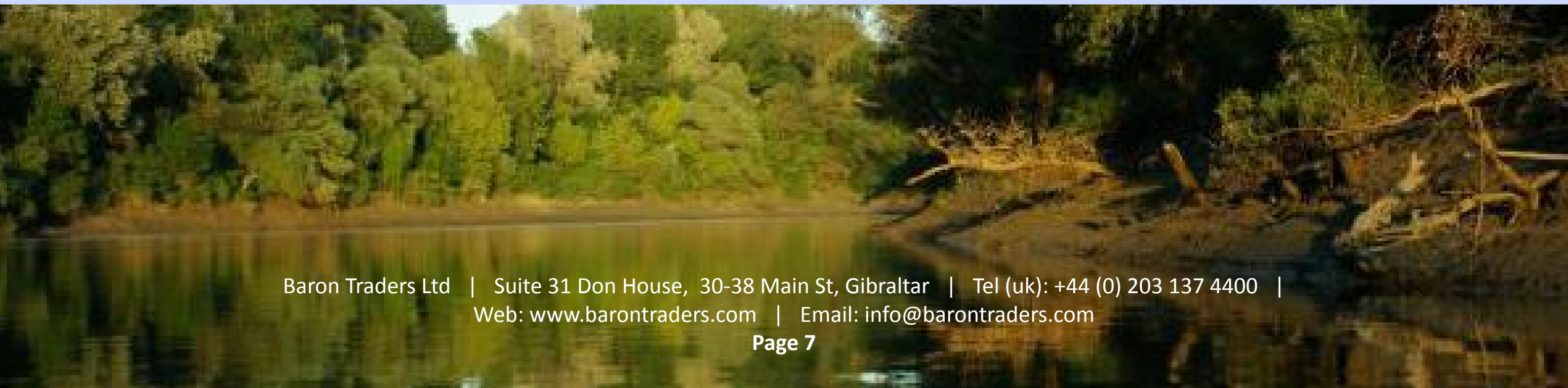
(b) You should carefully consider in the light of your financial resources whether investing in Carbon Credits is suitable for you.

(c) Fluctuations in currency exchange rates may adversely affect the value of any overseas investments or investments denominated in a foreign currency.

(d) There may be a big difference between the buying price and the selling price of Carbon Credits. If you have to sell them immediately, you may get back much less than you paid for them. You may have difficulty in selling Carbon Credits at the price you wish to achieve and, in some circumstances; it may be difficult to sell them at any price. It can be difficult to assess what would be a proper market price for these investments. You should not invest in Carbon Credits unless you have thought carefully about whether you can afford to do so and have taken appropriate independent advice.

(e) Forwards, options and other derivative contracts in relation to Carbon Credits are regulated investments in the United Kingdom and Gibraltar. However, Carbon Credits introduced by Baron Traders Ltd are not derivatives and, as such, are not regulated investments. Accordingly, Baron Traders Ltd is not required to be regulated by the Financial Services Authority ("FSA"), the Financial Services Commission ("FSC") or any other regulator in the United Kingdom or Gibraltar. This means, among other things, that a person buying Carbon Credits introduced by Baron Traders Ltd will not benefit from any protections afforded by the FSA or FSC and would not have access to the Financial Services Ombudsman or the Financial Services Compensation Scheme.

(f) Baron Traders Ltd does not give financial advice.



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