ALTERRA LIMITED
ACN 129 035 221

NOTICE OF EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting of the Company will be held on Thursday, 20 December 2018 at the HLB Mann Judd Boardroom, Level 4, 130 Stirling Street, Perth, Western Australia at 11.00am (WST).

The Notice of Extraordinary General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9204 8400.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

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ALTERRA LIMITED
ACN 129 035 221

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of Shareholders of Alterra Limited (**Alterra** or **Company**) will be held at 11.00am (WST) on Thursday, 20 December 2018 at the HLB Mann Judd Boardroom, Level 4, 130 Stirling Street, Perth, Western Australia (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders at 5pm (WST) on Tuesday, 18 December 2018.

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Resolution 1 – Approval for a reduction of capital and in-specie distribution of Carbon Conscious Investm ents Shares

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, for the purposes of Sections 256B and 256C of the Corporations Act and for all other purposes, the issued share capital of the Company be reduced by the Company making a pro rata distribution in specie of Carbon Conscious Investments Shares to all holders of ordinary shares in the Company at the Record Date and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

BY ORDER OF THE BOARD

Anthony Fitzgerald
Company Secretary

Dated: 19 November 2018

ALTERRA LIMITED
ACN 129 035 221

EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at 11.00am (WST) on Thursday, 20 December 2018 at the HLB Mann Judd Boardroom, Level 4, 130 Stirling Street, Perth, Western Australia.

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3	Resolution 1 – Approval for a reduction of capital and in-specie distribution of Carbon Conscious Investments Shares and disposal of a major asset
Section 4	Enquiries
Schedule 1	Definitions
Schedule 2	Investigating Accountant's Report
Schedule 3	Key risk factors facing Carbon Conscious Investments

1.1 Time and place of Meeting

Notice is given that the Meeting will be held at 11.00am (WST) on Thursday, 20 December 2018 at the HLB Mann Judd Boardroom, Level 4, 130 Stirling Street, Perth, Western Australia .

1.2 Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

1.3 Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00 PM WST on Tuesday, 18 December 2018.

1.4 Defined terms

Capitalised terms in this Notice of Meeting and Explanatory Memorandum are defined either in Schedule 1 or where the relevant term is first used.

1.5 Responsibility

This Notice of Meeting and Explanatory Memorandum have been prepared by the Company under the direction and oversight of its Directors.

1.6 Other legal requirements

The Corporations Act restricts the Company from disposing of the Carbon Conscious Investments Shares to Shareholders within 12 months of their issue, by way of the proposed In-specie Distribution, without the Company issuing a prospectus. In addition, the Corporations Act restricts Shareholders from on-selling the Carbon Conscious Investments Shares acquired by them as part of the In-specie Distribution, within 12 months after receiving them under the In-specie Distribution, without the Company issuing a prospectus in respect of the Carbon Conscious Investments Shares transferred to Shareholders as part of the In-specie Distribution.

Further, under applicable ASIC guidelines, the invitation to Shareholders to vote on Resolution 1 of the Notice of Meeting constitutes an "offer" to transfer Carbon Conscious Investments Shares to Shareholders pursuant to the In-specie Distribution.

However, the Company has obtained relief from ASIC from Chapter 6D of the Corporations Act to enable the Company to undertake an equal reduction of capital and the In-specie Distribution to Shareholders, without the need to comply with the offer disclosure provisions set out in that Chapter. Further, the Company has also obtained relief from ASIC from the secondary sale provisions of the Corporations Act to allow Shareholders to on-sell their Carbon Conscious Investments Shares without the Company being required to issue a prospectus in respect of those Carbon Conscious Investments Shares. As such, no prospectus is required to be prepared and lodged by the Company in respect of the In-specie Distribution.

In accordance with the relief, the Company confirms this Notice of Meeting is in substantially the same form as the draft notice of meeting provided to ASIC on 14 November 2018.

There is no information known to the Company that is material to the decision by a Shareholder on how to vote on Resolution 1 other than as disclosed in this Notice of Meeting and Explanatory Memorandum and information that the Company has previously disclosed to Shareholders.

Shareholders should note that this Notice of Meeting and Explanatory Memorandum is not a prospectus lodged under Chapter 6D of the Corporations Act.

1.7 Purpose of this document

The main purpose of this document is to:

(a) explain the terms of the Proposal, and the manner in which the Proposal (or parts of the Proposal) will be implemented (if approved); and

(b) to provide such information as is prescribed or otherwise material to the decision of Shareholders whether or not to approve the Resolutions required to give effect to the Proposal.

This document includes a statement of all the information known to the Company that is material to Shareholders in deciding how to vote on Resolution 1, as required by Section 256C(4) of the Corporations Act.

1.8 ASIC and ASX

A final copy of this Notice of Meeting and Explanatory Memorandum has been lodged with ASIC and ASX. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this document.

1.9 Forward looking statements

Some of the statements appearing in this document may be in the nature of forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'consider', 'foresee', 'aim', 'will' and similar expressions are intended to identify forward-looking statements. Indications of guidance on earnings and financial position and performance are also forward-looking statements.

The forward-looking statements in this document are based on reasonable grounds, however you should be aware that such statements are only predictions and are subject to inherent risks and uncertainties, many of which are outside the Company's control. Those risks and uncertainties include factors and risks specific to the Company and Carbon Conscious Investments. For more information on the risk factors facing Carbon Conscious Investments, please refer to Schedule 3.

Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement and such deviations are both normal and to be expected.

The forward-looking statements in this document reflect views held only as at the date of this document.

1.10 No financial product advice

This document does not constitute financial product, taxation or investment advice nor a recommendation in respect of the Carbon Conscious Investments Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders should consider the appropriateness of the information, having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their circumstances.

Neither the Company nor Carbon Conscious Investments is licensed to provide financial product advice. No cooling-off regime applies in respect of the acquisition of Carbon Conscious Investments Shares under the In-specie Distribution (whether the regime is provided for by law or otherwise).

1.11 No internet site is part of this document

No internet site is part of this Notice of Meeting and Explanatory Memorandum. The Company maintains an internet site (alterra.com.au). Any reference in this document to this internet site is a textual reference only and does not form part of this document.

1.12 Important Notices

Key Dates*

Extraordinary General Meeting to approval the In-specie Distribution of Carbon Conscious Investments Shares	20 December 2018
ASX informed of Shareholder approval	20 December 2018
Indicative Record Date*	28 December 2018
In-specie Distribution to Shareholders of Carbon Conscious Investments Shares*	31 December 2018

*** These dates are indicative only and may change without notice. The Company will release details of the Record Date once the In-specie Conditions have been met.**

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Voting in person

A shareholder that is an individual may attend and vote in person at the meeting. If you wish to attend the meeting, please bring the enclosed proxy form to the meeting to assist in registering your attendance and number of votes. Please arrive 20 minutes prior to the start of the meeting to facilitate this registration process.

2.2 Voting by corporate representative

A shareholder that is a corporation may appoint an individual to act as its representative to vote at the meeting in accordance with section 250D of the *Corporations Act 2001* (Cth). The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed. The appropriate "Appointment of Corporate Representative" form should be completed and produced prior to admission to the meeting. This form may be obtained from the Company's share registry.

2.3 Appointment of proxies

Each Shareholder entitled to vote at the Meeting may appoint a proxy to attend and vote at the Meeting. To vote by proxy, please complete, sign and return the enclosed Proxy Form in accordance with its instructions. A proxy need not be a Shareholder of the Company and can be an individual or a body corporate.

A body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Share Registry.

A Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes to be exercised, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

(a) Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

(i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);

(ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;

(iii) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and

(iv) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

(b) Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

(i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;

(ii) the appointed proxy is not the chair of the meeting;

(iii) at the meeting, a poll is duly demanded on the resolution; and

(iv) either of the following applies:

(A) the proxy is not recorded as attending the meeting;

(B) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

The Chair intends to exercise all available proxies in favour of all Resolutions.

2.4 Lodgement of proxy documents

To be valid, your proxy form (and any power of attorney under which it is signed) must be received at an address given on the proxy form by not later than 48 hours prior to the meeting. Any proxy form received after that time will not be valid for the scheduled meeting.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. Resolution 1 – Approval for a reduction of capital and in-specie distribution of Carbon Conscious Investments Shares

3.1 Background and Overview of the Proposal

The Company is listed on the ASX and its principal activity is agribusiness. The Company's operations are focussed on two businesses, being its:

(a) agro-forestry business, which develops and manages agro-forestry projects in Western Australia to generate Australian Carbon Credit Units (**ACCUs**) and voluntary carbon offsets and includes the Carbon Business Contracts and Carbon Business Assets (**Carbon Business**); and

(b) dairy business (**Dairy Business**).

The Company (then trading as Carbon Conscious Limited) was contracted via the Carbon Business Contracts to establish carbon forest estates for carbon sequestration on behalf of BP (in 2010) and Origin (in 2009, 2010, 2011 and 2012).

The Carbon Business Contracts comprise the following agreements;

(a) Origin Carbon Plantation Agreement;

(b) Origin License Agreements;

(c) BP Carbon Plantation Agreement; and

(d) BP License Agreements.

The Carbon Business Contracts generate quarterly revenue for the ongoing management by the Company of the carbon forest estates on behalf of BP and Origin till September 2025 and September 2027, respectively.

Due to political uncertainty in relation to carbon markets and carbon pricing, there have been no new significant agro-forestry projects for carbon sequestration established by the Company since 2012.

Since 2015, the Company has been focussed on new agribusiness opportunities for growth with a focus on dairy. In March 2016, the Company changed its name from Carbon Conscious Ltd to Alterra Limited, reflecting the Company's focus on new agricultural ventures.

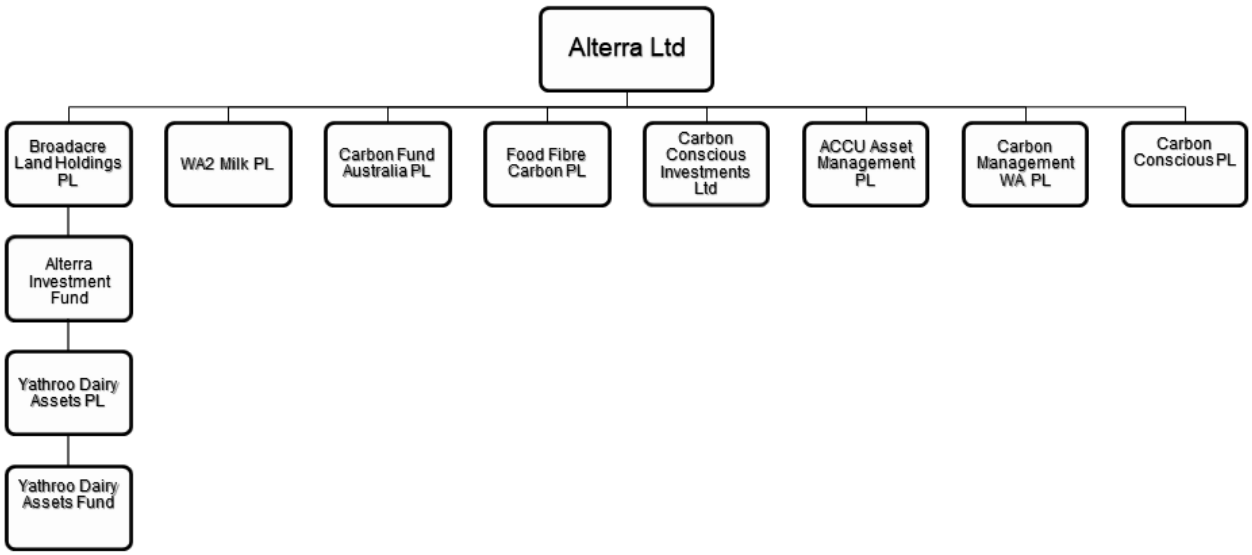
In March 2017, Alterra purchased a property "Dambadgee Springs" near Dandaragan in Western Australia as a prospective dairy site. The property was assessed as highly suitable for the development of an intensive dairy operation and is currently leased for cropping purposes, generating positive cash-flow, while feasibility studies are conducted. Alterra is currently focussed on securing water access, refining environment management plans and applications and securing a milk off-take contract.

The Company has been reviewing dairy opportunities in Queensland and is in ongoing discussions with stakeholders regarding the potential to establish a large-scale dairy operation to supply milk to the Queensland domestic market.

In addition, the Company continues to review other agribusiness opportunities with a focus on horticulture and water assets.

The Company's current corporate structure is shown in Figure 1.

Figure 1. Current Corporate Structure



1. The Carbon Business Contracts and Carbon Business Assets will be held in ACCU Asset Management.
2. The Other Assets will be held in Carbon Conscious Investments.

Internal Restructure

Following ongoing reviews to determine strategies for optimising shareholder value, the Board decided to undertake an internal restructure in order to provide Alterra with the flexibility to demerge the Carbon Business, should Shareholders approve to do so.

Post agreement with BP and Origin, the Carbon Business Contracts and Carbon Business Assets will be novated to ACCU Asset Management (**ACCUAM**), a newly formed 100% subsidiary of Alterra.

In order to enable the novation to ACCUAM and potentially a demerger, a performance guarantee will be required to be executed between Alterra, ACCUAM and Origin (**Performance Guarantee**). Under the proposed Performance Guarantee, Alterra has agreed to guarantee the performance of the services required under the Origin CPA, should ACCU Asset Management not be able to perform. See Section 3.13(a) for further details.

To protect Alterra's obligations to Origin under the Performance Guarantee, Alterra and ACCUAM will also enter into the Step-In Services Deed and a General Security Deed. See Sections 3.13(b) and 3.13(c) for further details.

The 'Alterra Carbon Subsidiaries' are comprised of the following entities:

(a) ACCU Asset Management;

(b) Carbon Management WA; and

(c) Carbon Conscious.

To complete the internal restructure, Alterra will transfer the shares it holds in the Alterra Carbon Subsidiaries and the Other Assets to Carbon Conscious Investments. Carbon Conscious Investments is a public unlisted company and a subsidiary of Alterra (see Figure 1). Alterra holds 100% of Carbon Conscious Investments, and following completion of the internal restructure there is expected to be approximately 173,647,045 Carbon Conscious Investments Shares on issue.

Completion of the above is the *'Internal Restructure'*.

Demerger of Carbon Conscious Investments

Following shareholder approval and completion of the Internal Restructure, Alterra intends to distribute and transfer 85% of its Carbon Conscious Investments Shares to eligible Shareholders on a pro rata basis as an in-specie distribution (**In-specie Distribution**) (for details of ineligible Shareholders see Section 3.27(b)).

The In-specie Distribution will only proceed if the following conditions are met (together, the **In-specie Conditions**):

(a) the Internal Restructure is complete;

(b) the Company obtaining shareholder approval under the Corporations Act for the proposed In-specie Distribution, as per Resolution 1; and

(c) confirmation from the Australian Taxation Office, to the satisfaction of the Board, that Demerger Relief is likely to be granted.

Should the In-specie Conditions be satisfied, the In-specie Distribution will be affected by an equal reduction of Alterra capital on a pro rata basis. Shareholders as at the Record Date will receive an in-specie return of capital by way of the distribution of Carbon Conscious Investments Shares in proportion to the number of Shares held by them at the Record Date. Shareholders will thereby retain direct ownership of Alterra and will also receive direct ownership of Carbon Conscious Investments.

Structure diagrams of the proposed arrangements immediately before and after the demerger are set out in Figure 1, Figure 2 and Figure 3 in this Section 3.1.

From a tax perspective, the Company has sought a taxation Class Ruling from the ATO seeking to confirm that Demerger Relief for income tax purposes will be available to Shareholders (see Section 3.29 for further details).

As at 31 March 2018, Alterra had net assets of $11,160,787, and as at the date of this notice has 147,599,988 Shares on issue. Based on these figures, Alterra's net asset backing per share is $0.076, while Alterra's Shares were trading at $0.046 on 14 November 2018.

The Board believes that the market is currently attributing minimal value to the Carbon Business. The Board believes that a key factor behind the relative under valuation of the Carbon Business is the lack of new growth opportunities for the Carbon Business.

The Company's primary purpose in undertaking the In-specie Distribution is to separate the ownership of the Carbon Business from the Dairy Business and any new agricultural activities undertaken by Alterra (the **Demerger**). Specifically, the Demerger is being undertaken to achieve the following objectives:

(a) The Carbon Business generates consistent contracted cash-flow out till 30 September 2027, however, the Board believes that the value of the Carbon Business is not reflected in Alterra's market capitalisation. The Demerger delivers a corporate structure that allows a greater opportunity for the true

value of the Carbon Business to be realised, thereby enabling Shareholders to benefit.

(b) Due to the lack of new opportunities in the Carbon Business, Alterra is focused on developing its non-Carbon Business assets. The undervaluation of the Company's business, including the Carbon Business, complicates new project development including fund raising efforts.

(c) The Demerger has the effect of quarantining the Carbon Business so that the consistent cash-flow from the Carbon Business Contracts is not exposed to risk from the Dairy Business or any new agribusiness ventures undertaken by Alterra.

(d) With the pool of investors willing to invest in the Carbon Business and the pool of investors willing to invest in the Dairy Business and other projects believed to be quite distinct, the Demerger is expected to enhance the capacity of Alterra to raise funds and reduce its costs of equity capital.

(e) The Demerger will enable:

(i) Alterra to dedicate its efforts to its Dairy Business and other new agribusiness opportunities;

(ii) Carbon Conscious Investments to focus on the management of the Carbon Business; and

(iii) the removal of the internal competition for capital.

(f) Provide Shareholders with the opportunity to retain exposure to the cash-flows associated with the Carbon Business, while maintaining their investment exposure to the Dairy Business and any new agribusiness opportunities.

(g) Enable both Carbon Conscious Investments and Alterra to undertake more targeted marketing as both companies have a clear and more easily understood investment proposition.

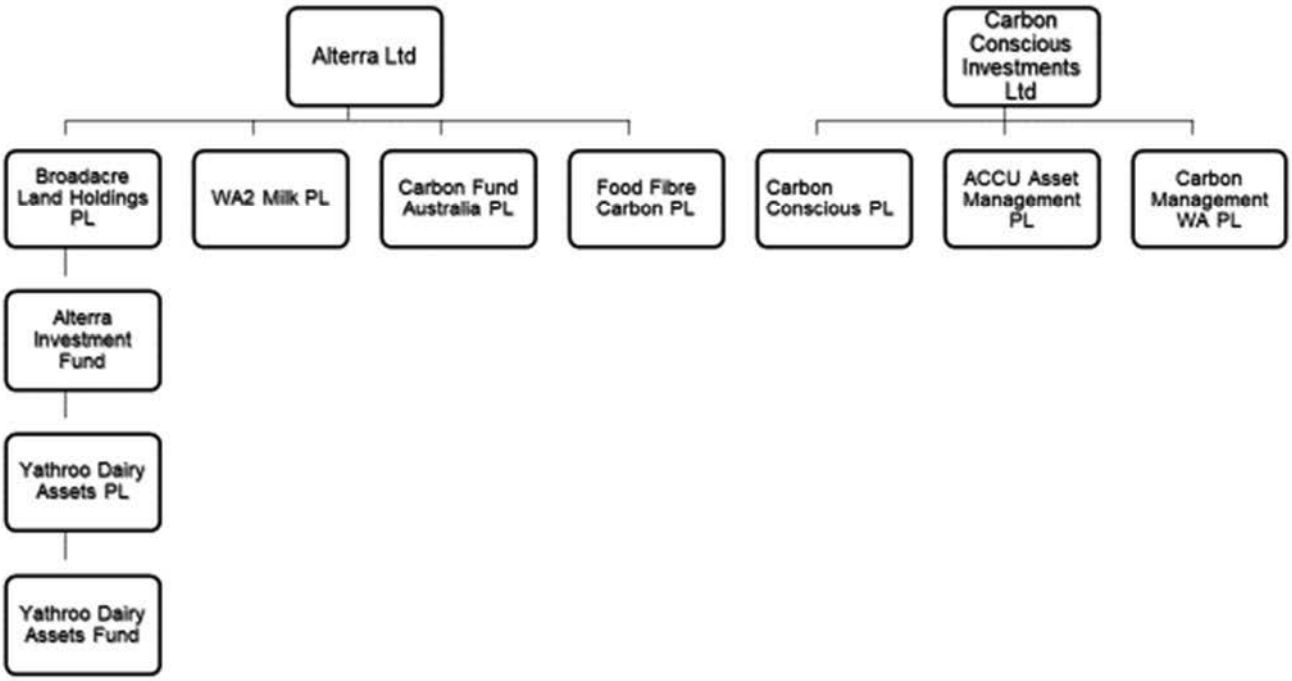
In the event:

(a) Resolution 1 is passed; and

(b) the In-specie Conditions are satisfied,

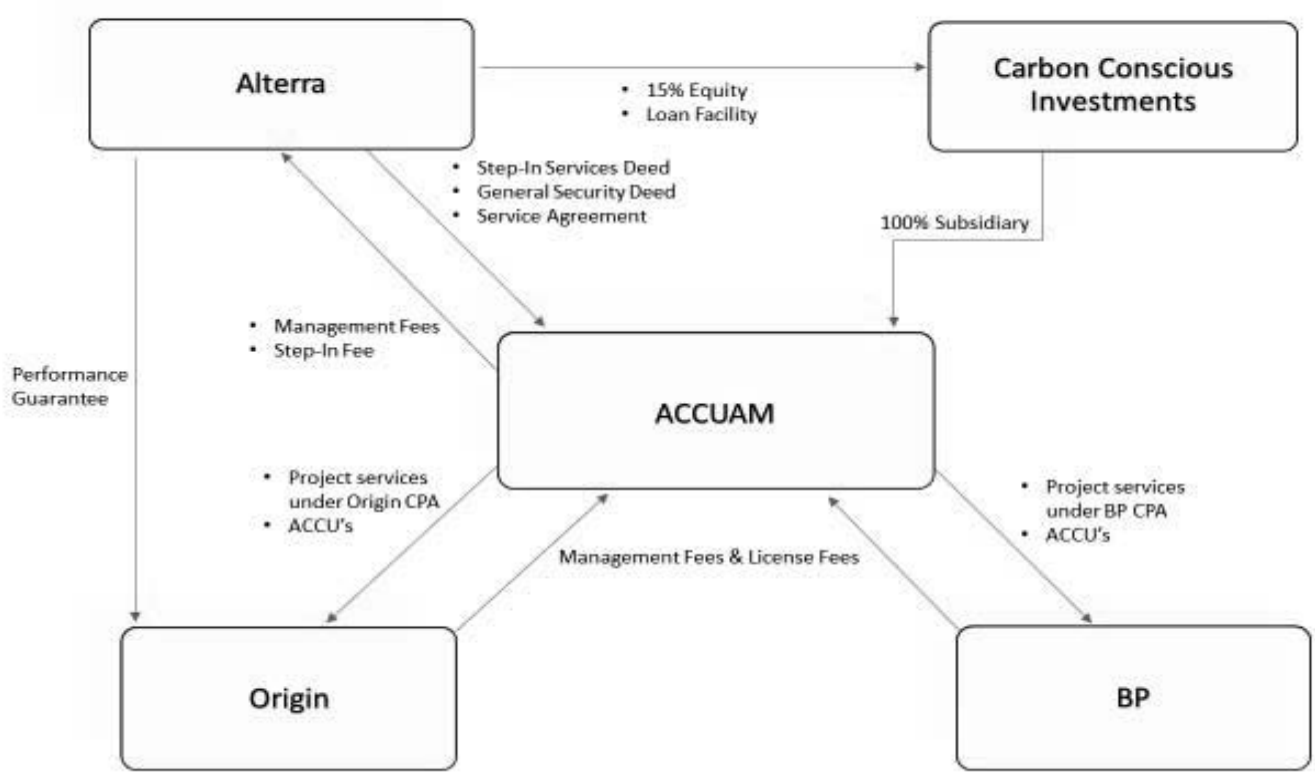
the Demerger will result in the following corporate and operational structure:

Figure 2. Corporate Structure Post Proposal



1. The Company retains a 15% interest in Carbon Conscious Investments. The remaining 85% interest in Carbon Conscious Investments will be held by Shareholders eligible to participate in the In-Specie Distribution in proportion with their Shares at the Record Date.
2. There are no new investors proposed to enter Carbon Conscious Investments, nor is there any listing contemplated by Carbon Conscious Investments.

Figure 3. Operational Structure Post Proposal



3.2 Plans for Alterra following completion of the Demerger

(a) **Dairy Business**

Following completion of the Demerger, the Company expects its primary focus will be on advancing its Dairy Business and seeking other new growth opportunities in agribusiness.

The Company has conducted: regional hydrology and exploration drilling for water on Dambadgee Springs; preliminary environmental assessments; silage-crop productivity and engineering specialists with local construction and environmental engineering quality trials; teaming international dairy management and consultants to conduct extensive site assessments, identification of preferred locations for infrastructure; development of high-level designs and refinement of the operating model.

The Company is currently focussed on securing water access, refining environment management plans and applications and securing a milk off-take contract.

The Company has also been reviewing dairy opportunities in Queensland and is in ongoing discussions regarding the potential to establish a large-scale dairy operation to supply milk to the Queensland domestic market.

As at the date of this notice, the Company does not have any plans to raise further capital in the short term.

(b) **Service Agreement with ACCU Asset Management**

As described in Section 3.1, Alterra will enter into a Service Agreement with ACCU Asset Management to provide carbon project management services, administration, compliance and tenancy services. A summary of the proposed Service Agreement is set out in Section 3.13(c).

In certain circumstances Alterra may also step-in and provide services so that ACCU Asset Management meets its obligations under the Origin Agreements in accordance with the proposed Step-In Services Deed, as described in Section 3.13(b).

(c) **Project Development & Management**

The Company intends to build on its experience in agro-forestry as an agricultural project developer and manager with the objective of taking early development risk and reward on new projects. Under this model the Company would, at the appropriate time, seek to divest developed assets either via sale, lease back or demerger with the ability to retain management and performance rights.

3.3 Board changes

The Company's current Directors are Mr Andrew McBain, Mr Trevor Stoney and Mr Neil McBain. The Board is not expected to change as a result of the Demerger.

The board of Carbon Conscious Investments is Mr Anthony Fitzgerald, Mr Andrew McBain and Dr Natasha Ayers. The board is not expected to change as a result of the Demerger.

3.4 Capital Reduction – General

The Company seeks Shareholder approval under Resolution 1 to enable the Company to reduce its capital by the distribution of specific assets to Shareholders, being approximately 147,599,988 Carbon Conscious Investments Shares, representing 85% of the Company's shareholding in Carbon Conscious Investments.

The Corporations Act and the ASX Listing Rules set out the procedure and timing for a capital reduction. Refer to Section 1.12 for an indicative timetable in respect of the Proposal. The alteration to the Company's capital and the In-specie Distribution will become effective from the Record Date, provided that after the Record Date has been set, the Directors have not provided a notice to ASX stating that the Company does not intend to proceed with the reduction of capital contemplated by Resolution 1.

If the capital reduction proceeds, Shareholders will receive a pro rata entitlement to Carbon Conscious Investments Shares and each Shareholder's name will be entered on the register of members of Carbon Conscious Investments with each Shareholder having deemed to have consented to becoming a Carbon Conscious Investments shareholder and being bound by its constitution.

A Shareholder's entitlement to Carbon Conscious Investments Shares to be distributed is to be based on the number of Shares held at the Record Date.

Due to the outstanding Options on issue in the Company and also because of the potential future issue of Shares by the Company before the Record Date, it is not clear at the date of this Notice how many Shares will be on issue at the Record Date nor therefore what the exact ratio for the In-specie Distribution will be. However, as the outstanding Options are presently well out of the money and are held by Alterra management the Company considers it highly unlikely that they will be exercised.

Other than as shareholders of Alterra or as otherwise set out in this Explanatory Memorandum, none of the Directors have any interest in Resolution 1.

3.5 Pro form a financial position of the Company and Carbon Consci ous Investments upon completion of the Proposal

Set out in Schedule 2 is the reviewed statement of financial position of the Company as at 31 March 2018 together with the unaudited pro forma statement of financial position of the Company following completion of the Demerger.

A pro forma statement of financial position for Carbon Conscious Investments, reflecting the indicative balance sheet of Carbon Conscious Investments following completion of the Demerger is also set out in Schedule 2.

3.6 Advantages and disa dvantages of the Pr oposal (assuming completion of th e Demerger and In-specie Distribution):

(a) **Advantages**

(i) The Demerger provides Shareholders with scrip in two companies – Alterra and Carbon Conscious Investments – which the Board believes has a better prospect of delivering greater value to Shareholders than the Carbon Business and the Dairy Business being owned by one company.

(ii) Shareholders may elect to retain exposure to either one or both companies as dictated by their investment preferences and objectives.

(A) All Shareholders will retain an interest in the Carbon Business through their individual pro rata shareholdings in Carbon Conscious Investments and thereby have an opportunity to benefit from cashflows from the Carbon Business.

(B) All Shareholders will retain approximately their current percentage ownership interest in the capital of Alterra and exposure to the Dairy Business and any new agribusiness opportunities.

(iii) The Demerger will deliver a structure that allows:

(A) Carbon Conscious Investments to focus specifically on the Carbon Business and Carbon Business Contracts;

(B) Alterra to continue to provide project management, administration, compliance and tenancy services to the Carbon Business (via the Service Agreement), maintaining core knowledge and expertise while maintaining continuity of service for clients;

(C) Alterra to focus its efforts on its Dairy Business and other agribusiness growth opportunities;

(D) Carbon Conscious Investments and the Carbon Business to be quarantined from events or occurrences relating to new Alterra projects.

(iv) It is a commonly held view that investors prefer to diversify risk within a portfolio themselves rather than having a company do it for them. This means investors (especially in small / junior companies) prefer companies with a single business approach and risk appetite. The Carbon Business is an established business with contracted cash flows, but limited growth opportunities while the Dairy Business is a new growth opportunity, consistent with Alterra's aim to deliver share price appreciation and create shareholder value.

(v) Different investors (both existing and potential) have preferences for different assets within the Company's asset portfolio, however the current corporate structure with its diversified commodity ownership interests does not allow for delivery of a simplified corporate strategy. The Proposal will allow both the Company and Carbon Conscious Investments to adopt a simplified corporate strategy.

(vi) Future capital raisings are expected to be more readily achieved by Alterra as the focus of the funding will be on the Company's Dairy Business or any new agribusiness opportunities. In addition, the Demerger is expected to provide greater flexibility to the Company to attract strategic investors.

(vii) Since 2015, the Company's focus has been on advancing the Dairy Business and the Company has raised capital primarily for this purpose. The Demerger will not only reduce the dilution to those Shareholders who seek exposure only to the Dairy Business but allow the Company to focus on new growth opportunities in agribusiness.

(viii) The retention of the Holding will allow the Company to retain an exposure to cash flows generated by Carbon Conscious Investments.

(ix) Without the Dairy Business competing internally with the Carbon Business for capital, Carbon Conscious Investments will be better placed to pay dividends to shareholders (should it be in a position to do so). Post-Demerger, if profit is generated by the Carbon Business it will no longer be put towards funding the Dairy Business following the Demerger. Should the Demerger proceed, the dividend policy of Carbon Conscious Investments will likely be to pay a minimum of 90% of the net profit after tax each year to shareholders.

(b) **Disadvantages**

(i) The Company has incurred and will incur costs associated with the Demerger, including, but not limited to legal and advisory fees incurred in the preparation of documentation required to give effect to the Demerger and tax advice obtained in relation to any taxation consequences of the Demerger.

(ii) To enable the novation of the Origin Agreements from Alterra to ACCUAM a Performance Guarantee was required to be executed whereby Alterra has guaranteed the provision of the services under the Origin CPA. See Section 3.13(a).

(iii) To enable the potential Demerger of the Carbon Business from Alterra, certain clauses of the Origin CPA are anticipated to be amended and a 'Change of Control' clause inserted. Under certain circumstances (i.e. Alterra not providing the Performance Guarantee) ACCUAM would be required to provide a bank guarantee in Origin's favour for $3 million. The inclusion of the 'Change of Control' clause may also make Carbon Conscious Investments a less attractive takeover target and therefore proceeding with the Demerger may reduce the likelihood of holders receiving a takeover offer.

(iv) Alterra will be providing a 2-year unsecured loan of $1,000,000 to Carbon Conscious Investments for working capital purposes. See Section 3.12(a).

(v) Alterra will no longer receive the Carbon Business revenue and will be more reliant on raising new capital to grow the Dairy Business or other new agribusiness opportunities.

(vi) The Carbon Conscious Investment Shares will not be listed on ASX or another exchange. As such there will be less liquidity and therefore likely less capacity for Shareholders to sell their Carbon Conscious Investment Shares.

(vii) Shareholders may incur additional transaction costs if they wish to dispose of their Carbon Conscious Investments Shares (e.g. brokerage costs).

(viii) While at present there are no plans for Carbon Conscious Investments to raise further equity capital, there are a number of potential disadvantages arising from Carbon Conscious Investments seeking further funding. These include, but are not limited to:

(A) potential dilution of Carbon Conscious Investments Shareholders' shareholdings; and

(B) uncertainty regarding Carbon Conscious Investments' ability to raise required funding as an unlisted company.

(ix) Assuming completion of the Demerger, there will be two separate companies that will require funding and will incur ongoing administrative costs which in some instances may lead to duplication.

(x) A significant amount of time has been spent and will continue to be spent by the Board and by Company management in giving effect to the Demerger.

3.7 Failure to achieve completion of the Demerger

Failure to achieve completion of the Demerger will result in the Company continuing to be responsible for the funding and management of the Carbon Business.

In the event that the Internal Restructure and Demerger is not successful, the ownership structure of the Carbon Business will remain (see Section 3.1 Figure 1). If this occurs, the Company will continue to oversee the management and operations of the Carbon Business and the advantages set out in Section 3.6 will not be realised.

The Board has considered all the alternatives currently available and believes that the Demerger is expected to result in the most advantageous result for existing Shareholders.

3.8 Background of the entities and assets comprising the Carbon Business

The Carbon Business comprises:

(a) ACCU Asset Management, which in turn holds the:

(i) Carbon Business Contracts; and

(ii) Carbon Business Assets (see Section 3.9);

(b) Carbon Management WA (see Section 3.10); and

(c) Carbon Conscious (see Section 3.11).

3.9 ACCUAM and the Carbon Business Contracts and Carbon Business Assets

Upon completion of the Internal Restructure, Carbon Conscious Investments will hold 100% of the issued capital in ACCUAM which was incorporated to be the holding entity of the Carbon Business Contracts and Carbon Business Assets (see Figures 2 and 3 in Section 3.1).

Carbon Business Contracts

The Carbon Business Contracts are to be held by ACCUAM and, subject to obtaining the requisite consents from counterparties, will comprise agreements with Origin and BP as described below.

(a) **Origin Carbon Plantation Agreement (Origin CPA)**

Background

The Origin CPA is the original agreement between Origin and the Company which was executed on 16 July 2009 and as amended on or about 16 March 2010, 25 March 2011, 1 December 2011 and 16 April 2015. It is proposed that a deed of novation and amendment agreement" is executed to novate the Origin

CPA from Alterra to ACCUAM. A description of the proposed post-novated Origin CPA is set out below:

Parties: Origin (**Licensee**) and ACCU Asset Management (**Contractor**).

Term: commenced on the execution date (16 July 2009) and terminates 30 September 2027, unless terminated earlier in accordance with the Origin CPA.

Consideration: Based on the plantations established between 2009 to 2012, remaining "Management Fees" and "License Fees" totalling approximately $19.6 million will be received by ACCUAM from 1 January 2019 until termination.

Remaining Services: The carbon plantations were established between 2009 to 2012 and are now well-established forests and not subject to any of the establishment obligations provided for under the Origin CPA. Ongoing services include maintaining carbon property rights; property, forest and carbon monitoring and assessment in line with regulations; measurement of the carbon inventory and arranging audits and registering the project forests in any scheme that enables the issuance of carbon credits (currently called an "ACCU").

Change of Control: In return for agreeing to the novation of the Origin CPA to ACCUAM, it is anticipated that a "Change of Control" clause will be inserted into the Origin CPA whereby a Change of Control of ACCUAM is deemed to be an assignment of the Origin CPA and prior written consent cannot be withheld by the Licensee if:

(i) it does not adversely affect the technical capacity of ACCUAM to perform the services under the Origin CPA; and

(ii) Alterra has provided a Performance Guarantee of the services required under the Origin CPA; or

(iii) ACCUAM effects the delivery of a bank guarantee of $3 million in favour of the Licensee.

Other Terms:

(i) The Contractor does not guarantee or provide any representation to Licensee that carbon credits (**ACCUs**) will be issued, nor guarantees the amount of greenhouse gas reductions to be achieved.

(ii) If the Licensee terminates the agreement early for any reason, the Licensee must continue to pay the Management Fees and License Fees until the expiry of the term.

(iii) At the end of the term the Contractor retains all future benefits and liabilities.

(iv) In events of default or insolvency and early termination (subject to rectification periods having expired):

(A) the non-defaulting party can affect a temporary step-in and thereby rectify the events of default, and if the defaulting party becomes capable of continuing it must step-back-in and continue to meet its obligations;

(B) if the defaulting party is unable to demonstrate capacity to step-back-in the non-defaulting party can affect a permanent step-in and or early termination;

(C) if the Contractor is the defaulting party and the Licensee exercises step-in or early termination rights the Licensee must continue to pay the Contractor the Management Fee and License Fee (albeit the Licensee would be at liberty to act to recover costs and damages caused by the default).

(b) **Origin License Agreements**

Background

There are 24 licenses that are expected to be novated from Alterra to ACCUAM. The licenses provide an exclusive licence over the whole of the carbon property rights for those parts of the relevant properties. A description of the proposed post-novated Origin Licence Agreements is set out below:

Parties: ACCUAM (**Licensor**) and Origin (**Licensee**).

Term: Various termination dates between 2024 and 2027 depending on year issued.

Consideration: License Fees are paid in accordance with the Origin CPA.

Other Terms:

(i) In the event of a material breach by the Licensee (including failure to pay the Licence Fees) the Licensor may immediately terminate the License.

(ii) At the end of the term all rights revert to the Licensor.

(c) **Origin Charge**

Under the terms of the proposed Origin CPA, a fixed charge will be required over all the carbon property rights that underlie or relate to Origin's relevant licence pursuant to the Origin CPA and Origin's share of any ACCUs as a first ranking security in favour of Origin.

(d) **BP Carbon Plantation Agreement (BP CPA)**

The BP CPA is the original agreement between BP and the Company which was executed on 14 October 2009 and amended on or about May 2010. It is proposed that a deed of novation be executed novating the BP CPA from Alterra to ACCUAM. A description of the proposed post-novated BP CPA is set out below:

Parties: BP (**Licensee**) and ACCUAM (**Contractor**)

Term: commences on the execution date and terminates 30 September 2025, unless terminated earlier in accordance with the BP CPA.

Consideration: Based on the plantations established in 2010, "Management Fees" and "License Fees" totalling approximately $1.4 million will be received by ACCUAM until termination.

Remaining Services: The carbon plantations were established in 2010 and are now well-established forests and not subject to any of the establishment obligations provided for under the BP CPA. Ongoing services include maintaining carbon property rights; property, forest and carbon monitoring and assessment in line with regulations; measurement of the carbon inventory and arrange audits and register the project forests in any scheme that enables the issuance of ACCUs.

Other Terms:

(i) The Contractor does not guarantee or provide any representation to Licensee that carbon credits will be issued nor guarantees the amount of greenhouse gas reductions to be achieved;

(ii) If the Licensee terminates the agreement early for any reason the Licensee must continue to pay the Management Fees and License Fees until the expiry of the term;

(iii) At the end of the term the Contractor retains all future benefits and liabilities;

(iv) In events of default or insolvency and early termination (subject to rectification periods having expired):

(A) the non-defaulting party can affect a temporary step-in and thereby rectify the events of default, and if the defaulting party becomes capable of continuing it must step-back-in and continue to meet its obligations;

(B) if the defaulting party is unable to demonstrate capacity to step-back-in the non-defaulting party can affect a permanent step-in and or early termination;

(C) if the Contractor is the defaulting party and the Customer exercises step-in or early termination rights the Licensee must continue to pay the Contractor the Management Fee and License Fee (albeit the Licensee would be at liberty to act to recover costs and damages caused by the default).

(e) **BP License Agreements**

Background

There are 5 licenses that are expected to be novated from Alterra to ACCUAM. The licenses provide an exclusive licence over the whole of the carbon property rights for those parts of the relevant properties. A description of the proposed post-novated BP License Agreements is set out below:

Parties: ACCUAM (**Licensor**) and BP (**Licensee**).

Term: 30 September 2025.

Consideration: "License Fees" are paid in accordance with the BP CPA.

Other Terms:

(i) In the event of a material breach by the Licensee (including failure to pay the Licence Fees) the Licensor may immediately terminate the License.

(ii) At the end of the term all rights revert to the Licensor.

(f) **Carbon Business Assets**

Alterra's plantation assets are comprised of various plantations established by Alterra in order to generate either ACCUs for sale into regulated carbon markets or voluntary off-sets for sale into unregulated carbon markets e.g. individuals or businesses seeking to off-set their "carbon footprint".

3.10 Carbon Management WA

(a) The carbon property rights pertaining to the BP CPA and BP License Agreements are held within the "CCF 2010 Season Pool Unit Trust". Carbon Management WA is trustee of the CCF 2010 Season Unit Trust with ACCU Asset Management the appointed manager.

(b) Carbon Management WA does not trade, its only role is as trustee outlined above.

3.11 Carbon Conscious

Carbon Conscious currently does not trade.

3.12 Funding of Carbon Conscious Investments

(a) **Unsecured Loan Facility**

An unsecured loan facility will be executed between Alterra and Carbon Conscious Investments. The loan amount is expected to be for $1,000,000 and will be made available for working capital purposes subject to completion of the Demerger. The term will be from approximately 1 January 2019 to 31 December 2020 and the interest rate is fixed at 6.5% p.a. payable monthly in arrears, with the facility amount and repayment date adjustable via agreement between the parties. The loan can be repaid at any time without penalty.

The parties consider the agreement is on arms' length terms. The interest rate was compared to other loans and is considered to be less favourable to the Company (as the related party of Carbon Conscious Investments), particularly as the loan facility is unsecured, can be repaid at any time without penalty, Carbon Conscious Investments is newly incorporated and it was considered unlikely any commercial bank would provide an unsecured facility on the same terms.

(b) **Carbon Business Income**

Subject to completion of the Internal Restructure, Carbon Conscious Investments will begin receiving quarterly income from the Carbon Business in April 2019. The Carbon Business income is expected to enable Carbon Conscious Investments to generate surplus cash flow to its operating requirements, including principal and interest payments against the unsecured loan facility.

3.13 Other material contracts

(a) **Performance Guarantee**

As noted in Section 3.1, in order to enable the novation to ACCUAM and potentially a demerger, a performance guarantee will be required to be executed between Alterra, ACCUAM and Origin (**Performance Guarantee**) with the Company acting as guarantor for ACCUAM in favour of Origin.

Pursuant to the proposed Performance Guarantee, the Company will guarantee the performance of ACCUAM's obligations under the Origin Agreements and has agreed to indemnify Origin against any liability or claim incurred or payable by Origin arising from, or in connection with, the Guarantor failing or being unable to perform or comply with its guarantor obligations.

The Company will be released from the Performance Guarantee upon either:

(i) the satisfaction of ACCUAM's obligations under the Origin Agreements, including the payment of all monies owing to Origin; and

(ii) Origin being satisfied (acting reasonably) that it is reasonably foreseeable that there could not be any guaranteed obligations or other liabilities of the Company under the Performance Guarantee in the future; or

(iii) ACCUAM procuring the delivery of a bank guarantee to Origin of $3,000,000.

(b) **Step-In Services Deed**

As part of the Internal Restructure, the Company will also enter into a deed with ACCUAM (**Step-in Services Deed**), pursuant to which ACCUAM may request the Company to 'step in' to perform ACCUAM's obligations under the Origin Agreements (**Step-in Services**). In consideration for the Company performing the Step-in Services, ACCUAM will pay the Company a fee of $60,000 per annum (plus GST) commencing on and from 1 January 2019.

The Company may be required to perform the Step-in Services pursuant to one of the following events (**Step-in Default Event**) occurring:

(i) ACCUAM serving written notice on the Company that an event of default has occurred under either of the Origin Agreements;

(ii) Origin making a demand of the Company under the Performance Guarantee; or

(iii) there has been a breach of ACCUAM under the Step-in Services Deed and ACCUAM fails to remedy such breach after the Company providing ACCUAM with at least 30 days' notice, and such breach was not caused by the Company.

Upon the occurrence of a Step-in Default Event:

(i) ACCUAM must immediately give written notice to the Company of such occurrence and request that the Company perform the Step-in Services or waive its rights to perform the Step-in Services; and

(ii) the Company must immediately, to the extent legally possible, step in and punctually perform the services in ACCUAM's place in a competent manner and in doing so, may exercise such rights and undertake such obligations of ACCUAM under the Origin Agreements as necessary.

The Company shall cease providing the Step-in Services subject to receiving notice from ACCUAM that the Step-in Event of Default has been rectified, and ACCUAM has reimbursed the Company for all reasonable costs and expenses incurred in the course of the Company performing its obligations under the Step-in Services Deed.

Under the Step-in Services Deed, ACCUAM will retain the right to serve subsequent notices on the Company if another Step-in Default Event occurs. If a Step-in Default Event is not rectified within 12 months from the date the Company receives such notice, the Company may, acting reasonably, elect to permanently perform the Step-in Services.

The Step-in Services Deed will terminate on the earlier of the termination of either of the Origin Agreements.

The Step-in Services Deed will contain additional provisions that are considered standard for agreements of this nature.

(c) **General Security Deed**

As mentioned in Section 3.1, to protect Alterra's obligations to Origin under the Performance Guarantee, Alterra and ACCUAM are expected to enter into the Step-In Services Deed and a General Security Deed.

The Company and ACCUAM are expected to enter into a general security deed (**General Security Deed**) for the benefit of the Company pursuant to which ACCUAM will grant a security interest in all and any secured property (excluding property secured by Origin and BP), and a fixed charge over all and any secured property, of ACCUAM in favour of the Company.

The Company will discharge each security interest created by the General Security Deed upon satisfaction of each of the following:

(i) the obligations of ACCUAM and the rights and obligations of the Company are satisfied under the Step-in Services Deed;

(ii) all monetary obligations and liabilities with respect to the General Security Deed, Step-in Services Deed, Performance Guarantee and any other document that the parties agree in writing is paid or complied with in full,

(together, **Secured Obligation**);

(iii) no money, obligation or liability is likely to become a Secured Obligation within a reasonable time; and

(iv) there is no possibility that:

(A) any money received or recovered by ACCUAM and applied in payment of the Secured Obligations; or

(B) any settlement, conveyance, transfer or other transactions made in satisfaction of or in connection with the Secured Obligations,

must be repaid or may be avoided under any law, including a law relating to preferences, bankruptcy, insolvency, administration or winding-up of companies.

In an event that an event of default subsists and either:

(i) Origin makes a demand on the Company pursuant to the Performance Guarantee; or

(ii) the Company is required to perform the Step-in Services,

ACCUAM must immediately pay or perform the Secured Obligations in full to the Company on demand, and in the manner notified, by the Company. ACCUAM shall pay accrued interest on each unpaid amount at 2% plus the official cash rate published by the Reserve Bank of Australia at that time. ACCUAM shall have no obligation to pay interest on any unpaid amount if it has another obligation to pay default interest on the same unpaid amount under one of the agreements summarised above.

The General Security Deed is expected to contain additional provisions that are considered standard for agreements of this nature.

(d) **Service Agreement**

As part of the Internal Restructure, the Company is expected to enter into a services agreement with ACCUAM (**Service Agre ement**) to perform administrative and operational services, and such other services as reasonably requested by ACCUAM, on and from 1 January 2019 (**Services**). ACCUAM will pay the Company a fixed management fee of $100,000 per quarter (plus GST) and shall also pay the Company an additional fee (to be agreed between the parties) for the Company's performance of any additional services.

The Service Agreement will terminate on the earlier of either of the following: 30 September 2027, the termination of the Origin CPA, the failure of an Event of Default being rectified within 30 Business Days, either party becoming subject to an insolvency event, or by mutual agreement between the parties.

ACCUAM may terminate the agreement for no cause subject to providing six months' notice and paying the Company $100,000.

The Service Agreement is expected to contain additional provisions that are considered standard for agreements of this nature.

From Carbon Conscious Investments perspective, the Service Agreement is considered to be on arm's length terms as it is less favourable to the Company. Alterra is providing a very specific skill set and the rates have been agreed having regard to the estimated costs of providing those services plus a lower margin (at approximately 15%) that would normally be applied if the Company was providing services to a non-related party.

3.14 Other Assets to be Transferred to Carbon Conscious Investments

Prior to the Demerger, the Rumble Resources Shares will be transferred from Alterra to Carbon Conscious Investments.

3.15 Information on Carbon Conscious Investments

Carbon Conscious Investments was incorporated on 9 October 2018 as a 100% subsidiary of Alterra. Pursuant to the Alterra demerger implementation agreement, the shares held by Alterra in ACCU Asset Management, Carbon Conscious and Carbon Management WA, as well as the Other Assets, will be transferred to Carbon Conscious Investments.

Carbon Conscious Investments expects to be focussed on the management of the Carbon Business and intends to undertake activities that are complementary to that business.

The Carbon Business Contracts are held in ACCU Asset Management and the operational services to manage the Carbon Business Contracts will be outsourced to Alterra via the Service Agreement. Accordingly, Carbon Conscious Investments and its subsidiaries will operate with minimal staff.

Should the Demerger proceed, the dividend policy of Carbon Conscious Investments is to pay a minimum of 90% of the net profit after tax to its shareholders (subject to complying with the obligations of the unsecured loan facility and Step-In Services Deed).

3.16 Carbon Conscious Investments Board

The Carbon Conscious Investments Board is presently comprised and at completion of the Proposal is intended to be comprised of:

Mr Anthony Irwin Fitzgerald – Executive Director and Company Secretary

Mr Fitzgerald has over 35 years' experience in the operational and financial management of agribusinesses including large scale animal production, land conservation projects, farmer networks and grain marketing pools.

Since 2013, Mr Fitzgerald lead the Alterra internal and external teams that managed compliance with the *Carbon Farming Initiative Act* to generate Australian Carbon Credit Units, drove a commercial focus into managing the 30 properties (21 million trees on 18,000 Hectares), and developed the science and intellectual property that supports the Carbon Business.

At Alterra, Mr Fitzgerald maintains executive management and company secretary responsibilities and holds: a Bachelor of Agribusiness (Hons); an AFMA Post-Grad Diploma in Financial Services and is a member and graduate of the AICD.

Mr Andrew Lawson McBain – Non-Executive Chairman

Mr McBain is the founder and Managing Director of Alterra. Mr McBain is passionate about opportunities in Australian agribusiness and his career, which extends over 15 years, includes raising over $100 million for various agricultural and mineral related projects.

Previously, Mr McBain was a founding director of ASX listed mineral exploration companies Scimitar Resources Ltd (now Cauldron Energy Ltd) and Rumble Resources Ltd (including Managing Director) as well as founder and Managing Director of AACL, a grain production, finance and marketing business that was sold to a major international grain trading company.

With a reputation for innovation and developing talented people, Mr McBain has experience in start-ups, ASX listings, capital raisings, investor relations and corporate compliance. His experience is complemented by competencies including business management, strategic thinking and business development. Mr McBain is a member of the AICD.

Dr Natasha Lea Ayers – Non-Executive Director

Dr Ayers has a background in agriculture and has spent 8 years as a researcher/lecturer at the University of Western Australia, University of Glasgow, University of Southern California and University of Sydney. In that time, Dr Ayers published more than 25 papers and supervised 10 Masters and PhD students.

Dr Ayers specialises in innovation training and mentoring, especially for regional areas and founded and leads AgriStart Pty Ltd and UniBiz Connect. As part of her 6 years working in research management, Dr Ayers founded iPREP WA; a unique program involving researchers from all 5 WA universities undertaking projects in industry, which won the 2017 Australian Council of Graduate Research award for industry engagement and was a finalist in the Premier's Science awards in 2016.

Dr Ayers has been on the judging panel for the Innovator of the Year awards since 2015 and is currently on the judging panel for the Agriculture and Aquaculture

Entrepreneurship prize. She has a PhD in Plant Biology and a Bachelor of Science in Agriculture, with qualifications in university teaching, research commercialisation and leadership and is a member and graduate of the AICD.

3.17 Disclosure to ASX

As an entity with Shares quoted on the Official List of the ASX, the Company is a disclosing entity and, as such, is subject to regular reporting and disclosure obligations. Copies of documents lodged in relation to the Company can be accessed at either the ASX announcements platform or the Company's website.

3.18 Risk Factors

On successful completion of the Demerger, eligible Shareholders will become shareholders in Carbon Conscious Investments and should be aware of the general and specific risk factors which may affect Carbon Conscious Investments and the value of its securities. These risk factors are set out in Schedule 3.

3.19 Effect of Proposed Capital Reduction on the Company

A pro-forma statement of financial position of the Company is contained in Schedule 2, which shows the financial impact of the capital reduction and the Demerger on the Company. Furthermore, the Company, being an ASX listed entity, is subject to the continuous disclosure requirements set out in Chapter 3 of the ASX Listing Rules. As such, the Company is required to lodge half year and annual reports detailing the Company's current cash position. Any use of funds by the Company will be detailed in these reports and any significant transactions will be disclosed to Shareholders.

3.20 Directors' Interests and Recommendations

The table below sets out the number of securities in Alterra held by the Directors at the date of the Meeting and the number of Carbon Conscious Investments Shares they are likely to have an interest in if Resolution 1 is passed and implemented:

Table 5. Directors' interests

Director	Alterra Shares	Options	Approximate Number of Carbon Conscious Investments Shares each Director will receive[1]
Andrew McBain	11,367,188	2,000,000[1]	11,367,188
Trevor Stoney	24,917,361		24,917,361
Neil McBain	9,600,000		9,600,000

1. Note: unquoted options with an exercise price of $0.15 and an expiry date of 1 March 2019.

After considering all relevant factors, the Directors recommend the Company's Shareholders vote in favour of Resolution 1 for the reasons summarised in Sections 3.1 and 3.6 of this Notice.

3.21 Effect of Proposed Capital Reduction on Shareholders

What will you receive?

If the Proposal is implemented, eligible Shareholders will receive an in-specie return of capital by way of the distribution of Carbon Conscious Investments Shares in proportion to the number of Shares held by them at the Record Date.

Shareholders are not required to contribute any payment for the Carbon Conscious Investments Shares which they are entitled to receive under the In-specie Distribution.

What is the impact on your shareholding in the Company?

The number of Shares in the Company that you hold will not change as a result of the Proposal.

If the Demerger is implemented, the value of your Shares in the Company may be less than the value held prior to the Demerger being implemented due to the removal of the Carbon Business from the Company's asset portfolio. The size of any decrease cannot be predicted and will be dependent on the value ascribed to the Carbon Business by the market.

Do you have to do anything to receive your Carbon Conscious Investments Shares?

You must hold Shares on the Record Date in order to receive your entitlement of Carbon Conscious Investments Shares. If the Demerger proceeds, you will automatically receive the Carbon Conscious Investments Shares you are entitled to receive (unless you are an ineligible overseas Shareholder, in which case you will receive the proceeds – see Section 3.27(b) for more information), even if you vote against the Proposal or do not vote at all.

Will I be able to trade my Carbon Conscious Investments Shares?

If the Demerger is approved by Shareholders and is implemented, a holder of Carbon Conscious Investments Shares will only be capable of sale via off-market private transactions which will require Carbon Conscious Investments shareholders to identify and agree terms with potential purchasers of Carbon Conscious Investments Shares.

What are the consequences of owning shares in an unlisted public company?

(a) Carbon Conscious Investments Shares will not be quoted on ASX and will not be traded on the ASX;

(b) Carbon Conscious Investments will not be able to raise capital from the issue of securities by means of limited disclosure fundraising documents;

(c) for as long as Carbon Conscious Investments has at least 50 members, Carbon Conscious Investments will remain subject to the "takeovers" provisions of the Corporations Act;

(d) for as long as Carbon Conscious Investments has at least 100 members, Carbon Conscious Investments will remain subject to the "continuous disclosure" provisions of the Corporations Act;

(e) Carbon Conscious Investments will not be subject to the reporting obligations associated with a listing on ASX, which may result in shareholders of Carbon Conscious Investments receiving less information on Carbon Conscious Investments; and

(f) the ASX Corporate Governance Principles and Recommendations will no longer be applicable to Carbon Conscious Investments.

What are the taxation implications of the Proposal?

A general guide to the taxation implications of the Proposal is set out in Section 3.29 of this Explanatory Memorandum. The description is expressed in terms of the Demerger and is not intended to provide taxation advice in respect of particular circumstances of any Shareholder. Shareholders should obtain professional advice as to the taxation implications of the Proposal in their specific circumstances.

What will happen if Resolution 1 is not approved?

In the event that Shareholder approval of Resolution 1 is not obtained, the Demerger will not proceed and the distribution of Carbon Conscious Investments Shares to the Company's Shareholders will not occur.

3.22 Additional important information for Shareholders

(a) The capital structure of the Company as at the date of this Notice is:

Table 6. the Company's capital structure

Security type	Number
Fully paid ordinary shares	147,599,988
Unquoted options[1]	6,000,000

1. Comprising 6,000,000 unquoted options with an exercise price of $0.15 and an expiry date of 1 March 2019.

(b) The indicative capital structure of Carbon Conscious Investments post-completion of the Proposal will be:

Table 8. Indicative Carbon Conscious Investments capital structure

Security type	Number	%
Fully paid ordinary shares		
In-Specie participants	147,599,988	85.0%
Alterra	26,047,057	15.0%
Total Shares	**173,647,045**	**100%**

Shareholders should note this structure is indicative only as at the date of this Notice and that Carbon Conscious Investments retains discretion to amend the structure and issue more or less shares or other forms of securities.

(c) Save for 15% of Carbon Conscious Investments Shares which will be held by the Company, the remaining 85% of Carbon Conscious Investments Shares will be distributed on a pro rata basis to all holders of ordinary shares in the capital of the Company on the Record Date (**Return Shares**) based on the number of Shares held by such holders at the Record Date. The Record Date will be set by the Directors after the date Resolution 1 is passed and depends on the satisfaction of the In-specie Conditions. Due to the outstanding Options on issue

in the Company and also because of the potential future issue of Shares by the Company before the Record Date, it is not clear at the date of this Notice how many Shares will be on issue at the Record Date nor therefore what the exact ratio for the In-specie Distribution will be. However, as the outstanding Options are presently well out of the money and are held by Alterra management the Company considers it highly unlikely that they will be exercised.

At the date of this Notice, there are 147,599,988 Shares on issue in the Company. Assuming this same number of Shares was on issue at the Record Date, the formula for the In-specie Distribution would be approximately 1 Carbon Conscious Investments Share for every 1 Alterra Share held. Any exercise of Options or further issue of Shares will have the effect of lowering the number of Carbon Conscious Investments Shares distributed for each Share. Any fractions of entitlement will be rounded down to the next whole number.

(d) The return of capital will be affected by a pro rata distribution of the Return Shares in specie, proportionately to all of the Company's Shareholders:

(i) registered as such as at 5.00pm (WST) on the Record Date; or

(ii) entitled to be registered as a Shareholder in the Company by virtue of a transfer of Shares executed before 5.00pm (WST) on the Record Date and lodged with the Company at that time.

3.23 Information concerning Alterra Shares

The rights attaching to the Alterra Shares will not alter.

For the information of Shareholders, the highest and lowest recorded sale prices of the Company's Shares as traded on ASX during the 12 months immediately preceding the date of this Explanatory Memorandum, and the respective dates of those sales were:

Table 9. Share price information

Date	Highest Price	Date	Lowest Price
6 March 2018	$0.071	22 January 2018	$0.028

The latest available closing price of Alterra Shares on ASX prior to the date of this Notice was $0.046 on 14 November 2018.

3.24 Section 256C of the Corporations Act

The proposed reduction of capital by way of the In-specie Distribution is an equal capital reduction.

Under Section 256B of the Corporations Act, the Company may only reduce its capital if it:

(a) is fair and reasonable to Shareholders as a whole;

(b) does not materially prejudice the Company's ability to pay its creditors; and

(c) is approved by Shareholders in accordance with Section 256C of the Corporations Act.

The Directors believe that the Demerger is fair and reasonable to Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors. Under

the proposed reduction of capital, each Shareholder is treated equally and in the same manner since the terms of the reduction of capital are the same for each Shareholder. The In-specie Distribution is on a pro rata basis, and the proportionate ownership interest of each Shareholder remains the same before and after the Demerger. Further, the Directors consider that the Proposal will not result in the Company being insolvent at the time or after the In-specie Distribution.

In accordance with the Corporations Act:

(d) The proposed reduction is an equal reduction and requires approval by an ordinary resolution passed at a general meeting of Alterra Shareholders;

(e) This Explanatory Memorandum and previous ASX announcements set out all information known to the Company that is material to the decision on how to vote on Resolution 1; and

(f) The Company has lodged with ASIC a copy of this Notice of Meeting.

3.25 ASX Listing Rule 7.17

ASX Listing Rule 7.17 provides in part that a listed entity, in offering shareholders an entitlement to securities, must offer those securities pro rata or in such other way as, in the ASX's opinion, is fair in all the circumstances. In addition, there must be no restriction on the number of securities which a shareholder holds before this entitlement accrues. The Proposal satisfies the requirements of ASX Listing Rule 7.17, as the issue of Carbon Conscious Investments Shares is being made to Shareholders on a pro rata basis, and there is no restriction on the number of Shares a Shareholder must hold before the entitlement to the Carbon Conscious Investments Shares accrues.

3.26 ASX Listing Rule 11.4

Listing Rule 11.4 provides that an entity must not dispose of a major asset if at the time of the disposal it is aware that the person acquiring the asset intends to issue or offer securities with a view to becoming listed. This rule does not apply if the holders of ordinary securities in the entity approve of the disposal without a pro rata offer of securities being made.

Carbon Conscious Investments is currently a child entity of the Company but does not propose to undertake an initial public offering of Carbon Conscious Investments Shares, nor does it propose to seek a to have its securities quoted on an exchange. Accordingly, Listing Rule 11.4 does not apply to the Demerger.

3.27 Effect of Shareholder approval

(a) **General**

If Resolution 1 is approved, Shareholders (as at the Record Date) will receive a pro rata beneficial entitlement to Carbon Conscious Investments Shares based on the number of Alterra Shares held at the Record Date. The reduction in the Company's capital and the transfer and distribution of Carbon Conscious Investments Shares will become effective from the Record Date (provided that after the Record Date has been set, the Directors have not provided a notice to ASX stating that the Company does not intend to proceed with the reduction of capital contemplated by Resolution 1). Any fractions of entitlement will be rounded down to the next whole number. Shares in Carbon Conscious Investments are to be held subject to its constitution which is in standard form.

The actual dollar value of the proposed return of capital will be an amount equal to the value of the Carbon Conscious Investments Shares transferred and

distributed to be assessed by the Directors. Please refer to Schedule 2 for the pro-forma statements of financial position of both the Company and Carbon Conscious Investments which show the indicative financial impact of the Proposal.

The Board considers the proposed reduction of capital will have no material effect on the interests of Alterra Shareholders, except as disclosed in the discussion of the advantages and disadvantages of the reduction set out in Section 3.6 above.

(b) **Overseas Alterra Shareholders**

The In-specie Distribution of the Carbon Conscious Investments Shares to overseas Shareholders under the reduction of capital will be subject to legal and regulatory requirements in their relevant overseas jurisdictions. If the requirements of any jurisdiction where a Shareholder is resident are held to restrict or prohibit the distribution of securities as proposed or would impose on the Company an obligation to prepare a prospectus or other similar disclosure document or otherwise impose on the Company an undue burden, the Carbon Conscious Investments Shares to which the relevant Shareholder is entitled will not in fact be issued to such Shareholders and instead will be sold by the Company on their behalf, in order that the Company will pay the relevant Shareholder a cash equivalent amount, or otherwise the Company will seek to make alternative arrangements with respect to the relevant Shareholder which are reasonable in all the circumstances.

If the Company elects to sell the Carbon Conscious Investments Shares on a relevant Shareholder's behalf, the Company will then account to those Shareholders for the net proceeds of sale after deducting the costs and expenses of the sale. As the return of capital is being represented and satisfied by the In-specie Distribution and security prices may vary from time to time (assuming a liquid market is available), the net proceeds of sale to such Shareholders may be more or less than the notional dollar value of the reduction of capital. It will be the responsibility of each Shareholder to comply with the laws to which they are subject in the jurisdictions in which they are resident.

(c) **Effect of In-specie Distribution on existing Options**

In accordance with the terms of issue of each of the existing Options in the Company that are outstanding as at the date Resolution 1 is passed and in accordance with ASX Listing Rule 7.22.3, the exercise price of each such outstanding Option in the Company will be automatically reduced by the same amount as the amount returned in relation to each Share.

3.28 Information concerning Carbon Conscious Investments Shares

A summary of the more significant rights that will attach to the Carbon Conscious Investments Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Carbon Conscious Investments Shareholders. Full details of the rights attaching to the Carbon Conscious Investments Shares are set out in Carbon Conscious Investments' constitution, a copy of which is available on request.

(a) **General Meetings**

Carbon Conscious Investments shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the company.

The directors may convene a general meeting at their discretion. General meetings shall also be convened on requisition as provided for by the Corporations Act.

(b) **Voting Rights**

Subject to any rights or restrictions, at general meetings:

(i) each shareholder present and entitled to vote may vote in person or by proxy, attorney or representative;

(ii) has one vote on a show of hands; and;

(iii) has one vote for every share held, upon a poll.

(c) **Dividend Rights**

Carbon Conscious Investments shareholders will be entitled to dividends, distributed among members in proportion to the capital paid up, from the date of payment. No dividend carries interest against the company and the declaration of directors as to the amount to be distributed is conclusive. Shareholders may be paid interim dividends or bonuses at the discretion of the directors.

(d) **Winding-Up**

If the company is wound up, the liquidator may with the sanction of special resolution, divide the assets of the company amongst members as the liquidator sees fit. If the assets are insufficient to repay the whole of the paid-up capital of members, they will be distributed in such a way that the losses borne by members are in proportion to the capital paid up.

(e) **Transfer of Shares**

Shares can be transferred upon delivery of a proper written transfer instrument to the company or by a transfer in accordance with the ASX Settlement Operating Rules.

The directors may refuse to register any transfer in any of the circumstances permitted by the ASX Listing Rules.

(f) **Variation of Rights**

The rights attaching to the shares may only be varied by the consent in writing of the holders of three-quarters of the shares, or with the sanction of a special resolution passed at a general meeting.

3.29 Taxation

Taxation implications for Shareholders

The Company has sought a taxation Class Ruling from the ATO seeking to confirm Demerger Relief for income tax purposes will be available to Shareholders.

The following is a general outline of the main Australian taxation implications in relation to the Demerger for Alterra Shareholders who hold their Alterra Shares on capital account and who are residents of Australia for income tax purposes. This does not constitute tax advice, nor is it a complete analysis of all taxation laws which may apply in relation to the Demerger for Shareholders.

Under Demerger Relief, the distribution of Carbon Conscious Investments Shares should not be a taxable dividend for income tax purposes, and any capital gain or loss from the Demerger should be disregarded, provided the Shareholder elects for this capital gains tax (**CGT**) relief to apply.

Under Demerger Relief, a shareholder's cost base and reduced cost base of their shares in Alterra before the demerger should be apportioned across their shares in Alterra and Carbon Conscious Investments after the demerger on a reasonable basis and the Carbon Conscious Investments Shares will be treated as being acquired at the same time as the Shareholder's Alterra Shares for the purposes of applying the CGT provisions.

Shareholders should consult their own professional advisors to confirm these implications as they may vary depending on individual circumstances and taxation positions.

Once a Class Ruling has been received, it will be posted on the Company's website www.alterra.com.au. It is the ATO's standard practice that class rulings are not issued until the completion of the relevant transaction. Ultimately, the ATO may or may not issue a final class ruling consistent with the above.

Taxation implications for the Company

The transfer of Carbon Conscious Investments Shares from the Company to Shareholders in respect of the share capital reduction is not expected to have any CGT implications for the Company where Demerger Relief is available.

The Company has obtained tax advice in relation to the ability to utilise its carried forward tax losses following the Demerger. Broadly speaking, it is considered that the Demerger should not adversely impact Alterra's ability to utilise its carried forward tax losses and capital losses following the Demerger.

The Company has obtained advice in relation to stamp duty and it is not expected that the novation of the Carbon Business or Other Assets will incur stamp duty. An application for stamp duty relief has been lodged with the WA Office of State Revenue.

The Company expects no other material changes to its tax position or in relation to how the Carbon Business Contracts are treated for taxation purposes.

3.30 Lodgement with ASIC

The Company has lodged with ASIC a copy of this Notice and Explanatory Memorandum in accordance with Section 256C(5) of the Corporations Act. ASIC and its officers take no responsibility for the contents of this Notice or the merits of the transaction to which this Notice relates.

If Resolution 1 is passed, the reduction of capital is required to take effect in accordance with a timetable approved by ASX. Please refer to Section 1.12 for the proposed indicative timetable for completion of the Proposal, which is subject to change by the Company and any requirements of the ASX Listing Rules and the Corporations Act.

The Company will release a final timetable to ASX once the In-specie Conditions have been satisfied.

3.31 Other Material Information

There is no information material to the making of a decision by a Shareholder in the Company whether or not to approve Resolution 1 (being information that is known to any of the Directors and which has not been previously disclosed to Shareholders in the

Company) other than as disclosed in this Explanatory Memorandum and all relevant Schedules.

4. Enquiries

Shareholders are requested to contact The Company's company secretary, Mr Anthony Fitzgerald on + 61 8 9204 8400 or afitzgerald@alterra.com.au if they have any queries in respect of the matters set out in this Notice.

Schedule 1 – Definitions

$ means Australian dollars.

ACCU Asset Management or **ACCUAM** means ACCU Asset Management Pty Ltd (ACN 625 187 117).

Alterra Share or **Share** means a fully paid ordinary share in the capital of the Company.

Alterra Shareholder or **Shareholder** means a registered holder of an Alterra Share.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Australian Carbon Credit Units means an Australian Carbon Credit Unit issued under the *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth).

ATO means the Australian Taxation Office

Board means the current board of directors of the Company.

BP means BP Technology Ventures Limited (formerly known as BP Singapore Pte Ltd) Registration Number 196600436K.

BP Carbon Plantation Agreement means the proposed agreement summarised at Section 3.9(d).

BP License Agreements means the proposed agreements summarised at Section 3.9(e).

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Carbon Business has the meaning given in Section 3.1(a) of the Explanatory Memorandum.

Carbon Business Assets means the assets described at Section 3.9(f).

Carbon Business Contracts means the BP Carbon Plantation Agreement, BP License Agreements, Origin Carbon Plantation Agreement and Origin License Agreements.

Carbon Conscious means Carbon Conscious Pty Ltd (ACN 611 430 329)

Carbon Conscious Investments means Carbon Conscious Investments Ltd (ACN 629 272 037).

Carbon Conscious Investments Share means a fully paid ordinary share in the capital of Carbon Conscious Investments.

Carbon Conscious Investments Shareholders means a holder of a Carbon Conscious Investments Share.

Carbon Management WA means Carbon Management WA Pty Ltd (ACN 143 402 313)

Chair means the chair of the Meeting.

Company or **Alterra** means Alterra Limited (ACN 129 035 221).

Corporations Act means the *Corporations Act 2001* (Cth).

Demerger Relief means confirmation from the Australian Taxation Office that:

(a) the shareholders of the Company may be eligible to choose to receive roll-over under Division 125 of the *Income Tax Assessment Act 1997* (Cth) in respect of the proposed demerger; and

(b) the Commissioner for Taxation will not make a determination under section 45A, 45B(3)(a) or 45B(3)(b) of the *Income Tax Assessment Act 1936* (Cth) in respect of Shareholders participating in the In-specie Distribution.

Directors means the current directors of the Company.

Explanatory Memorandum means the explanatory statement accompanying the Notice.

Extraordinary General Meeting or **Meeting** means the meeting convened by the Notice.

Holding means the Company's retained holding of 15% of the issued capital of Carbon Conscious Investments.

In-specie Conditions has the meaning given in Section 3.1 of the Explanatory Memorandum.

In-specie Distribution has the meaning given in Section 3.1 of the Explanatory Memorandum.

Internal Restructure means the internal restructure described under the sub-heading 'Internal Restructure' in Section 3.1.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

Option means an option to acquire a Share.

Origin means Origin Energy Electricity Ltd ACN 071 052 287.

Origin Agreements means the Origin Carbon Plantation Agreement and the Origin License Agreements.

Origin Carbon Plantation Agreement or **Origin CPA** means the proposed agreement summarised at Section 0.

Origin License Agreements means the proposed agreements summarised at Section 3.9(b).

Other Assets means the Rumble Resources Shares.

Performance Guarantee means the proposed agreement summarised in Section 3.13(a).

Proposal means the proposed In-specie Distribution (the Demerger) as set out in Section 3.1 of the Explanatory Memorandum.

Proxy Form means the proxy form accompanying the Notice.

Record Date means the record date to be set by Directors in accordance with Section 3.4.

Resolutions means the resolutions set out in the Notice.

Rumble Resources Shares means 1,937,718 shares held in Rumble Resources Ltd (ASX: RTR).

Service Agreement means the proposed agreement summarised in Section 3.13(c).

Step-In Services Deed means the proposed agreement summarised in Section 3.13(b).

WST means Western Standard Time as observed in Perth, Western Australia.

Schedule 2 – Investigating Accountant's Report

Greenwich & Co

Greenwich & Co Audit Pty Ltd | ABN 51 609 542 458
Level 2, 35 Outram Street, West Perth WA 6005
PO Box 983, West Perth WA 6872
T 08 6555 9500 | F 08 6555 9555
www.greenwichco.com

14 November 2018

The Directors
Alterra Limited
Suite 1/25 Walters Drive
OSBORNE PARK WA 6017

Dear Sirs

Investigating Accountant's Report

1. Introduction

The directors of Alterra Limited (**"Alterra" or "Company"**) have requested Greenwich & Co Audit Pty Ltd ("**Greenwich & Co**") to prepare an Investigating Accountant's Report ("**Report**") for inclusion in a notice of meeting dated on or around 19 November 2018 (**"Notice of Meeting"**), relating to, among other things:

The proposed Demerger as outlined in the Notice of Meeting seeks to achieve the following:

The Company proposes to transfer the shares it holds in the Alterra Carbon Subsidiaries and the Other Assets to Carbon Conscious Investments. Carbon Conscious Investments is a public unlisted company and currently a 100% subsidiary of Alterra.

In consideration for transferring the shares it holds in the Alterra Carbon Subsidiaries and the Other Assets, Carbon Conscious Investments will issue 100% of its issued capital to Alterra such that Alterra holds 173,647,045 Carbon Conscious Investments Shares.

Following shareholder approval, Alterra intends to distribute and transfer 85% of its Carbon Conscious Investments Shares to Shareholders on a pro rata basis as an in-specie distribution (**In-specie Distribution**).

The In-specie Distribution will only proceed if the following conditions are met (together, the **In-specie Conditions**):

(a) the Internal Restructure is complete;

(b) the Company obtaining shareholder approval under the Corporations Act for the proposed In-specie Distribution, as per Resolution 1; and

(c) confirmation from the Australian Taxation Office, to the satisfaction of the Board, that Demerger Relief is likely to be granted.

Should the In-specie Conditions be satisfied, the In-specie Distribution will be effected by an equal reduction of Alterra capital on a pro rata basis. Shareholders will receive an in-specie return of capital by way of the distribution of Carbon Conscious Investments Shares in proportion to the number of Shares held by them at the Record Date. Shareholders will thereby retain direct ownership of Alterra and will also receive direct ownership of Carbon Conscious Investments.

From a tax perspective, the Company has sought a taxation "Class Ruling" from the ATO seeking to confirm that Demerger Relief for income tax purposes will be available to Shareholders.

Further details of the above and associated transactions are listed in Note 2 of Appendix 1 to this Report. All amounts stated in this report are in Australian Dollars unless otherwise indicated. All the terms used in this Report have the same meaning as the terms used and defined in the Notice of Meeting unless otherwise defined in this Report.

2. Scope

Greenwich & Co has been engaged by the Directors of Alterra to review the following ("**Financial Information**"):

- Historical Statement of Financial Position of Alterra as at 31 March 2018 and Historical Statement of Profit or Loss and Other Comprehensive Income of Alterra for the period then ended ("**the Alterra Historical Financial Information**");
- Pro-forma Statement of Financial Position of Alterra and Carbon Conscious Investments following the various transactions as set out above ("**Pro-Forma Financial Information**").

The Alterra Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Alterra's adopted accounting policies. The Pro-Forma Financial Information has been derived from the Historical Financial Information referred to above, after adjusting for transactions and assumptions, including significant transactions subsequent to 31 March 2018, as if they had occurred at 31 March 2018. These transactions and assumptions are detailed in Note 2 of Appendix 1. Due to its nature, the Pro-Forma Financial Information does not represent Alterra's actual or prospective financial position or financial performance.

The Alterra Historical Financial Information and Pro-Forma Financial Information is presented in the Notice of Meeting in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

The Alterra Historical Financial Information is based on the Financial Statements of Alterra for the period ended 31 March 2018 that were reviewed by HLB Mann Judd who issued an unqualified opinion on them. This Report does not address the rights attaching to the securities to be issued in accordance with the Notice of Meeting, nor the risks associated with the demerger. We have not been requested to consider the prospects for Alterra, or any of the demerged entities the securities offered and related pricing issues, nor the merits and risks associated with the demerger and accordingly, have not done so, nor do we purport to do so. We, accordingly, take no responsibility for those matters or any other matter or omission in the Notice of Meeting, other than the responsibility for this Report. The risk factors are set out in the Notice of Meeting.

3. Background

The Company is listed on the ASX and its principal activity is agribusiness. The Company's operations are focussed on two businesses, being its:

- agro-forestry business, which develops and manages agro-forestry projects in Western Australia to generate Australian Carbon Credit Units and voluntary carbon offsets (Carbon Business); and
- dairy business (Dairy Business).

The Company (then trading as Carbon Conscious Limited) was contracted to establish carbon forest estates for carbon sequestration on behalf of clients in 2009, 2010, 2011 and 2012. Due to political uncertainty in relation to carbon markets and carbon pricing, there have been no new major agro-forestry projects for carbon sequestration established by the Company since 2012. As part of its Carbon Business, the Company generates quarterly revenue via the ongoing management of the Carbon Business Contracts with various entities out till 30 September 2027.

Since 2015, the Company has been focussed on new agribusiness opportunities for growth with a focus on dairy and in March 2016, the Company changed its name from Carbon Conscious Ltd to Alterra Limited, reflecting the Company's focus on new agricultural ventures.

Alterra is seeking shareholder approval to dispose of its major carbon assets via the Demerger.

4. Responsibility for the Financial Information

The directors of Alterra are responsible for the preparation and presentation of the Alterra Historical Financial Information and the Pro-Forma Financial Information, including the selection and determination of the Pro-Forma adjustments. They are also responsible for all assumptions, judgements and estimates, used in the Historical Financial Information and included in the Pro-Forma Financial Information.

This responsibility includes establishing and maintaining internal control relevant to the preparation of the Historical and Pro-Forma Financial Information that is free from material misstatement, which is due to fraud and error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors of Alterra are also responsible for all information contained within the Notice of Meeting.

5. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our review engagement in accordance with Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

In connection with the review, we made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit report. For the purposes of this Report, we have not performed an audit and accordingly do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

6. Conclusion

The Alterra Historical Financial Information

Conclusion

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe that the Alterra Historical Financial Information, as shown in abbreviated form in Appendix 1 to this Report, and comprising:

- The Statement of Profit or Loss and Other Comprehensive Income of Alterra for the period ended 31 March 2018; and
- The Statement of Financial Position of Alterra as at 31 March 2018;

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 3 of Appendix 1.

Pro-Forma Financial Information

Conclusion

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe that the Pro-forma Financial Information, comprising the Pro-Forma Statement of Financial Position of Alterra as at 31 March 2018 is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Notes 2 and 3 of Appendix 1.

7. Subsequent Events

Apart from the matters dealt with in this Report, including transactions and events listed in Note 2 of Appendix 1 to this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, there have been no other material items, transactions, or events outside the normal course of business, subsequent to 31 March 2018, that have come to our attention during the course of our engagement that would require comment on, or adjustment to, the information referred to in our Report, or that would cause such information to be misleading or deceptive.

8. Declaration

Greenwich & Co are responsible for this Report.

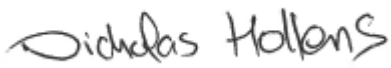
The Historical Financial Information presented in Appendix 1 has been prepared by the directors of Alterra and is their responsibility. The Pro-Forma Financial Information has been prepared by the directors of Alterra and is their responsibility. This report is strictly limited to the matters contained herein and is not to be read as extending by implication or otherwise to any other matter.

Greenwich & Co do not have any interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in relation to this matter. Greenwich & Co is not the auditor of Alterra, the review was carried out by HLB Mann Judd. Except for fees relating to this Report and, from fees relating to the preparation of a Valuation Report, which are based on normal commercial terms, Greenwich & Co does not have any interest in Alterra or in the outcome of the Offer. Greenwich & Co have not made, and will not make, any recommendation through the issue of this Report to potential investors of Alterra as to the merit of the investment.

Greenwich & Co were not involved in the preparation of any part of the Notice of Meeting, and accordingly, make no representations or warrantees as to the completeness and accuracy of any information contained in any other part of the Notice of Meeting.

Consent for the inclusion of this Report in the Notice of Meeting in the form and context in which it appears has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully



Nicholas Hollens
Director
Greenwich & Co Audit Pty Ltd
Level 2, 35 Outram Street
West Perth WA 6005

Date: 14 November 2018

Appendix 1

1. Historical and Pro-Forma Financial Information

1a. Alterra Historical and Pro-Forma Statement of Financial Position as at 31 March 2018

	Note	Alterra As at 31 March 2018 (reviewed) $	Pro-Forma adjustments as at 31 March 2018 $	Pro-Forma as at 31 March 2018 $
Current Assets				
Cash and cash equivalents	1	1,495,792	(1,000,000)	495,792
Trade & other receivables		749,849	-	749,849
Income tax refundable		154,582	-	154,582
Inventories	2	265,671	(265,671)	-
Other assets		19,985	-	19,985
Other financial assets	3	151,877	(101,877)	50,000
Loan to Carbon Conscious Investments	8	-	1,000,000	1,000,000
Total Current Assets		2,837,756	(367,548)	2,470,208
Non-Current Assets				
Investment accounted for using the equity method	4	-	1,026,156	1,026,156
Intangibles	5	5,094,641	(4,797,431)	297,210
Inventories	2	185,931	(185,931)	-
Investment property		4,428,518	-	4,428,518
Property, plant and equipment		145,045	-	145,045
Deferred tax asset		247,794	-	247,794
Trade and other receivables		243,972	-	243,972
Total Non-Current Assets		10,345,901	(3,957,206)	6,388,695
Total Assets		13,183,657	(4,324,754)	8,858,903
Current Liabilities				
Trade and other payables		165,603	-	165,603
Provision for income tax		41,499	-	41,499
Interest-bearing liabilities		44,555	-	44,555
Total Current Liabilities		251,657	-	251,657
Non-Current Liabilities				
Interest-bearing liabilities		1,771,213	-	1,771,213
Total Non-Current Liabilities		1,771,213	-	1,771,213
Total Liabilities		2,022,870	-	2,022,870
Net Assets		11,160,787	(4,324,754)	6,836,033

	Note	Alterra As at 31 March 2018 (reviewed)	Pro-Forma adjustments as at 31 March 2018	Pro-Forma as at 31 March 2018
		$	$	$
Equity				
Issued capital		14,254,212	(5,764,885)	8,489,327
Reserves		1,359,603	-	1,359,603
Accumulated losses	6	(4,453,028)	1,440,131	(3,012,897)
Total Equity		11,160,787	(4,324,754)	6,836,033

The above statement should be read in accordance with the accompanying notes.

1b. Alterra Historical Statement of Profit or Loss and Other Comprehensive Income for the Period Ended 31 March 2018

	Period to 31 March 2018 (reviewed)	Pro-forma adjustment as at 31 March 2018	Pro-forma for the period to 31 March 2018
	$	$	$
Revenue	1,354,940	(1,236,803)	118,137
Other Income	62,045	1,378,086	1,440,131
	1,416,985		1,558,268
Employee expenses	(385,590)	(162,083)	(223,507)
Share based payment expense	(121,713)	-	(121,713)
Finance costs	(42,629)	-	(42,629)
Other expenses	(751,931)	(294,276)	(457,655)
Profit before tax	115,122		712,764
Income tax expense	(49,041)	-	(49,041)
Profit after tax from discontinued expenses	66,081		663,723
Profit attributable to members	272,014	-	272,014
Total comprehensive income	338,095	-	935,737

1c. Carbon Conscious Investments Limited ("CCIL") Pro-Forma Statement of Financial Position as at 31 March 2018

		CCIL as at 31 March 2018 (reviewed) $	Pro-Forma adjustments as at 31 March 2018 $	Pro-Forma as at 31 March 2018 $
Current Assets	**Note**			
Cash and cash equivalents	1	-	1,000,000	1,000,000
Inventories	2	-	265,671	265,671
Other financial assets	3	-	101,877	101,877
Total Current Assets		-	1,367,548	1,367,548
Non-Current Assets				
Intangibles	5	-	4,797,431	4,797,431
Inventories	2	-	185,931	185,931
Total Non-Current Assets		-	4,983,362	4,983,362
Total Assets		-	6,350,910	6,350,910
Current Liabilities				
Loan from Alterra	8	-	(1,000,000)	1,000,000
Total Current Liabilities		-	(1,000,000)	1,000,000
Non-Current Liabilities		-	-	-
Total Non-Current Liabilities		-	-	-
Total Liabilities		-	(1,000,000)	1,000,000
Net Assets		-	5,350,910	5,350,910

	Note	CCIL as at 31 March 2018 (reviewed) $	Pro-Forma adjustments as at 31 March 2018 $	Pro-Forma as at 31 March 2018 $
Equity				
Issued capital		-	5,350,910	5,350,910
Retained Profits		-	-	-
Total Equity		-	5,350,910	5,350,910

The above statement should be read in accordance with the accompanying notes.

2. Pro-Forma Transactions and Assumptions

The Pro-forma Financial information incorporates the following assumption and transaction including significant transactions that have occurred subsequent to 31 March 2018, as if they had occurred at 31 March 2018.

Significant transactions subsequent to 31 March 2018:

a) Demerger of the Carbon Business from the remaining assets of Alterra Limited

As outlined in the Notice of Meeting, Alterra is seeking shareholder approval to dispose of the Carbon Business and Other Assets to Carbon Conscious Investments Ltd (the Demerger). As part of the Demerger, Alterra will retain a 15% interest in Carbon Conscious Investments Ltd. No consideration is payable in respect of the disposal of these assets. Existing Shareholders in Alterra will receive 1 share in Carbon Conscious Investments Ltd for every 1 share currently held in Alterra.

3. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of the Financial Information are summarised below.

Basis of Reporting

The Financial Information has been prepared in accordance with the *Corporations Act 2001* and recognition and measurement requirements (but not all disclosure requirements) of Australian Accounting Standards and Australian Accounting Interpretations adopted by the Australian Accounting Standards Board. The Financial Information covers Alterra Limited, a public company, incorporated and domiciled in Australia ("Alterra"). The Financial Information is presented in Australian dollars. The Financial Information has been prepared on an accrual basis and is based on historical costs. Cost is based on the fair value of the consideration given in exchange for assets.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting Financial Information satisfies the concepts of relevance and reliability, and that the substance of underlying transactions and other events is reported. The following significant accounting policies have been adopted in the preparation and presentation of the Financial Information:

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alterra Limited as at 31 March 2018 and the results of all controlled entities for the 6 months then ended. A controlled entity is any entity over which Alterra Limited has the power to govern the financial and operations policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Where controlled entities have entered (left) the Group during the period, their operating results have been included (excluded) from the date control was obtained (ceased).

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses, if any in fact are brought to account.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the way management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where

it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Inventories

Inventories held by Alterra Limited consist of tree plantations.

(i) Tree Plantations

Inventories consisting of trees and seeds are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

Cost comprises all production, acquisition and conversion costs. At the end of each period, inventory cost is evaluated based on the recoverable value and current market pricing to determine whether any written down is appropriate. To the extent that any impairment arises, losses are recognised in the period they occur. Additionally, the costs associated with producing inventories are charged to the statement of comprehensive income in the same period as the related revenues are recognised.

(d) Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes if the fair value of investment properties are included in profit or loss in the period in which they arise.

(e) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land is measured at cost, less any impairment losses recognised after the date of recognition.

Depreciation is calculated using the diminishing value method or straight-line basis over the estimated useful life of the assets as follows:

- Plant and equipment – 7.5% to 37.5% diminishing value
- Leasehold improvements – 6.6% to 50% straight line
- Motor vehicles – 13% to 30% diminishing value

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) *Impairment*

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For land, plant and equipment, impairment losses are recognised in the statement of comprehensive income in the other expenses line item.

(ii) *Revaluations*

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.
Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings / accumulated losses is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings / accumulated losses.

It is not the Company's policy to assign any revaluation increment to land assets as they are encumbered by carbon and forestry rights.

(iii) *Derecognition and Disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(g) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when Alterra becomes party to the contractual provisions to the instrument.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit and loss, in which case transaction costs are expensed to profit and loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

the amount at which the financial asset or financial liability is measured at initial recognition;

less principal repayments;

plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit and loss.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(h) Impairment of Assets

The Group asses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimating to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increase amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(i) Provisions

Provisions are recognised when Alterra have a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

(j) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by Alterra. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(k) Share based payments

The fair value of options granted is recognised as an expense with a corresponding increase in equity, unless the options are costs of capital in which case the options granted are recognised in equity only. The fair value of shares or performance rights is ascertained as the market bid price. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The number of shares and options expected to vest is reviewed and adjusted at each reporting date (except where the change in expectation relates to market conditions) such that the amount recognised for services received as

consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised for the major business activities of the Group as follows:

- *Sale of carbon credits* – revenue from the sale of carbon credits is recognised when the Group has transferred to the buyer the significant risks and rewards of the ownership of the carbon credits.
- *Project revenue* – where the company undertakes the development of carbon sinks for third parties, revenue is recognised in proportion to the percentage completion of the project. Management related income is recognised on an accrual basis in accordance with the substance of the relevant contract.
- *Interest revenue* – is recognised as it accrues, taking into account the effective yield on the financial asset.

(m) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

(i) *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model, using the assumptions detailed in Note 18.

(ii) Valuation of land, forestry rights and plantations

The Company reviews the value of land, forestry rights and plantations on an annual basis. A combination of external valuation processes and internal valuation models are used to assess any potential impairment of this value. The impairment testing is carried out using an estimate of future realisable values for ACCU's based on market expectations.

(iii) Tax deductibility of losses on disposal of freehold title of land

The Company claimed, as a tax deduction, losses on disposal of freehold title of land used in the establishment of plantations and subsequent generation of carbon credits. This is consistent with previous years.

1. Cash and cash equivalents

Balance at 31 March 2018	
- Current Assets	1,495,792
Pro-Forma adjustments:	
- Loan to Carbon Conscious Investments Ltd	(1,000,000)
Pro-Forma balance in Alterra	495,792

2. Inventories

Balance at 31 March 2018	
- Current Assets	265,671
- Non-Current Assets	185,931
	451,602
Pro-Forma adjustments:	
- Transfer to Carbon Conscious Investments Ltd	(451,602)
Pro-Forma balance in Alterra	-

3. Other Financial Assets

	$
Balance at 31 March 2018	151,877
Pro-Forma adjustments:	
- Transfer to Carbon Conscious Investments Ltd	(101,877)
Pro-Forma balance in Alterra	50,000

4. Investment accounted for using the equity method

	$
Investment in Carbon Conscious Investments Ltd	1,026,156

5. Intangibles

	$
Balance at 31 March 2018	5,094,641
Pro-Forma adjustments:	
- Transfer to Carbon Conscious Investments Ltd	(4,797,431)
Pro-forma balance in Alterra	297,210

6. Accumulated Losses

	$
Balance at 31 March 2018	(4,453,028)
Add Pro-forma adjustment:	
- Profit on assets transfer to Carbon Conscious Investments Ltd	1,440,131
Pro-Forma balance in Alterra	(3,012,897)

7. Disposal of Carbon Business

	$
Balance at 31 March 2018	
Proceeds from sale of Carbon Business	-
Adjustment in carrying value in respect of fair valuing 85% of Carbon Business at 31 March 2018	1,440,131
Profit on Disposal	1,440,131

8. Loan to Carbon Conscious Investments

	$
Balance at 31 March 2018	-
Add Pro-forma adjustment:	
- Loan to Carbon Conscious Investments	1,000,000
Pro-Forma balance in Alterra	1,000,000

9. Post balance date events

No matters or circumstances have arisen since 31 March 2018 which significantly affect the state of affairs of Alterra, other than the matters outlined above and those disclosed in the Notice of Meeting.

Schedule 3 - Key risk factors facing Carbon Conscious Investments

The business, assets and operations of Carbon Conscious Investments will be subject to certain risk factors that have the potential to influence its operating and financial performance in the future. These risks can impact on the value of an investment in its securities and include those highlighted in the table below.

The risk factors set out below ought not to be taken as exhaustive of the risks faced by Carbon Conscious Investments or by investors in Carbon Conscious Investments. The below factors, and others not specifically referred to below, may in the future materially affect the financial performance of Carbon Conscious Investments and the value of the Carbon Conscious Investments Shares. Therefore, the Carbon Conscious Investments Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares.

Risk	Description
Alterra not retaining ownership of the Carbon Business	Under the Proposal, Alterra will be transferring the Carbon Business to Carbon Conscious Investments. Accordingly, Shareholders need to be aware that any investment made in Alterra upon the basis of the Carbon Business should be undertaken in the knowledge that Alterra (or its subsidiaries) will not be holding those assets following completion of the Proposal. However, investors in Alterra who hold Alterra Shares on the Record Date will receive Shares in Carbon Conscious Investments and so will continue to have an ownership interest in the Carbon Business
Default under General Security	As described in Section 3.13(c), ACCUAM has granted a security interest over its assets to Alterra. If an event of default subsists (see Section 3.13(c)) ACCUAM must immediately pay or perform the Secured Obligations in full to the Company on demand, and in the manner notified, by the Company. ACCUAM shall pay accrued interest on each unpaid amount at the official cash rate published by the Reserve Bank of Australia at that time.
Regulatory risks	Participation in the emission reduction market in Australia is subject to laws and regulations, including complex tax laws and environmental laws and regulations, employment law and other laws. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations could adversely affect the Carbon Conscious Investments' business.
Counterparty risk	Carbon Conscious Investments' business generates the majority of its revenue (in excess of 90%) through long term contracts with select counterparties. Carbon Conscious Investments is unable to predict the risk of financial failure or default by a counterparty. Insolvency or managerial failure by a counterparty may have an adverse effect on the performance of Carbon Conscious Investments' operations.

Risk	Description
Management risk	Carbon Conscious Investments requires access to suitably experienced and qualified personnel to continue to effectively manage the Carbon Business Contracts and Carbon Business Assets. Carbon Conscious Investments has sort to mitigate these risks by contracting Alterra to continue to manage the day to day operations under the proposed Service Agreement.
Key personnel risk	Carbon Conscious Investments' operational success will substantially rely on the experience of its management team and directors. In particular Carbon Conscious Investments is dependent on the knowledge and expertise of Mr Andrew McBain and Mr Anthony Fitzgerald to achieve its business plan. There would potentially be a detrimental impact on the achievement of Carbon Conscious Investments' business plan and therefore an adverse impact on its financial position and operating results if one or more of these persons were to leave Carbon Conscious Investments.
Agricultural risk	As an agricultural business, Carbon Conscious Investments is subject to the risks specific to the agricultural industry including but not limited to: flood and drought; natural disasters; pest and disease; fire; and yield variance. It should be noted that all agricultural risk in relation to the Carbon Business Contracts is borne by BP and Origin until September 2025 and 2027, respectively. However, Carbon Conscious Investments will be subject to agricultural risk on the minor component of plantations that are on its own account.
Cost of managing the Carbon Business Contracts risk	Revenue paid by the Carbon Business Contracts is fixed albeit indexation is paid annually. There is a risk of unforeseen or abnormal cost increases or new costs associated with managing the Carbon Business Contracts.
Liquidity risk	Following the In-specie Distribution, there will no public market in the Carbon Conscious Investments Shares, accordingly, there can be no guarantee that an active trading market for the Carbon Conscious Investments Shares will develop. There may be no or relatively few potential buyers or sellers of the Carbon Conscious Investments Shares at any given time. This may affect the prevailing market price at which Shareholders are able to sell their Carbon Conscious Investments Shares. This may result in Shareholders receiving a market price for their

Risk	Description
	Carbon Conscious Investments Shares that is less or more than the price that Shareholders paid for their Shares.
Economic conditions	General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on Carbon Conscious Investments' its ability to fund its activities. General economic conditions may also affect the value of Carbon Conscious Investments Shares and its valuation regardless of its actual performance.
ACCU price risk	The marketing arrangement and price of ACCUs is uncertain and Carbon Conscious Investments will have risk in relation to the price received for ACCUs. It should be noted that all ACCU price risk in relation to the Carbon Business Contracts is borne by BP and Origin until September 2025 and 2027, respectively. However, Carbon Conscious Investments will be subject to ACCU price risk on the minor amount of ACCUs expected to be generated by its plantations that are on its own account during that period.
Carbon market scheme risk	There is a risk that there is not a regulatory framework for generating and selling ACCUs. It should be noted that all carbon market scheme risk in relation to the Carbon Business Contracts is borne by BP and Origin until September 2025 and 2027, respectively. However, Carbon Conscious Investments will be subject to carbon market scheme risk for the minor component of plantations that are on its own account during that period.

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Alterra Limited | ACN 129 035 221

EGM Registration Card

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Vote by Proxy: 1AG

Your proxy voting instruction must be received by **11.00am (WST) on Tuesday, 18th December 2018,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at https://investor.automic.com.au/#/loginsah

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.

SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: **https://investor.automic.com.au/#/home** Shareholders sponsored by a broker should advise their broker of any changes.

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

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

Joint holding: Where the holding is in more than one name, all of the Shareholders 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 Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

Contact

Return your completed form

BY MAIL:
Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:
Automic
Level 5, 126 Phillip Street,
Sydney NSW 2000

Contact us – All enquiries to Automic

WEBCHAT: https://automic.com.au/
EMAIL: hello@automic.com.au
PHONE:
1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

AUTOMIC

STEP 1: Appoint Your Proxy

Complete and return this form as instructed only if you do not vote online

I/We being a Shareholder entitled to attend and vote at the Extraordinary General Meeting of Alterra Limited, to be held at **11.00 am (WST) on Thursday 20th December 2018 at HLB Mann Judd Boardroom, Level 4, 130 Stirling Street, Perth WA** hereby:

Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.
Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

STEP 2: Your Voting Direction

Resolutions	For	Against	Abstain
1. Approval for a reduction of capital and in-specie distribution of Carbon Conscious Investments Shares	☐	☐	☐

Please note: *If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

STEP 3: Sign Here + Contact Details

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone

Date (DD/MM/YY) ☐☐ / ☐☐ / ☐☐

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).