

24 April 2019

Shareholder
Address 1
Address 2
Address 3

CORPORATE UPDATE and NOTICE of a GENERAL MEETING

- **Board Determination that subject to business as usual and Shareholder Approval there will be a cash distribution of \$0.003 per share (\$521,000) to Shareholders in May 2019.**
- **Part of the cash distribution would be in the form of a Franked Dividend.**
- **Part of the cash distribution would be a Return of Capital on or about 28 May 2019.**
- **Return of Capital is Subject to Shareholder Approval –Notice of Meeting attached**
- **Actions Required by Shareholders to Optimize Participation – Forms attached.**

Dear Shareholders

Further to Corporate Update Number 3 which was posted on the Company web site on 24 April Carbon Conscious Investments Ltd (**CCIL or Company**) is pleased to advise Shareholders of recent Company developments and determinations made by the Board.

1. Determining to Distribute Cash to Members in May and November 2019

- Having considered the Company: risk and shareholder distribution policy; contractual obligations including repayment of a working capital loan and covenant to hold a minimum of \$500,000 cash at all times; and subject to 'business as usual' conditions, the Board has made a determination to pay a cash distribution to Shareholders of \$0.003 per share (about \$521,000) on or about **28 May 2019**.
- The May distribution would in part be a Franked Dividend and in part a be a Return of Capital and the **Record Date will be 23 May 2019**.
- Based on the obligations outlined above the Directors have also made a determination to pay a cash distribution to Shareholders of about \$0.003 per share (about \$521,000) in **November 2019**. The final distribution and whether this will be a Return of Capital or Franked Dividend remains to be determined.

2. Issues and Actions For/By Shareholders

- The proposed Return of Capital component requires prior **Shareholder approval** to proceed via an ordinary resolution. The details of the proposed May reduction of capital are provided in a Notice of Meeting set down for 21 May 2019 that accompanies this letter.
- The Directors have determined that the proposed distributions be made via electronic funds transfer and that the Company's share registry, Automic, will manage the distribution process.
- The Notice of Meeting includes general commentary in relation to the taxation consequences of the proposed distributions, and the Company notes the following:
 - a. Post **payment by electronic funds transfer** Automic will send (via post or email) the appropriate Statement for Tax Purposes;
 - b. If Shareholders **have not registered their bank details** prior to the May distribution, their funds will be held on trust in accordance with the Company's constitution;
 - c. Shareholders should retain the Statement for Tax Purposes because the Return of Capital will result in a reduction in each Shareholders cost base and will likely have tax implications should Shareholders sell their shares in the Company;
 - d. Shareholders should seek independent advice in relation to the tax implications, but the Company has been advised that the Return of Capital will not represent 'taxable income' and will be applied as a reduction to the cost base of your shares in the Company per "c" above;
 - e. The above notwithstanding, Shareholders who have **NOT REGISTERED their Tax File Number** with Automic will have tax withheld and remitted to the ATO on their behalf.

SHAREHOLDER'S CAN REGISTER THEIR BANK DETAILS, EMAIL ADDRESS, TAX FILE NUMBER, and PROXY DIRECTLY at AUTOMIC.COM.AU or by COMPLETING AND RETURNING THE ENCLOSED FORMS

3. Administration for Shareholders

The Company will be providing further updates in due course. Please be aware that these will almost exclusively be via the 'Investors page' on its web site at www.carbonconscious.com.au, and few updates will be posted or emailed to Members directly.

- Members are encouraged to go to <https://automic.com.au/> and use their SRN or HIN to edit their profile to provide their **BANKING AND TFN DETAILS**, and include an email address and phone number.
- Please note that while we refer to the Company by the abbreviation CCIL that the **company-code on the Automic site is "CCIU"**.
- **Alternatively**, members can complete the forms attached to this letter and return them to Automic.

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

Yours faithfully



Anthony Fitzgerald - Executive Director and Company Secretary



ACN 629 272 037

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at the offices of the Company, at Suite 1, 25 Walters Drive, Osborne Park, Western Australia on Tuesday, 21 May 2019 at 12.00 pm (WST).

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

Should you wish to discuss any matter, please do not hesitate to contact the Company Secretary by telephone on (08) 9204 8400.

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

CARBON CONSCIOUS INVESTMENTS LTD

ACN 629 272 037

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Carbon Conscious Investments Ltd (**Company**) will be held at the offices of the Company, at Suite 1, 25 Walters Drive, Osborne Park, Western Australia on Tuesday, 21 May 2019 at 12.00pm (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the 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 on Sunday, 19 May 2019 at 5.00pm (WST).

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

AGENDA

1. Resolution 1 - Equal Capital Reduction - May 2019

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

"That Shareholders approve, 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 approximately \$270,000 by returning to Shareholders on a pro-rata basis of approximately \$0.001552 for each Share held as at the Record Date, as more particularly described and on the terms set out in the Explanatory Memorandum."

The Chair intends to vote all available proxies in favour of the resolution.

BY ORDER OF THE BOARD



Anthony Fitzgerald
Executive Director and Company Secretary
Carbon Conscious Investments Ltd
Dated: 23 April 2019

CARBON CONSCIOUS INVESTMENTS LTD

ACN 629 272 037

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 the offices of the Company, at Suite 1, 25 Walters Drive, Osborne Park, Western Australia on Tuesday, 21 May 2019 at 12.00pm (WST).

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 Resolution will be voted.

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

Section 2	Action to be taken by Shareholders
Section 3	Resolution 1 - Equal Capital Reduction - May 2019
Schedule 1	Definitions
Schedule 2	Pro-forma Statement of Financial Position

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

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

2.1 Voting in person

To vote in person, attend the Meeting on the date and at the place set out above.

2.2 Proxies

(a) Voting by proxy

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (i) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (ii) a proxy need not be a member of the Company; and
- (iii) a member of the Company 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, but where the proportion or number is not specified, each proxy may exercise half of the votes.

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

(b) 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).

(c) 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 the proxy is not recorded as attending the meeting or 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.

2.3 Chair's voting intentions

The Chair intends to exercise all available proxies in favour of Resolution 1, unless the Shareholder has expressly indicated a different voting intention.

3. Resolution 1 - Equal Capital Reduction - May 2019

3.1 Background

The Directors have completed a review of the Company's capital management options and have determined that the Company's current cash reserves exceed its current capital requirements. Pursuant to this determination, the Company intends, subject to Shareholder approval, to return a sum to Shareholders.

Subject to no material adverse change to business conditions, the Board has determined to return approximately \$521,000 (being an amount equivalent to \$0.003 per Share on issue) to Shareholders in May 2019 (**May 2019 Distribution**) of which \$0.001552 cents per Share (51.7% of the May 2019 Distribution) would be a return of capital subject to the passing of Resolution 1 and otherwise as set out below. This is based on the Company having 173,647,045 Shares on issue.

The Company must exhaust its capacity to pay dividends before making a return of capital. At the time of the May 2019 Distribution the Company will have capacity to pay Shareholders a franked dividend of approximately \$251,000 (\$0.001448 cents per Share and 48.3% of the May 2019 Distribution). The Directors have determined to pay a franked dividend and subject to Shareholder approval, to pay a capital return of the balance (approximately \$270,000). Shareholder approval is not required for the Company to pay the proposed franked dividend.

Following completion of the proposed May 2019 Distribution, it is estimated that the Company will have net cash reserves of approximately \$801,000 and 173,647,045 Shares on issue. These remaining funds will be used to meet cash reserve covenants of \$500,000 under the Company's loan agreement with Alterra and for working capital. The Directors consider the remaining funds will be sufficient to meet the Company's short to medium term funding requirements.

Resolution 1 is subject to:

- (a) there being no material changes to the Company's budgeted financial position at the proposed time of the capital return;
- (b) the Company obtaining Shareholder approval under this Resolution 1; and
- (c) the Company satisfying section 256B of the Corporations Act on the payment date of the capital return.

The Directors reserve the right not to proceed with the proposed May 2019 Distribution at any time before the proposed payment date of entitlements to Shareholders, as set out in Section 3.2(c).

Set out below is additional information relevant to the capital return in order to assist Shareholders to make a decision as to whether to approve Resolution 1.

3.2 Additional information for Shareholders

(a) Entitlement to participate

All Shareholders who are recognised on the Company's share register as at the Record Date at 5.00pm (WST) on Thursday, 23 May 2019 will be entitled to participate in the May 2019 Distribution.

(b) **Amount of entitlement - capital return**

Each Shareholder who participates in the May 2019 Distribution will receive a capital return of \$0.001552 for each Share held as at the Record Date. Entitlements will be rounded up to the nearest cent.

The May 2019 Distribution will be paid to Shareholders via electronic funds transfer. If Shareholders have not registered their bank details with the Company's share registry Automic prior to Tuesday, 28 May 2019, the funds will be held on trust by the Company in accordance with its constitution, until electronic funds transfer details are provided, or the funds are otherwise dealt with in accordance with the Company constitution. Shareholders should visit the Company's website for further details (carbonconscious.com.au/investors)

(c) **Indicative timetable May 2019 Distribution**

The Company has lodged with ASIC a copy of this Notice of Meeting and the Explanatory Statement pursuant to section 256C of the Corporations Act.

If Resolution 1 is passed, the May 2019 Distribution will take effect in accordance with the indicative timetable as follows:

Event	Date
Meeting held	Tuesday, 21 May 2019
Record Date	5pm WST Thursday, 23 May 2019
Entitlement paid to Shareholders	Tuesday, 28 May 2019

Note:

The dates shown in the table above are indicative only and may vary subject to the Corporations Act and other applicable laws. In particular, the Company reserves the right to vary the date the entitlement will be paid to Shareholders without prior notice. Any variation to the above dates will be published on the Company's website (carbonconscious.com.au/investors).

3.3 Shareholder approval and regulatory requirements

(a) **Regulatory Requirements**

The capital reduction is an "equal capital reduction" in accordance with section 256B(2) of the Corporations Act as:

- (i) it relates only to ordinary Shares in the capital of the Company;
- (ii) it applies to each holder of ordinary shares in the same proportion to the number of ordinary shares they hold in the Company; and
- (iii) the terms of the reduction are the same for each holder of ordinary shares in the Company.

Under section 256C of the Corporations Act the capital reduction must be approved by an ordinary resolution passed at a general meeting of the Company. Resolution 1 seeks this approval from Shareholders. An ordinary resolution requires a simple majority of votes cast by Shareholders present (in person, by proxy or representative) and entitled to vote on the resolution.

Under section 256B of the Corporations Act, the Company must not affect a reduction of capital unless it:

- (i) is fair and reasonable to the Shareholders as a whole;
- (ii) does not materially prejudice the Company's ability to pay its creditors; and
- (iii) is approved by Shareholders.

3.4 Directors' Opinion

It is the opinion of the Directors that:

- (a) the capital return component of the May 2019 Distribution is fair and reasonable to the Shareholders as a whole as the terms of the capital return are the same for each Shareholder and the capital return is on a pro-rata basis;
- (b) the capital return component of the May 2019 Distribution does not materially prejudice the Company's ability to pay its creditors as the Company will have sufficient cash reserves to pay its creditors after the capital return; and
- (c) the Company will remain solvent following the May 2019 Distribution.

The Directors have considered the advantages and disadvantages of the capital return, as follows.

3.5 Advantages

While the Dividend Policy is subject to change, at the time of the Company's demerger from Alterra it was and remains the Dividend Policy of the Company to maximise returns to Shareholders.

The Board has determined that in May 2019, the Company will have sufficient reserves to make a distribution to Shareholders, but the Company will not have accumulated sufficient accounting profits to qualify to pay a dividend for all of the May 2019 Distribution.

The Directors believe that a key advantage in approving the capital return is that it will enable the Company to return a sum of money to its Shareholders in excess of the available dividends and reward Shareholders for their support of the Company.

Unless Shareholders have purchased Shares in the Company at less than \$0.001552 per Share the return of capital is not in itself expected to trigger a taxable event (though participating Shareholders should seek their own tax advice).

The alternatives to making the return of capital are to:

- (a) hold the capital in reserve until such time as sufficient accounting profits emerge; or
- (b) to retire debt.

Given the time value of money, the Directors believe Shareholders will be better advantaged by having cash returned to them sooner than would be the case if a return of cash was delayed.

3.6 Disadvantages

A disadvantage of the capital return is that following its implementation, the Company will have a reduced capital base from which to operate. Following completion of the proposed May 2019 Distribution, the Company's net cash reserves of approximately \$801,000 will be sufficient to meet the Company's short to medium term working capital and covenant reserve requirements.

Following the proposed May 2019 Distribution the Company will be carrying \$1,000,000 of debt bearing an interest burden of 6.5%. If there was to be no capital returned to Shareholders debt could be retired early saving about \$18,600 (equivalent to approximately \$0.000107 per Share) in interest costs.

3.7 Approval by Shareholders

The requirement for Shareholder approval of the capital return will be satisfied if the Resolution is passed at the Meeting.

3.8 Effect of the proposed capital return

(a) Effect on the Company

The capital return will be paid entirely from the Company's cash reserves. The effect of the capital return is that the Company's cash resources will be reduced by the amount of capital returned to Shareholders (approximately \$270,000), whilst the paid-up capital will decrease by this amount.

To illustrate the effect of the May 2019 capital return and the May 2019 Distribution on the Company's financial position, the unaudited pro-forma balance sheet of the Company on a post-capital return basis (as if the capital return was completed on 31 March 2019), is set out in Schedule 2.

(b) Effect on Shareholders

The effect of the capital return is that Shareholders will receive \$0.001552 for each fully paid ordinary share held on the Record Date (rounded up to the nearest cent). The capital return will have no effect on the number of shares held by Shareholders, the paid amount in relation to shares held by Shareholders or on their proportionate interests in the share capital of the Company.

(c) Effect on Creditors

As at the proposed payment date, the Company is anticipated to have approximately nil trade creditors and approximately \$34,000 of current liabilities.

The Board has undertaken a review to assess the impact of the capital return on the Company's ability to pay its creditors. With an estimated cash balance of approximately \$1,071,000 (post payment of the determined May 2019 dividend) prior to the May 2019 capital return and after allowing for the planned return of capital on 28 May 2019 and planned expenditure for May, the Company would have capacity to meet the claims of its creditors following the capital return. The estimated cash balance at 31 May 2019 on a 'business as usual' basis is anticipated to be approximately \$801,000.

As a consequence of the matters referred to above, the Company is satisfied that the capital return will not materially prejudice the Company's ability to

pay its creditors, and the Company will remain solvent following completion of the proposed capital return. The Company confirms the proposed May 2019 capital return does not breach the terms of the Company's loan agreement with Alterra Limited.

3.9 Tax Implications for Shareholders

This section is general in nature and the particular tax implications will depend on the individual circumstances of each Shareholder. Shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences from the proposed capital return.

The following comments apply to Shareholders that hold their shares in the Company on capital account.

For each Shareholder, the tax cost base of the ordinary shares they hold in the Company will be reduced by the amount they receive for the return of capital. To the extent the return of capital is greater than the tax cost base, the cost base would be reduced to nil, and a capital gain would arise equal to the excess.

According to ATO Class Ruling CR 2019/10, the Company's Shareholders that came to hold ordinary shares in the Company via the in-specie distribution of capital from Alterra Limited on 31 December 2018, had the tax cost base of their shares in Alterra Limited split between Alterra Limited and the Company post-merger. Specifically, 46% of the original tax cost base of shares in Alterra Limited was reallocated to the ordinary shares in the Company.

3.10 Directors' Interests and Recommendations

Some of the Directors of the Company are Shareholders and accordingly they will be taking part in the May 2019 Distribution. No Director will receive any payment or benefit of any kind as a consequence of the May 2019 Distribution, other than as a Shareholder.

The table below sets out the interests of the Directors (held directly or indirectly) in the Company as at the date of this Notice of Meeting, and the cash figure each Director will receive in the May 2019 Distribution:

Director	Number of ordinary shares held	Expected cash return May 2019 capital return only (\$)	Expected cash return May 2019 Franked Dividend (\$)
Andrew McBain	11,367,188	17,642	16,460
Anthony Fitzgerald	6,366,000	9,880	9,218
Natasha Ayers	Nil	NA	NA
Raphael Wood	Nil	NA	NA

Each of the Directors that holds shares in the Company and is thereby entitled to vote at the General Meeting intends to vote in favour of Resolution 1.

Resolution 1 is an ordinary resolution.

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$ or A\$ means Australian Dollars.

Alterra means Alterra Limited (ACN 129 035 221).

Automic means Automic Pty Ltd (ACN 152 260 814).

Board means the board of Directors of the Company.

Chair means the person appointed to chair the Meeting of the Company convened by the Notice.

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

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

Director means a director of the Company.

Dividend Policy is the Company policy relating to payments of dividends to Shareholders.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

May 2019 Distribution has the meaning given in Section 3.1.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means this notice of General Meeting.

Proxy Form means the proxy form attached to the Notice.

Record Date means the record date for the proposed May 2019 capital return, set out in Section 3.2(c).

Resolution means a resolution referred to in the Notice.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Securities means any equity securities of the Company.

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

Shareholder means the holder of a Share in the Company.

WST means Western Standard Time being the time in Perth, Western Australia.

Schedule 2 - Financial Implications of Proposed Capital Return

Effect of the Proposed Capital Return

(i) Effect on financial position and performance

Cash reserves

The Company must exhaust its capacity to pay dividends before making a return of capital. It is anticipated that at May 2019 the Company will have capacity to pay a franked dividend of approximately \$251,000.

The proposed capital return will be paid entirely from the Company's existing cash reserves. The effect of the proposed capital return is that the Company's cash reserves will be reduced by the amount of capital (cash) returned (paid) to Shareholders (approximately \$270,000, assuming 173,647,045 Shares are on issue on the Record Date), while at the same time the paid up capital will decrease by the corresponding amount. The Company will have sufficient cash reserves to pay its creditors after the proposed capital return.

Pro-Forma Balance Sheet

Implementation of the proposed dividend payment and capital return will have a material impact on the assets and liabilities of the Company. Set out below is the unaudited pro-forma balance sheet of the Company as at 31 March 2019 without a cash distribution to Shareholders, and then assuming completion of the proposed May 2019 Distribution.

	31-March-19	Impact of Determined Dividend payment & Capital Return	Proforma (after Determined Dividend and Proposed Capital Return)
	\$000	\$000	\$000
Current Assets			
Cash	751	(521)	230
Others (1)	864	-	864
Total Current Assets	1,615		1,094
Non-Current Assets	4,231		4,231
Current Liabilities	(6)	-	(6)
Non-Current Liabilities	1,000		1,000
Net Assets	<u>4,852</u>	<u>(521)</u>	<u>4,331</u>
Retained Earnings	261	(251)	10
Share Capital	<u>4,591</u>	<u>(270)</u>	<u>4,321</u>
	<u>4,852</u>	<u>(521)</u>	<u>4,331</u>

- (1) Includes Trade Debtors due to pay \$626,000 by 30 April 2019. It follows that the receipt of the Trade Debtor funds will convert \$626,000 from Other to Cash by the time of the Proposed Distribution and the Board has determined that the Cash Distribution is dependent on this and other business as usual events.