

11 January 2019

Alterra Limited
PO Box 1805
Osborne Park DC WA 6916

CORPORATE UPDATE - NUMBER 1

Dear Carbon Conscious Investments Member

I write to welcome you as a shareholder in Carbon Conscious Investment Ltd (**CCIL** or **Company**) and, because owning shares in a public unlisted company is new to some, this will be the first in a series of updates that will report on Company operations and provide information on upcoming events such as shareholder distributions and how Members may buy or sell shares in the Company.

This update should be read in conjunction with the information provided in the Notice of Meeting (NOM) dated 19 November 2018 which provided a comprehensive overview of the demerger, the Company and the Carbon Business. A copy of the NOM is available on the “Investors” page of the Company’s website (www.carbonconscious.com.au).

1. Corporate Matters

Following shareholder approval on 20 December 2018, CCIL demerged from Alterra Ltd (**Alterra**) via an in-specie distribution of shares on 31 December 2018 and as of 1 January 2019 CCIL became an independent public unlisted company with 743 Members holding 173,647,045 shares.

Via the demerger, Members received 1 CCIL Share for every 1 Alterra share they held as of 28 December 2018 and should have recently received a holding statement from the Company’s Share Registry - Automic. Alterra retained 15% of the shares in CCIL post demerger.

The Corporations Act determines that the Company is subjected to the same ‘Continuous Disclosure’ as an ASX listed entity, the difference being that:

- Disclosures will **NOT** be made via the ASX platform; and
- **WILL primarily** be via the Company Web Site (www.carbonconscious.com.au) and ASIC and on limited occasions (Annual Report and AGM Notices) via direct communication to Members (either post or email, depending on the instructions by individual Members to Automic).

2. Key Dates

The current Key Dates relating to the Company are outlined in the Table below and include:

- The Company's financial year is 30 September;
- Contracted revenue from the Carbon Business is received by the Company quarterly (in arrears) with the first payment from customers to be received in April 2019;
- An Annual Report and Half-Year Update will be provided to Members and other updates as required.
- Subject to 'business being as usual' the Company expects to pay bi-annual distributions / dividends to Members commencing in May 2019.

Event	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Financial Year End									30th			
Contracted Revenue	31st			30th			31st			31st		
Reports to Shareholders					Half Year Update						Annual Report	
Shareholder Meetings		AGM (2019)										
Distribution / Dividend					Interim						Final	

3. Directors

The directors of CCIL are:

- Non-Executive Chairman Mr Andrew McBain (remuneration \$35,000 p.a.);
- Executive Director and Company Secretary Mr Anthony Fitzgerald (remuneration \$35,000 p.a.); and
- Non-Executive and independent director Dr Natasha Ayers (remuneration \$18,000 p.a.).

Now that the demerger has been completed, the Company intends to appoint an additional independent Non-executive Director who will replace Mr Fitzgerald as Company Secretary with Mr Fitzgerald remaining as Executive Director.

Mr McBain and Mr Fitzgerald are also directors of the 3 subsidiary companies (Carbon Conscious Pty Ltd; ACCU Asset Management Pty Ltd; and Carbon Management WA Pty Ltd), and hold Delegated Responsible Officer responsibilities relating to: The Clean Energy Regulator; the Company's Australian National Registry of Emissions Units account; and Corporate Authorised Representative AFSL.

4. Carbon Business

The Board intends for the Company to remain focussed on managing the existing Carbon Business Contracts only. The Company does not intend to develop new projects or take on new risk. As such the focus will be to manage the Company efficiently and conservatively, seeking to pay the maximum distribution / dividend to Members as soon as possible.

Carbon Business Contracts

The Company's operations are centred around the management of 2 Carbon Farming Initiative (CFI) Projects contracted with 2 major corporate customers, generating circa \$2.4 million p.a. (excl GST) and invoiced quarterly

in arrears. Some marginal revenue is expected to be generated from Voluntary Carbon Offset sales and from the annual sale of ACCUs generated from the Company's account.

The Carbon Business Contracts extend to September 2027 and beyond their expiry the CFI Projects may continue generating ACCUs for the benefit of CCIL until 2039, subject to there being a carbon price or similar mechanism.

The CFI Projects (based on 30 farms in the WA wheatbelt) were established between 2009-2012: are governed by the CFI Act 2011 and various Determinations; are overseen by the Clean Energy Regulator; and are independently audited. For more information on the Projects see a short video on the Company web site (www.carbonconscious.com.au).

Carbon Business Management

Outside of the directors there are no other employees of the Company. CCIL has contracted Alterra to provide all project management services, administration support and tenancy support. Alterra has retained the appropriate expertise to manage the Carbon Business on behalf of CCIL and its clients and will be paid a fixed quarterly fee of \$100,000 (plus GST) to provide all of the above services.

There will be variable project costs each year (e.g. carbon project audits, destructive sampling of trees) which will be charged by Alterra to CCIL at an agreed cost plus 2.5%. The variable project costs are expected to range from \$50,000 to \$150,000 in any given year depending mainly on whether destructive sampling of the projects is required by the regulator (currently required every 5 years).

5. Corporate Overheads

Corporate costs include directors fees, a Performance Guarantee fee, insurance, accounting, auditing and tax costs and will be on commercial terms and are expected to be of the quantum as disclosed or reasonably expected for a company the size of CCIL.

6. Loan from Alterra

Alterra has provided a loan (**Loan**) of \$1 million to CCIL for working capital purposes while CCIL builds its own cash reserves from the Carbon Business Contract revenue. Interest on the Loan is fixed at 6.5% p.a. and will be paid monthly. The Loan principle is repayable by 31 December 2020 and the Board will factor the repayment obligations when deciding the appropriate Member distributions / dividends.

7. Dividend / Distribution Policy

As communicated in the NOM, the Board has adopted a policy of paying a minimum distribution to Members of 90% of Net Profit After Tax, subject to its contractual requirements. The Board will consider the contractual requirements of the Company to repay the Loan and to hold a minimum of \$500,000 cash on hand at all times for working capital purposes.

Based on the assumption of 'business as usual' the Company expects to pay distributions to Members bi-annually and is targeting May and November each year, with the first distribution expected to occur in May 2019.

More information regarding the Record Dates and Distribution Dates will be provided in coming weeks.

8. Trading in CCIL Shares

While the Company is not listed on a stock-exchange there is no legal impediment to shares in the Company being traded via off-market transactions. All off-market transactions will be required to be processed with the Company's share registry – Automic.

Off-market transfer forms can be obtained from the Automic website (www.automic.com.au) by following the menu from the "Home Page" – "INVESTOR" – "FORMS" – "STANDARD TRANSFER FORM".

The Company has had queries from Members in relation to whether liquidity events (sale of CCIL shares) can be arranged by the Company. The Board is considering how that could be implemented and will update Members in due course.

If Members are interested in either buying or selling CCIL shares they can register their interest via email to admin@carbonconscious.com.au (please include "Share Trade Interest" in the subject bar) and confirm the details of your current holding and whether you are interested in buying or selling CCIL shares.

9. ATO Class Ruling

The Company expects to receive a final Class Ruling from the ATO by late January / early February. The Class Ruling will provide Members with information in relation to the tax treatment of their Alterra and CCIL shares including: the cost base, for tax purposes, that Members should apply to their Alterra and CCIL shares and treatment of Capital Gains Tax discounts (if applicable). The Company will provide an update once the Class Ruling is received.

10. Further Communication

The Company will be providing further updates in due course, some via the 'Investors' page on its web site at www.carbonconscious.com.au, not all updates will be posted or emailed to Members directly.

To assist with reducing costs and improving communication speed, Members are encouraged to go to <https://automic.com.au/> and use their SRN or HIN to edit their profile to include an email address and phone number. Please note that while we refer to the Company by the abbreviation CCIL that the company-code on the Automic site is "CCIU".

The Company welcomes communication from Members and if you have any queries please send an email to admin@carbonconscious.com.au and as well as your question include the name of the entity shares are held in and a return phone number.

Yours sincerely



Anthony Fitzgerald
Executive Director and Company Secretary