

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

YOU SHOULD READ ALL OF THE DOCUMENT. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR INVESTMENT, FINANCIAL, TAXATION OR OTHER PROFESSIONAL ADVISER.

TARGET'S STATEMENT



Your Independent Directors unanimously recommend that, in the absence of a Superior Proposal, you

ACCEPT

the Offer by Sandon Capital Investments Limited to acquire all of your ordinary shares in Carbon Conscious Investments Ltd for A\$0.0667 per share.

The Independent Expert has concluded that the Offer is not fair but reasonable.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT ANDREW MCBAIN ON +61 417 456 895 BETWEEN 10.00AM AND 12:00 PM (PERTH TIME) MONDAY TO FRIDAY.

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YOUR CHOICES IN RELATION TO THE OFFER

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Important Notices

Nature of this Document

This document is the Target's Statement dated 10 May 2024 given by CCIL under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement by Sandon dated 7 May 2024.

ASIC Disclaimer

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the contents of this Target's Statement.

Defined Terms and Interpretation

Capitalised terms used in this Target's Statement are defined in Section 9, which also sets out some rules of interpretation that apply to this Target's Statement.

No Account of Personal Circumstances

This Target's Statement and the recommendations and other information contained in it do not constitute financial product advice. The recommendations and other information contained in this Target's Statement should not be taken as personal financial or taxation advice, as each Shareholder's deliberations and decision will depend upon their own financial situation, tax position, investment objectives and particular needs.

It is important that you read this Target's Statement in its entirety before making any investment decision and any decision relating to the Offer. Your Directors encourage you to obtain independent advice from your investment, financial, taxation or other professional adviser before making a decision whether or not to accept Sandon's Offer.

Forward Looking Statements

This Target's Statement contains forward looking statements. All statements other than statements of historical fact are forward looking statements. Shareholders should note that those forward looking statements are only predictions and are inherently subject to uncertainties, in that they may be affected by a variety of known and unknown risks, variables and other important factors, many of which are beyond the control of CCIL. Actual values or results, performance or achievements may differ materially from those expressed or implied by such statements. The risks, variables and other factors that may affect the forward looking statements include matters specific to the sector in which CCIL operates, as well as economic and financial market conditions; legislative, fiscal or regulatory developments; and risks associated with the business and operations of CCIL. Further information about these risks can be found in Section 2 of this Target's Statement.

None of CCIL, any of its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) or gives any assurance as to the accuracy or

likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statements, except to the extent required by law. You are cautioned not to place undue reliance on any such statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Reliance on Information Obtained from Sandon or Public Sources

The information in this Target's Statement about Sandon has been compiled from or is otherwise based on information obtained from Sandon or publicly available sources, and has not been independently audited or verified by CCIL or its advisers. If the information obtained from Sandon or the public sources is inaccurate or incomplete, this may affect the information included in the Target's Statement. In particular, if the information has been used as the basis for forward looking statements in the Target's Statement, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward looking statements.

See Section 2.1 for a discussion about the risks that apply to holding CCIL Shares.

Privacy

CCIL has collected your information from the CCIL Share Register for the purpose of providing you with this Target's Statement. The type of information CCIL has collected about you includes your name, contact details and information on your shareholding (as applicable) in CCIL. Without this information, CCIL would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (including the CCIL Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by CCIL, please contact the CCIL Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) and will be available between 8.30am and 5.30pm AWST Monday to Friday.

CCIL Shareholder Information

Further information relating to Sandon's Offer can be obtained from CCIL's website www.carbonconscious.com.au.

Risk Factors

CCIL Shareholders should note that there are a number of risks that they should have regard to before deciding how to respond to the Offer. Further information about those risks can be found in Section 2 of this Target's Statement.

Your Choices in Relation to the Offer

You should read this Target's Statement in full, including the Independent Expert's Report.

ACCEPT

To accept the Offer, complete, sign and return your completed Acceptance Form before the end of the Offer Period and in accordance with the instructions on it.

Signed Acceptance Forms must be received before the end of the Offer Period as follows:

- **Paper acceptance:** To accept the Offer by paper, post the completed and signed Acceptance Form and any associated documents to Link Market Services Limited at Locked Bag A14, Sydney South, NSW 1235 Australia. A reply-paid envelope will have been enclosed for use within Australia; or
- **Email acceptance:** To accept the Offer by email, email the completed and signed Acceptance Form and any associated documents to Link Market Services Limited at snc.capitalmarkets@linkmarketservices.com.au.

You may instruct Sandon to pay the consideration by direct credit by returning the form entitled "Request for Direct Credit of Payments" form with your Acceptance Form.

To validly accept Sandon's Offer for your CCIL Shares, your acceptance must be received before 5.00 pm (Sydney time) on 20 June 2024, unless the Offer Period is extended.

REJECT

To reject the Offer, you do not need to take any action.

If you reject the Offer, you may choose to either hold or sell some or all of your CCIL Shares.

See Section 2.1 of this Target's Statement for further information relevant to continuing to hold an interest in CCIL Shares.

Key Dates

Date of Sandon's Offer	7 May 2024
Offer opens	7 May 2024
Date of this Target's Statement	10 May 2024
Offer closes – 5.00pm (Sydney time) (unless extended or withdrawn)	20 June 2024 ¹

¹ This date is indicative only and may be changed as permitted by the Corporations Act.

Letter from the Independent Directors

10 May 2024

Dear CCIL Shareholder

Your Independent Directors unanimously recommend that you ACCEPT Sandon's Offer for your CCIL Shares, in the absence of a Superior Proposal.

On 12 April 2024, Carbon Conscious Investments Ltd (**CCIL**) announced that it entered into a Merger Implementation Deed with Sandon Capital Investments Limited (**Sandon**) in respect of the proposal by Sandon to acquire all CCIL Shares for cash consideration of A\$0.0667 per CCIL Share, to be effected by way of an off-market takeover bid (**Offer**).

You will have received Sandon's Bidder's Statement setting out the terms and conditions of the Offer.

As Mr Paul Jensen and Mr Gregory Harvey are currently directors of Alterra Limited (**Alterra**) (a major shareholder of CCIL), CCIL established an Independent Board Committee (**IBC**) to consider the Offer. The IBC comprises of two Independent Directors, being Mr Andrew McBain and Mr Jonathan Trollip. Neither Mr Jensen nor Mr Harvey are making a recommendation to CCIL Shareholders in relation to the Offer.

Your Independent Directors believe that the Offer is an excellent opportunity for CCIL Shareholders to realise the value of their investment in CCIL and the IBC unanimously recommends that Shareholders **ACCEPT** the Offer, in the absence of a Superior Proposal. Section 1 of this Target's Statement outlines the reasons for the IBC's recommendation.

The IBC appointed Grant Thornton Corporate Finance Pty Ltd (**Independent Expert**) to prepare the Independent Expert's Report. The Independent Expert has concluded that the Offer is not fair but reasonable for CCIL Shareholders not a party or associated to a party to the Offer. A copy of the Independent Expert's Report is included as Schedule 1 to this Target's Statement, and you are encouraged to read that report in full.

Please read this Target's Statement and the Bidder's Statement carefully, and in their entirety, as they will assist you in making an informed decision on whether or not to accept the Offer. If you are in any doubt as to what you should do, you should seek advice from independent and appropriately licensed financial, legal, taxation and other professional advisers before making your decision in relation to your CCIL Shares.

We also take this opportunity to thank you for your continued support of CCIL.

Yours sincerely



Mr Andrew McBain
Independent Director



Mr Jonathan Trollip
Independent Director

1 Directors' Recommendation and Reasons

It is the recommendation of all of your Independent Directors (being Mr Andrew McBain and Mr Jonathan Trollip) that you ACCEPT the Offer, in the absence of a Superior Proposal. Mr Andrew McBain intends to accept the Offer in respect of the CCIL Shares held by him or on his behalf, in the absence of a Superior Proposal. Mr Jonathan Trollip does not hold any CCIL Shares. Your Independent Directors' reasons for their recommendation are set out below.

- 1 The Independent Expert has concluded the Offer is not fair but reasonable**
- 2 Limited liquidity of CCIL Shares**
- 3 Certainty of value**
- 4 No other superior offers**
- 5 It is unlikely that a Superior Proposal will emerge**

1 The Independent Expert has concluded that the Offer is not fair but reasonable

The Independent Expert, Grant Thornton, was retained by your Independent Directors to provide the Independent Expert's Report.

The Independent Expert has assessed the fairness of the Offer by comparing the Offer Price of A\$0.0667 per CCIL Share to the assessed value of a Share on a control basis (assuming that the Offer is for 100% of Shares). On the basis of that methodology, the Independent Expert has assessed the value of each CCIL Share to be within the range of A\$0.0782 to A\$0.0861. The Offer Price of A\$0.0667 is not within that range and therefore the Independent Expert has concluded that the Offer is not fair.

However, the Independent Expert has concluded that the Offer is reasonable because after a consideration of the advantages and disadvantages of the Offer for CCIL Shareholders, on the balance it is reasonable for CCIL Shareholders to accept the Offer. The Independent Expert considers the advantages and disadvantages of the Offer for CCIL Shareholders in full in the Independent Expert's Report.

The Independent Expert's Report is included in this Target's Statement at Schedule 1. You should read the report carefully as it contains important information explaining how the Independent Expert has formulated its opinions.

2 Limited liquidity of CCIL Shares

CCIL Shares are not listed on a securities exchange and there is no active market or mechanism for achieving liquidity in CCIL Shares. The Offer provides CCIL Shareholders with the opportunity to realise value for their CCIL Shares.

3 Certainty of value

If you accept Sandon's Offer and the Offer becomes unconditional, you will obtain the certainty of receiving the cash payment of A\$0.0667 per CCIL Share. The certainty of Sandon's Offer should be compared to the risks and uncertainties of remaining a CCIL Shareholder, which are covered in Section 2 below. If you accept Sandon's Offer, you will cease to be exposed to those risks associated with an investment in CCIL.

If you accept the Offer, Sandon will pay you on or before the earlier of:

- (a) one month after the Offer is validly accepted, or, if the Offer remains subject to a defeating condition, one month after the date on which the Offer becomes unconditional; and

- (b) 21 days after the end of the Offer Period.

4 No other Superior Proposal

Your Independent Directors have formed the view that Sandon's Offer represents a fair value for your CCIL Shares.

As at the date of this Target's Statement, the Directors have not received any offers that have advanced to the point which would cause the Independent Directors to believe that a Superior Proposal is likely to emerge.

You should note that your Independent Directors' recommendation of Sandon's Offer is subject to the absence of a Superior Proposal for your CCIL Shares. Should such a proposal arise, your Independent Directors will reconsider their recommendation of Sandon's Offer and inform you accordingly.

5 It is unlikely that a Superior Proposal will emerge

In light of Sandon's 31.7% Relevant Interest in CCIL, the Independent Directors consider it highly unlikely that a Superior Proposal will be forthcoming from the date of this Target's Statement until the end of the Offer Period. Since the announcement of the Offer, CCIL has not received any approaches which would cause it to believe that a Superior Proposal is likely to emerge.

Non-Independent Directors' reasons for not making a recommendation

Each of Mr Gregory Harvey and Mr Paul Jensen has refrained from making a recommendation in relation to the Offer, as they are also directors of Alterra. Accordingly, the CCIL Board established the IBC, comprising Mr Andrew McBain and Mr Jonathan Trollip, to consider the Offer and only the members of the IBC are making a recommendation in relation to the Offer.

Other matters

Section 2 of this Target's Statement describes a number of risks and other matters that you should also consider in deciding whether or not to accept the Offer. In considering whether to accept the Offer, your Independent Directors also encourage you to:

- (a) read both this Target's Statement and the Bidder's Statement in their entirety; and
- (b) obtain professional advice from your broker, financial advisor, accountant or other professional adviser.

2 Risks and Other Matters to Consider in Deciding Whether or Not to Accept the Offer

2.1 Risks of holding CCIL Shares

The risks and uncertainties that apply to holding CCIL Shares can be categorised as risks that CCIL shares with others in the emission reduction industry, risks specific to CCIL, and risks relating to the outcome of the Offer. Many of these risks are outside the control of CCIL and its Directors.

This Section 2 describes some of the material risks that apply to holding CCIL Shares. These are not the only risks CCIL faces. Some risks may not be known to CCIL, and some that CCIL currently believes to be immaterial could later turn out to be material. One or more or a combination of these risks could materially impact CCIL's future operating and financial performance, and the value of CCIL Shares.

2.2 Risks affecting carbon farming (emission reduction) industry

CCIL is exposed to the following risks, which apply to the emission reduction industry generally:

- (a) work delivery challenges may result in actual costs varying from earlier estimates or issues in recovery of variations and claims from clients, each of which may result in impacts to future profits or reductions or reversals of previously recorded profits affecting financial prospects;
- (b) risks in relation to compliance with 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 as may be reinterpreted in the future, or future laws or regulations could adversely affect CCIL's business;
- (c) Emissions Reduction Fund (**ERF**) projects registered with the Clean Energy Regulator (**CER**) must be managed in accordance with the *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth) (**Carbon Credits Act**), and there are risks that changes to the Carbon Credits Act or the application of the Carbon Credits Act could result in increased project management costs; and
- (d) the ERF methodology determinations (developed by the CER) and *Carbon Credits (Carbon Farming Initiative) Regulations 2011* (Cth), which apply to certain ERF projects, are subject to change and could result in changes to revenues or costs.

2.3 Risks specific to CCIL

The structure of CCIL's business and assets gives rise to the following additional risks:

- (a) assets such as the carbon rights and reforestation-based carbon farming projects currently owned and operated by CCIL can be more difficult to be utilised as collateral by major financial institutions. There is a risk that CCIL may not be able to access capital from debt or equity markets, which could have a material adverse impact on CCIL's business and financial condition;
- (b) inadequate levels of liquidity may impact CCIL's ability to successfully manage through the cash flow cycle, absorb expected cash impacts, or achieve planned expenditure;
- (c) CCIL's strategic plan (to manage current projects and focus on a relatively high distribution of profits as dividends) may not be wholly appropriate or sufficiently flexible to respond to changes in future economic, political or societal trends or unforeseen external events and actions affecting financial prospects;

- (d) CCIL's continuing operations are dependent on CCIL's ability to obtain and maintain certain permits, approvals and licences for its projects. CCIL's ability to carry on its business will therefore be subject to its ability to obtain and maintain such rights;
- (e) CCIL's business currently generates the majority of its revenue through long term contracts with Origin and BP. Whilst there is nothing to indicate otherwise, CCIL is unable to predict the risk of financial failure or default by one of these counterparties. Insolvency or managerial failure by such a counterparty may have an adverse effect on CCIL's financial position;
- (f) CCIL requires access to suitably experienced and qualified personnel and contractors to continue to effectively manage its carbon business contracts and carbon business assets;
- (g) the growth and ongoing maintenance of the mallee tree reforestation within CCIL's projects are the basis of CCIL's business. Agricultural risks including but not limited to flood and drought, natural disasters, pests and disease, and fire can impact and result in tree growth variance, which in turn could impact generation of ACCUs. It should be noted that all agricultural risk in relation to CCIL's carbon business contracts are borne by BP and Origin until December 2025 and 2027, respectively (see Section 5.1). However, until 2027, CCIL will be subject to agricultural risk on the minor component of plantations that are on its own account, and from 2028, CCIL will be reliant on ongoing tree growth to generate ACCUs (and revenue) and will therefore be exposed to agricultural risks;
- (h) from 2028, CCIL's revenue will be from the sale of ACCUs generated from the ERF projects it manages. From that time there will be an increased level of production and price risk to CCIL, and revenue from ACCU sales may be lower than expected from lower or delayed production, lower prices or both;
- (i) the CER's registration of CCIL's ERF projects (see Section 5.1) includes a commitment to maintain the project reforestation trees until at least 2114. Under the current crediting regime, CCIL will not be able to generate ACCUs beyond the crediting period ending in 2039;
- (j) if a 'disturbance event' occurs that the CER deems was caused by CCIL and is outside of normal agricultural risks, and in the fullness of time the project does not recover to previous levels, there is a risk that the CER could require CCIL to source ACCUs from elsewhere and surrender them to the CER to replace the ACCUs already claimed;
- (k) revenue received from CCIL's business contracts is fixed (and indexed to CPI) through to 2025 and 2027. There is a risk of unforeseen or abnormal cost increases or new costs associated with managing the carbon business contracts;
- (l) there is no public market in CCIL Shares, and the Carbon Plantation Agreement with Origin provides that if a change of control occurs in CCIL, Origin is required to provide its consent for that change of control to occur. Therefore, there may be no or relatively few potential buyers or sellers of the CCIL shares at any given time. This may affect the prevailing market liquidity and the market price at which CCIL Shareholders are able to sell their CCIL Shares.

2.4 Risks relating to the outcome of Sandon's Offer

If you do not accept the Offer, maintaining your investment in CCIL may attract the following risks, depending on the outcome of the Offer:

- (a) If Sandon acquires control of CCIL, it will have enhanced capacity to influence the manner in which CCIL's business is conducted. Sandon's intentions for CCIL are described in Section 5 of the Bidder's Statement, but those intentions may change, particularly as a

result of the review which Sandon states that it will undertake. Changes to the business which are implemented by Sandon may mean that you may subsequently choose to dispose of your Shares at a time when market conditions are less favourable than those prevailing at the date of this Target's Statement.

- (b) If, at the end of the Offer Period, Sandon has a Relevant Interest in at least 50.1% (disregarding any Relevant Interest that Sandon has with respect to CCIL Shares held by Alterra due to the operation of section 608(3) of the Corporations Act) of CCIL Shares but less than 90% of CCIL Shares and Sandon's offer becomes unconditional, CCIL will not become a wholly owned subsidiary of Sandon and there will be minority CCIL Shareholders. In such circumstances, if you have not accepted the Offer, Sandon would have a controlling interest in CCIL and you will be a minority CCIL Shareholder and you will be exposed to the risks associated with being a minority CCIL Shareholder. This has a number of possible implications, including:
 - (i) Sandon will be in a position to cast the majority of votes at a general meeting of CCIL Shareholders. This will enable Sandon to control the composition of the CCIL Board and senior management, and control the strategic direction of CCIL and its Subsidiaries;
 - (ii) the liquidity of CCIL Shares may be lower than at present; and
 - (iii) if Sandon acquires a Relevant Interest in 75% or more of CCIL Shares, it will be able to pass a special resolution at a meeting of CCIL Shareholders which would enable Sandon to, among other things, amend the Constitution.
- (c) If you choose not to accept the Offer and Sandon subsequently exercises compulsory acquisition rights, you are likely to be paid later than CCIL Shareholders who accept the Offer.

3 Answers to Frequently Asked Questions

This Section answers some frequently asked questions about Sandon's Offer. It is not intended to address all issues relevant to CCIL Shareholders. This Section should be read together with all other parts of this Target's Statement.

Question	Answer
1 What is the Bidder's Statement?	<p>The Bidder's Statement is the document setting out the terms of Sandon's Offer. Sandon lodged the Bidder's Statement with ASIC on 23 April 2024 and sent the Bidder's Statement to CCIL Shareholders on 7 May 2024. A copy of the Bidder's Statement is available on the CCIL website at www.carbonconscious.com.au.</p>
2 What is this Target's Statement?	<p>This Target's Statement has been prepared by CCIL and provides CCIL's response to Sandon's Offer, including the recommendation of your Independent Directors and the Independent Expert's Report.</p>
3 What is Sandon offering for my CCIL Shares?	<p>Sandon is offering A\$0.0667 for every CCIL Share that you hold.</p>
4 What are your Independent Directors recommending?	<p>Your Independent Directors unanimously recommend that you ACCEPT Sandon's Offer, in the absence of a Superior Proposal. The reasons for this recommendation are set out in Section 1 of this Target's Statement.</p> <p>If there is a change in your Independent Directors' recommendation or there are any material developments in relation to the Offer, your Independent Directors will make appropriate supplementary disclosure.</p>
5 What does the Independent Expert say?	<p>The Independent Expert has concluded that Sandon's Offer is not fair but reasonable. The Independent Expert has valued CCIL Shares at between A\$0.0782 and A\$0.0861, which is above the Offer Price. However on balance, the Independent Expert has concluded that it is reasonable for CCIL Shareholders to accept the Offer.</p> <p>The Independent Expert's Report is included at Schedule 1 to this Target's Statement. You should read that report carefully.</p>
6 What do the Directors of CCIL intend to do with their CCIL Shares?	<p>Andrew McBain, being the only director of CCIL who has a Relevant Interest in CCIL Shares, intends to ACCEPT Sandon's offer in relation to those CCIL Shares in which he has a Relevant Interest, in the absence of a Superior Proposal.</p>
7 What choices do I have in response to the Offer?	<p>As a CCIL Shareholder, you have two options available:</p> <p>(a) ACCEPT Sandon's Offer.</p> <ul style="list-style-type: none"> • Your Independent Directors recommend that you ACCEPT Sandon's Offer in the absence of a Superior Proposal; • To accept the Offer, accept the Offer online or return your completed Acceptance Form before the end of the Offer Period; • You will only receive that payment if the numerous conditions of Sandon's Offer are all either satisfied or waived;

		<ul style="list-style-type: none"> If you accept Sandon's Offer, you may be liable for capital gains tax or income tax as a result of your acceptance; or <p>(b) REJECT the Offer and do nothing.</p> <ul style="list-style-type: none"> to reject the Offer, you do not need to take any action; if you reject the Offer, you may choose to either hold or sell some or all of your Shares; if Sandon acquires more than 50% but less than 90% of the CCIL Shares, all of the conditions of Sandon's Offer are satisfied or waived, and you continue to hold CCIL Shares, you will be exposed to the risks associated with being a minority CCIL Shareholder. <p>If you are in any doubt as to what to do, your Independent Directors recommend that you consult with your investment, financial, taxation or other professional adviser.</p>
8	How do I ACCEPT Sandon's Offer?	Details of how to ACCEPT the Offer are set out in Section 1.4 of Schedule 1 of the Bidder's Statement and at Section 4.3 of the Target's Statement.
9	When does the Offer close?	Sandon's Offer is currently scheduled to expire at 5.00pm (Sydney time) on 20 June 2024, unless withdrawn or extended. Your Independent Directors will keep you informed if there are any material developments in relation to the Offer. Shareholders are also encouraged to monitor the CCIL website at www.carbonconscious.com.au for any updates on the Offer.
10	If I ACCEPT the Offer now, can I withdraw my acceptance?	Once the conditions of Sandon's Offer are satisfied, you will only be permitted to withdraw your acceptance of the Offer according to the conditions described in Section 4.12 of this Target's Statement.
11	If I choose to ACCEPT the Offer, when will I receive my consideration?	<p>If you accept the Offer, you will be paid the consideration detailed in the Offer on or before the earlier of:</p> <p>(a) one month after the Offer is validly accepted, or, if the Offer remains subject to a defeating condition, one month after the date on which the Offer becomes unconditional; and</p> <p>(b) 21 days after the end of the Offer Period.</p> <p>It is uncertain when (if ever) Sandon's Offer will become unconditional. See section 2.9 of the Bidder's Statement for further details. See also Section 1 of this Target's Statement.</p>
12	What are the tax implications of accepting the Offer?	<p>A general outline of the tax implications of accepting the Offer for CCIL Shareholders is set out in section 7 of the Bidder's Statement.</p> <p>You should not rely on the outline in section 7 of the Bidder's Statement as advice on your own affairs. It does not deal with the position of certain CCIL Shareholders. It also does not take into account the particular circumstances of each CCIL Shareholder. You should therefore seek your own professional financial and taxation advice before making a decision as to whether or not to accept Sandon's Offer for your CCIL Shares.</p> <p>More information about this is contained in Section 5.19 of this Target's Statement.</p>

<p>13</p> <p>If I reject the Offer but Sandon obtains more than 90% of the CCIL Shares, where do I stand?</p>	<p>If Sandon obtains more than 90% voting power in CCIL, then (subject to satisfaction of various legal requirements) Sandon will be entitled to proceed to compulsory acquisition of CCIL Shares held by CCIL Shareholders who did not accept the Offer, in which case you will receive the same amount as the Offer Price.</p> <p>More information about this is contained in Section 4.13 of this Target's Statement.</p>
<p>14</p> <p>What happens if the Offer Price is raised?</p>	<p>If Sandon raises the Offer Price, Sandon may extend the Offer Period, or it may be automatically extended by the statutory provisions (see Sections 4.3 and 4.4 of this Target's Statement for further details). Your Independent Directors will carefully consider the revised Offer and advise you accordingly.</p> <p>If you had already accepted Sandon's Offer and Sandon subsequently raises the Offer Price, you will be entitled to the increased Offer Price if the Offer is or becomes unconditional.</p>
<p>15</p> <p>What are the conditions of the Offer?</p>	<p>Sandon's Offer is conditional. The Offer is subject to the satisfaction of the following conditions:</p> <ul style="list-style-type: none"> • (Minimum acceptance) at the end of the Offer Period, the Offer results in Sandon having a Relevant Interest in not less than 50.1% of CCIL Shares, disregarding any Relevant Interest that Sandon has with respect to CCIL Shares held by Alterra due to the operation of section 608(3) of the Corporations Act. • (No breach of Merger Implementation Deed) prior to the end of the Offer Period, CCIL has not materially breached its obligations under the Merger Implementation Deed. • (No acquisition of more than 10%) prior to the end of the Offer Period, no CCIL Shareholder increases its Relevant Interest in CCIL Shares above 10%. • (No adverse environmental event) prior to the end of the Offer Period, no fire, floods, hurricanes, earthquakes or other natural disasters or forces of nature occur which materially adversely affect the properties the subject to the Carbon Planation Agreements. • (Cash balance at completion) CCIL's cash balance remains above: <ul style="list-style-type: none"> ○ A\$750,000, prior to the date Sandon delivers CCIL a notice under section 630(3) of the Corporations Act; and ○ A\$900,000, in the period after Sandon delivers CCIL a notice under section 630(3) of the Corporations Act and until the end of the Offer Period. • (No litigation) prior to the end of the Offer Period, no litigation or similar legal proceedings have been, or are instituted or threatened, against CCIL or any Controlled Entity of CCIL which are material in the context of CCIL's operations as a whole.

	<ul style="list-style-type: none"> • (No regulatory intervention) prior to the end of the Offer Period, no regulatory body or any other person takes any action to: <ul style="list-style-type: none"> ○ prohibit, prevent or inhibit the acquisition of, or trading in, CCIL Shares; ○ impose conditions on the Offer which impose unduly onerous obligations upon Sandon or would materially adversely affect the business or capital structure of CCIL; or ○ require Sandon to divest any securities or assets of CCIL or any entity CCIL controls. • (No Prescribed Occurrences) prior to the end of the Offer Period, no Prescribed Occurrence happens. • (Payment of pre-completion dividend) CCIL does not declare or pay a dividend or dividends which in aggregate exceed A\$700,000. • (Non-termination of Service Agreement) prior to the end of the Offer Period, the Service Agreement is not terminated. • (Non-termination of Origin Carbon Plantation Agreement) prior to the end of the Offer Period, the Origin Carbon Plantation Agreement is not terminated. • (Performance Guarantee not called on) prior to the end of the Offer Period, Origin does not call on, or otherwise express an intention to call on, the Performance Guarantee. • (Non-termination of BP Carbon Plantation Agreement) prior to the end of the Offer Period, the BP Carbon Plantation Agreement is not terminated. • (No Adverse Action) prior to the end of the Offer Period, no Adverse Action occurs or is expected to occur in relation to or in connection with a Carbon Plantation Agreement. • (Non-termination of ERF Agreement) prior to the end of the Offer Period, the ERF Agreement is not terminated. • (Origin Consent to change of control) prior to the end of the Offer Period, Origin consents to the change of control in CCIL under the Origin Carbon Plantation Agreement. <p>This is only a summary of the conditions of Sandon's Offer. See Section 4.7 of this Target's Statement and Section 1.7 of Schedule 1 of the Bidder's Statement for further details.</p>
16	<p>What happens if the conditions of the Offer are not satisfied or waived?</p> <p>If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse, and you will not get paid (even if you had accepted the Offer). However, you would then be free to deal with your CCIL Shares.</p>
17	<p>What are the consequences of accepting the Offer now?</p> <p>If you accept the Offer now, then, unless withdrawal rights are available at the applicable time and you exercise those rights, you will not be able to sell your CCIL Shares to any other bidder that may make a takeover offer, or deal with them in any other manner.</p>

		<p>If you accept Sandon's Offer and Sandon subsequently raises its Offer Price, you will receive the higher price.</p> <p>If Sandon acquires between 50.1% (disregarding any Relevant Interest that Sandon has with respect to CCIL Shares held by Alterra due to the operation of section 608(3) of the Corporations Act) and 90% of CCIL Shares or waives the 50.1% acceptance condition of its Offer, you may be exposed to the risks associated with being a minority CCIL Shareholder. Some of these risks are described in Section 4.14 of this Target's Statement. See Section 4.14 of this Target's Statement for more details.</p>
18	What if there is a competing offer?	<p>The Independent Directors will carefully consider the merits of any competing offer and will send a supplementary Target's Statement to CCIL Shareholders advising whether the competing offer affects their recommendation that CCIL Shareholders accept Sandon's Offer.</p> <p>If you have already accepted Sandon's Offer, then you may not be able to participate in any competing offer. Refer to question 17 above for further information.</p>
19	Can I accept the Offer for only some of my CCIL Shares?	<p>You can only accept the Offer for all of your CCIL Shares, unless you hold the CCIL Shares as trustee or nominee for, or otherwise on account of, another person.</p>
20	Will I pay any brokerage or stamp duty if I accept the Offer?	<p>No brokerage or stamp duty will be payable.</p> <p>If you are a beneficial owner whose CCIL Shares are registered in the name of a broker, bank, custodian, or other nominee, you will not be obliged to pay stamp duty by accepting the Offer, but you should ask your broker or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.</p>
21	Who is Sandon?	<p>According to publicly available information, including the Bidder's Statement, Sandon is an Australian public company registered in New South Wales and listed on the Australian Securities Exchange (ASX:SNC). Sandon is an Australian-based investment firm which is managed by Sandon Capital Pty Ltd, which may invest in cash, term deposits, unlisted and listed securities and debt instruments.</p> <p>Section 3 of the Bidder's Statement contains further information on Sandon. Section 5 of the Bidders Statement contains a description of Sandon's intentions upon acquiring CCIL Shares.</p>

4 Effect of Acceptance of Sandon's Offer

4.1 The Offer

Sandon is offering to acquire all of your CCIL Shares, including any rights attaching to those Shares.

Unless you hold some of your CCIL Shares as a trustee or nominee for, or otherwise on account of, another person, you may only accept the Offer in respect of all of your Shares – you cannot accept the Offer in respect of only some of your Shares.

4.2 Offer Price

Sandon is offering A\$0.0667 in cash for every CCIL Share that you hold.

4.3 Offer Period and acceptance

The Offer is open for acceptance from 7 May 2024 until 5.00pm (Sydney time), on 20 June 2024, unless it is withdrawn or the Offer Period is extended in accordance with the Corporations Act. If you choose to accept the Offer, then your acceptance must be received by Sandon before the end of the Offer Period. Instructions on how to accept the Offer online and in physical form are set out in Section 1.4 of Schedule 1 of the Bidder's Statement and on the Acceptance Form that accompanies the Bidder's Statement. If you want to accept Sandon's Offer, you should follow these instructions carefully to ensure that your acceptance is valid.

4.4 Extension of the Offer Period

Sandon may (but is not obliged to) extend the Offer Period at any time up to the end of the Offer Period. If the Offer becomes unconditional (that is, all the conditions are satisfied or waived), Sandon may extend the Offer Period at any time before the end of the Offer Period. However, until the conditions of the Offer are fulfilled or waived, Sandon may extend the Offer Period at any time before it gives CCIL Shareholders a Notice of Status of Conditions (as described in Section 4.10), but may only extend the Offer after it gives the notice in the circumstances described in the paragraph below or in other limited circumstances set out in the Corporations Act, which only apply where another person also announces or makes a takeover bid for CCIL Shares.

Sandon must extend the Offer Period if, within the last seven days of the Offer Period, Sandon improves the Offer Price or Sandon's voting power in CCIL increases to more than 50%. If that happens, the Offer must be extended so it ends 14 days after that event.

4.5 Withdrawal of the Offer

Sandon may not withdraw the Offer if you have already accepted it.

Before you accept the Offer, Sandon may be able to withdraw the Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent. Sandon may be able to withdraw the Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent.

4.6 Lapse of Sandon's Offer

Sandon's Offer will lapse if, at the end of the Offer Period, the conditions to which Sandon's Offer is subject are not satisfied or waived. If this occurs then acceptances given by CCIL Shareholders will be void. CCIL Shareholders will continue to own the CCIL Shares the subject of any such acceptances and will be free to deal with them as they choose.

4.7 Conditions of the Offer

Sandon's Offer is subject to a number of conditions. Those conditions are set out in full in Section 1.7 in Schedule 1 of the Bidder's Statement. By way of broad overview, the conditions include:

- (a) **(Minimum acceptance)** at the end of the Offer Period, the Offer results in Sandon having a Relevant Interest in not less than 50.1% of CCIL Shares, disregarding any Relevant Interest that Sandon has with respect to CCIL Shares held by Alterra due to the operation of section 608(3) of the Corporations Act.
- (b) **(No breach of Merger Implementation Deed)** prior to the end of the Offer Period, CCIL has not materially breached its obligations under the Merger Implementation Deed.
- (c) **(No acquisition of more than 10%)** prior to the end of the Offer Period, no CCIL Shareholder increases its Relevant Interest in CCIL Shares above 10%.
- (d) **(No adverse environmental event)** prior to the end of the Offer Period, no fire, floods, hurricanes, earthquakes or other natural disasters or forces of nature occur which materially adversely affect the properties the subject to the Carbon Plantation Agreements.
- (e) **(Cash balance during offer period and at completion)** CCIL's cash balance remains above:
 - (i) A\$750,000, prior to the date Sandon delivers CCIL a notice under section 630(3) of the Corporations Act; and
 - (ii) A\$900,000, in the period after Sandon delivers CCIL a notice under section 630(3) of the Corporations Act and until the end of the Offer Period.
- (f) **(No litigation)** prior to the end of the Offer Period, no litigation or similar legal proceedings have been, or are instituted or threatened, against CCIL or any Controlled Entity of CCIL which are material in the context of CCIL's operations as a whole;
- (g) **(No regulatory intervention)** prior to the end of the Offer Period, no regulatory body or any other person takes any action to:
 - (i) prohibit, prevent or inhibit the acquisition of, or trading in, CCIL Shares;
 - (ii) impose conditions on the Offer which impose unduly onerous obligations upon Sandon or would materially adversely affect the business or capital structure of CCIL; or
 - (iii) require Sandon to divest any securities or assets of CCIL or any entity CCIL controls.
- (h) **(No prescribed occurrences)** prior to the end of the Offer Period, no Prescribed Occurrence happens.
- (i) **(Payment of pre-completion dividend)** CCIL does not declare or pay a dividend or dividends which in aggregate exceed A\$700,000.
- (j) **(Non-termination of Service Agreement)** prior to the end of the Offer Period, the Service Agreement is not terminated.
- (k) **(Non-termination of Origin Carbon Plantation Agreement)** prior to the end of the Offer Period, the Origin Carbon Plantation Agreement is not terminated.
- (l) **(Performance Guarantee not called on)** prior to the end of the Offer Period, Origin does not call on, or otherwise express an intention to call on, the Performance Guarantee.
- (m) **(Non-termination of BP Carbon Plantation Agreement)** prior to the end of the Offer Period, the BP Carbon Plantation Agreement is not terminated.

- (n) **(No Adverse Action)** prior to the end of the Offer Period, no Adverse Action occurs or is expected to occur in relation to or in connection with a Carbon Plantation Agreement.
- (o) **(Non-termination of ERF Agreement)** prior to the end of the Offer Period, the ERF Agreement is not terminated.
- (p) **(Origin consent to change of control)** prior to the end of the Offer Period, Origin consents to the change of control in CCIL under the Origin Carbon Plantation Agreement.

4.8 Comments regarding particular conditions

Most of the conditions of Sandon's Offer are outside CCIL's control and your Independent Directors are therefore unable to give any indication as to whether those conditions will be satisfied. However, in relation to the 'Origin consent to change of control' condition of Sandon's Offer referred to in Section 4.7(p), CCIL has commenced discussions with Origin with the aim to satisfy this condition as soon as practicable.

4.9 Regulatory approvals

The Offer is not conditional upon any regulatory approvals being obtained.

4.10 Notice of Status of Conditions

Section 630 of the Corporations Act requires Sandon to provide to CCIL a Notice of Status of Conditions no less than 7 days prior to the end of the Offer Period.

Sandon is required to set out in its Notice of Status of Conditions:

- (a) whether its Offer is free of any or all of the conditions of the Offer;
- (b) whether, so far as Sandon knows, any of the conditions have been fulfilled; and
- (c) Sandon's voting power in CCIL at that time.

If the Offer Period is extended before the Notice of Status of Conditions is to be given, the date that Sandon must give its Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Sandon is required, as soon as reasonably practicable after the extension, to notify CCIL of the new date for giving the Notice of Status of Conditions.

In addition, if a condition of Sandon's Offer is fulfilled during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Sandon must, as soon as practicable, give CCIL a notice stating that the particular condition has been fulfilled.

4.11 Effect of acceptance

Accepting Sandon's conditional Offer would (subject to the possible withdrawal rights discussed below):

- **prevent you from accepting any higher takeover bid** that may be made by a third party or any alternative transaction proposal that may be recommended by the IBC or CCIL Board;
- **relinquish control** of your CCIL Shares to Sandon with no guarantee of payment until Sandon's Offer becomes, or is declared, unconditional. Under the Corporations Act, as the Offer Period could be extended by Sandon so that its Offer is open for up to 12 months, this could result in further delays in payment from Sandon;
- **give Sandon the option** to keep your CCIL Shares (if the conditions of its Offer are not satisfied (ie, by waiving the conditions)) or return your CCIL Shares; and

- **if Sandon improves the Offer Price**, all CCIL Shareholders who accept Sandon's Offer (whether or not they have accepted prior to that improvement) will be entitled to the benefit of that improved Offer Price.

The effect of acceptance of Sandon's Offer is explained in more detail in Section 1.5 of Schedule 1 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your CCIL Shares and the representations and warranties that you are deemed by Sandon to give to it by accepting Sandon's Offer.

4.12 Withdrawal rights

If you accept Sandon's Offer, you will have a right to withdraw your acceptance in some circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. In summary:

- Under the Corporations Act, you may withdraw your acceptance of Sandon's Offer if Sandon varies its Offer in a way that postpones, for more than one month, the time at which Sandon needs to meet its obligations under the Offer. This will occur if Sandon extends the Offer Period by more than one month and Sandon's Offer is still subject to conditions.
- In those circumstances, you will have a period of one month after the date that Sandon's Offer is extended to withdraw your acceptance. Your statutory withdrawal rights will terminate upon the expiry of that one month period, although if the Offer Period is then further extended you may receive further statutory withdrawal rights.

4.13 Compulsory acquisition

(a) Post-bid compulsory acquisition

As noted in sections 5.3 and 5.4 of the Bidder's Statement, Sandon will be entitled to acquire compulsorily any outstanding CCIL Shares for which it has not received acceptances on the same terms as the Offer if, during or at the end of the Offer Period, Sandon (taken together with its associates):

- has a Relevant Interest in at least 90% (by number) of CCIL Shares; and
- has acquired at least 75% (by number) of CCIL Shares for which it has made an Offer.

In applying the 75% test described above, CCIL Shares in which Sandon and its Associates have a Relevant Interest as at the date of the Offer is first made are disregarded.

If the compulsory acquisition thresholds are met, Sandon will have one month from the end of the Offer Period within which to give compulsory acquisition notices to CCIL Shareholders who have not accepted the Offer, but it may choose to commence compulsory acquisition as soon as the relevant thresholds are satisfied. A CCIL Shareholder has statutory rights to challenge compulsory acquisition, but this will require the relevant CCIL Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for CCIL Shares. CCIL Shareholders should be aware that, if their CCIL Shares are acquired compulsorily, they are not likely to receive any payment until at least one month after the compulsory acquisition notices are sent.

(b) General compulsory acquisition

Sections 5.3 and 5.4 of the Bidder's Statement describes Sandon's general compulsory acquisition rights, which may be triggered even if Sandon does not reach the compulsory acquisition thresholds described above.

Under Part 6A.2 of the Corporations Act, Sandon will be entitled to compulsorily acquire any:

- CCIL Shares, if Sandon (either alone or together with a related body corporate) holds full beneficial interests in at least 90% (by number) of CCIL Shares; and
- CCIL Shares, if Sandon (either alone or together with its related bodies corporate) holds 90% voting power in CCIL and full beneficial interests in at least 90% by value of CCIL Shares.

If this threshold is met, Sandon will have six months after Sandon becomes a 90% holder within which to give compulsory acquisition notices to the relevant CCIL Shareholders. The compulsory acquisition notices sent to the CCIL Shareholders must be accompanied by an independent expert's report and an objection form.

The independent expert's report must set out whether the terms of the compulsory acquisition give 'fair value' for the CCIL Shares concerned and the independent expert's reasons for forming that opinion.

If CCIL Shareholders with at least 10% of CCIL Shares covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least one month), Sandon may apply to the court for approval of the acquisition of the CCIL Shares covered by the notice. The costs incurred by any CCIL Securityholder who objects in legal proceedings in relation to the compulsory acquisition must be borne by CCIL, unless the court is satisfied that the CCIL Securityholder acted improperly, vexatiously or otherwise unreasonably.

(c) **Post-bid buy-out**

Under Part 6A.1 of the Corporations Act, if Sandon (together with its Associates) has a Relevant Interest in at least 90% (by number) of CCIL Shares at the end of the Offer Period, and a compulsory acquisition notice has not been given, Sandon must offer to buy out the remaining holders of CCIL Shares.

In such circumstances, Sandon must give notice to CCIL Shareholders of their right to be bought out, during, or within one month after the end of, the Offer Period. A copy of the notice must be lodged with ASIC. The notice to holders of CCIL Shares must be accompanied by an independent expert's report.

Within one month after the notice is given by Sandon, the relevant CCIL Shareholders may choose to give Sandon notice requiring that it acquire their CCIL Shares.

The terms on which any CCIL Shares would be acquired would be the same as those provided under Sandon's Offer.

(d) **General buy out of CCIL Shares**

Under Part 6A.2 of the Corporations Act, if Sandon (either alone or with a related body corporate) acquires full beneficial interests in 100% of the CCIL Shares through compulsory acquisition under Part 6A.2 of the Corporations Act, Sandon must offer to buy out any remaining CCIL Shareholders.

In these circumstances, Sandon must give notice to the remaining CCIL Shareholders of their right to be bought out within one month after Sandon acquires full beneficial interests in 100% of the CCIL Shares. A copy of the notice must be lodged with ASIC. The notice to the relevant CCIL Shareholders must be accompanied by an independent expert's report.

Within one month after the notice is given by Sandon, the relevant CCIL Shareholders may choose to give Sandon notice requiring Sandon to acquire their CCIL Shares.

The terms on which any CCIL Shares would be acquired would be:

- as agreed to by Sandon and the relevant CCIL Securityholder; or
- as determined by a court on application by the relevant CCIL Securityholder.

4.14 Implications of Sandon acquiring less than 90% of CCIL Shares

If Sandon's offer becomes unconditional and Sandon acquires less than 90% of CCIL's Shares, then:

- Sandon will be in a position to cast the majority of votes at a general meeting of CCIL. This will enable it to control the composition of the CCIL Board and senior management and control the strategic direction of CCIL and its Subsidiaries;
- Sandon has stated in Section 5 of its Bidder's Statement that, subject to the Corporations Act and CCIL's Constitution, Sandon intends to replace members of the CCIL Board with nominees of Sandon in proportion to its shareholding in CCIL;
- future CCIL dividend policy under the management of Sandon may vary from current CCIL dividend policy, and may result in lower amounts being paid as dividends; and
- if Sandon acquires 75% or more of the CCIL Shares, it will be able to pass special resolutions at meetings of CCIL Shareholders. This will enable Sandon to, among other things, change CCIL's Constitution.

5 Information on CCIL

5.1 Business overview

CCIL is a public unlisted company registered in Australia. CCIL was incorporated on 9 October 2018 as a Subsidiary of Alterra (formerly Carbon Conscious Limited), an ASX listed company. In December 2018, CCIL demerged from Alterra. Pursuant to a demerger implementation agreement, the shares held by Alterra in ACCU Asset Management Pty Ltd (**ACCUAM**), along with other companies, were transferred to CCIL. As a result, ACCUAM became a 100% owned Subsidiary of CCIL through which CCIL holds and operate its business.

CCIL holds carbon property rights on 30 properties in the Western Australian Wheat Belt. The CCIL Group's principal activity is the management of two Western Australian reforestation projects, the Carbon Conscious Carbon Capture Project 1 (5,700ha) (**Project 1**) and Carbon Conscious Carbon Capture Project 2 (11,000ha) (**Project 2**). The Projects 1 and 2 were planted between 2009 and 2012 for the purposes of sequestering carbon from the atmosphere and generating carbon credits.

In 2013 and 2014, Projects 1 and 2 were registered with the ERF, and, under the administration of the CER, began generating ACCUs. Under the current project declarations, Projects 1 and 2 will continue to generate ACCUs until December 2039.

CCIL is essentially a service provider with Projects 1 and 2 established and managed in accordance with Carbon Plantation Agreements with BP and Origin that extend to 2025 and 2027 respectively. The Carbon Plantation Agreements (and associated agreements) are essentially offtake agreements with some 95% of ACCUs flowing to CCIL's clients, and provide CCIL with a fixed fee stream that accounts for over 90% of CCIL revenue.

Post the term of both Carbon Plantation Agreements (from 2028 onwards until December 2039), any or all ACCUs generated by Projects 1 and 2 will become the property of CCIL and, unless a new long term offtake agreement is struck in the meantime, the annual sale of those ACCUs will become CCIL's sole source of income.

5.2 Details of Directors

The Directors of CCIL as at the date of this Target's Statement are:

Name	Position
Mr Paul Jensen	Non-Executive Chairman
Mr Andrew McBain	Executive Director
Mr Gregory Harvey	Non-Executive Director
Mr Jonathan Trollip	Non-Executive Director

For the purposes of assessing the Offer, CCIL has adopted appropriate conflict management protocols and formed the IBC, which comprises two Independent Directors, being Mr Andrew McBain and Mr Jonathan Trollip. The IBC has full delegated authority to deal with all aspects of the Offer.

Each of Mr Andrew McBain and Mr Jonathan Trollip consider themselves independent for the purposes of the Offer and are able to make a recommendation to CCIL Shareholders.

Each of Mr Paul Jensen and Mr Gregory Harvey are also directors of Alterra, a major shareholder of CCIL. Negotiation of the Merger Implementation Deed and Offer with Sandon would necessarily involve engagement and negotiation with Alterra, including in relation to discussions with respect to the transitional arrangements for the Performance Guarantee, Step-In Services Deed and Security Deed (see Sections 5.14(c), 5.14(d) and 5.14(e)). For this reason Mr Paul Jensen and Mr Gregory Harvey are not making a recommendation to CCIL Shareholders in relation to the Offer.

5.3 Directors' interests in CCIL Shares

The only securities that CCIL has on issue are CCIL Shares.

The number of securities of CCIL in which each Director has a Relevant Interest as at the date of this Target's Statement is set out below:

Name of Director	Number of CCIL Shares
Mr Paul Jensen	Nil
Mr Andrew McBain	12,618,894
Mr Gregory Harvey	Nil
Mr Jonathan Trollip	Nil

5.4 Dealings by Directors in CCIL Shares

No Director acquired or disposed of any Relevant Interests in CCIL Shares within the period of four months immediately preceding the date of this Target's Statement.

5.5 Directors' interests in Sandon securities

No Director has a Relevant Interest in any marketable securities of Sandon as at the date of this Target's Statement, other than Mr Jonathan Trollip who has a Relevant Interest in 121,633 ordinary shares in Sandon through his self-managed superannuation fund.

5.6 Dealings by Directors in Sandon securities

No Director acquired or disposed of any marketable securities in Sandon within the period of four months immediately preceding the date of this Target's Statement.

5.7 Conditional agreements

Other than as set out in this Target's Statement, no Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of Sandon's Offer.

The Offer will not result in any Director or any other person being given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that Director or other person from a board or managerial office of CCIL or a related body corporate of CCIL.

5.8 Contracts with Sandon

Except as disclosed in Section 5.5, no Director has any interest in any contract entered into by Sandon.

5.9 Interests of Directors of CCIL in any contract with Sandon

No Director has an interest in any contract entered into by them with Sandon.

5.10 Payments and benefits

As a result of the Offer, except as otherwise disclosed in this Target's Statement no benefit (other than a benefit which can be given without CCIL Shareholder approval under the Corporations Act) will or may be given to a Director:

- in connection with their retirement from office in CCIL or a related body corporate of CCIL; or
- in connection with the transfer of the whole or any part of the undertaking or property of CCIL.

Each Director will be paid a special exertion fee, in addition to that Director's ordinary remuneration, in accordance with usual practice and the Constitution, in recognition of the efforts exerted by the Directors in connection with reviewing and evaluating the Offer, the preparation of this Target's Statement and soliciting and management of offers to acquire CCIL over the last few years. The maximum aggregate amount of special exertion fees will not exceed A\$100,000.

5.11 Deeds of indemnity, access and insurance

CCIL may, prior to the end of the Offer Period, enter into arrangements to secure directors and officers run-off insurance for any and all CCIL Directors for up to a seven year period from the date the Offer becomes unconditional. Pursuant to clause 6.2 of the Merger Implementation Deed, Sandon provides various undertakings in support of that insurance.

5.12 CCIL capital structure

As at the date of this Target's Statement, CCIL's capital structure is as follows.

	Number of holders	Number of CCIL Shares	% held by 10 largest holders	% held by 20 largest holders	% held by 30 largest holders
CCIL Shares	752	173,647,045	62.16%	71.38%	76.06%

5.13 Substantial shareholdings

Based on the CCIL Share Register as at the date of this Target's Statement, CCIL understands that the following persons have a Relevant Interest of 5% or more in CCIL Shares.

Name	Number of CCIL Shares	% of CCIL Shares
Sandon	55,044,089 ⁽¹⁾	31.70%
Alterra Ltd (ACN 129 035 221)	26,085,403	15.02%
Trevor and Colleen Stoney	24,917,361	14.35%
Andrew and Tracey McBain	12,618,894	7.27%
Aroona Management Pty Ltd (ACN 120 345 431)	9,600,000	5.53%

Notes:

- (1) Includes 26,085,403 CCIL Shares held by Alterra. Sandon has an interest in the CCIL Shares held by Alterra pursuant to the operation of section 608(3) of the Corporations Act.

5.14 Potential impact of Sandon's Offer on CCIL's material contracts

(a) Overview

Other than the arrangements described below, CCIL is not, after due inquiry, aware of any financing arrangement or other contract that has been entered into by CCIL or any of its Subsidiaries, that CCIL considers to be material in the context of CCIL or the CCIL Group taken as a whole, that contains a change of control provision that may be triggered if Sandon acquires CCIL Shares as a result of the Offer.

(b) Carbon Plantation Agreement with Origin Energy

CCIL's Subsidiary, ACCUAM, is a party to the Origin Carbon Plantation Agreement dated 16 July 2009 (as varied on 30 November 2018) for the provision of certain carbon plantation services to Origin.

Sandon's acquisition of all of the CCIL Shares will result in a change of control in ACCUAM, which will require Origin's consent pursuant to the terms of the Origin Carbon Plantation Agreement. As a result, Sandon's Offer is conditional upon Origin providing its written consent to the change of control pursuant to the Origin Carbon Plantation Agreement. If Origin provides its written consent to the change of control, and the Offer becomes unconditional, then the parties to the Carbon Plantation Agreement will remain as Origin and ACCUAM and the Origin Carbon Plantation Agreement will remain extant. Please refer to Section 4.8 for details regarding the satisfaction of this condition.

(c) **Performance Guarantee with Alterra**

To facilitate ACCUAM's performance of the Origin Carbon Plantation Agreement, on 30 November 2018, ACCUAM and Alterra entered into a Performance Guarantee with Origin, under which Alterra agreed to guarantee to Origin the performance of ACCUAM's obligations to Origin under the Carbon Plantation Agreement. It is a condition of the Offer that the Performance Guarantee is not called on prior to the end of the Offer Period (see Section 4.7(l)).

If the Offer becomes unconditional, CCIL expects that the Performance Guarantee will remain on foot given CCIL expects that the Performance Guarantee remaining on foot will be a requirement of Origin providing its consent to the change of control in CCIL under the Origin Carbon Plantation Agreement. Please refer to section 4.8 for further details regarding Origin's consent to the change of control in CCIL.

Further, if the Offer becomes unconditional, CCIL understands that Sandon and Alterra intend to enter into discussions to seek to reach a mutually acceptable solution in relation to the Performance Guarantee.

(d) **Step-In Services Deed with Alterra**

To facilitate ACCUAM's performance of the Origin Carbon Plantation Agreement, on 30 November 2018, ACCUAM entered into the Step-In Services Deed with Alterra, under which ACCUAM may request that Alterra 'step in' to perform ACCUAM's obligations under the Origin Carbon Plantation Agreement.

If the Offer becomes unconditional, CCIL expects that the Step-In Services Deed will remain on foot given the Step-In Services Deed is connected to the Performance Guarantee with Alterra and will only terminate on the earlier of the termination of the Origin Carbon Plantation Agreement, and termination of the Performance Guarantee. Accordingly, given CCIL expects the Performance Guarantee to remain on foot if the Offer becomes unconditional, CCIL also expects that the Step-in Services Deed to remain on foot. Please refer to Section 5.14(c) above for details regarding the Performance Guarantee.

(e) **Security Deed with Alterra**

To facilitate ACCUAM's performance of the Origin Carbon Plantation Agreement, on 30 November 2018, ACCUAM entered into the Security Deed with Alterra, under which ACCUAM agreed to grant a security interest in favour of Alterra.

If the Offer becomes unconditional, CCIL expects that the Security Deed will remain on foot given it is connected to the Step-In Services Deed and will only be released if all obligations in the Step-in Services Deed that it secures have been discharged or performed in full, among other things. CCIL does not expect that all obligations secured under the Security Deed will have been discharged or performed in full within a six month period following the date of this Target's Statement given CCIL expects the Step-In Services Deed to remain

on foot if the Offer becomes unconditional. Accordingly, CCIL also expects that the Security Deed will remain on foot if the Offer becomes unconditional.

5.15 Impact on arrangements with Sandon

If Sandon acquires control of CCIL but not full ownership, certain future transactions between members of Sandon Group and members of the CCIL Group which are entered into after that date will be related party transactions for the purposes of the Corporations Act. Transactions under which a financial benefit is given by a member of the CCIL Group to a member of the Sandon Group will need to be on terms which are at least as favourable to the CCIL Group member as arm's length terms, or the transactions will need to be approved by disinterested Shareholders.

5.16 Changes in financial position

So far as known to any Director, the financial position of CCIL has not materially changed since 18 December 2023 (the date of CCIL Group's audited consolidated financial statements of the CCIL Group as at 30 September 2023) and the date of this Target's Statement, except as disclosed in this Target's Statement and in CCIL's announcements on its website at www.carbonconscious.com.au.

5.17 Material litigation

There is no current litigation of a material nature against any member of the CCIL Group and the Directors have no knowledge of any potential material litigation.

5.18 Impact on CCIL employee incentive plans

CCIL does not operate any employee incentive plans. Accordingly, no CCIL Shares have been issued under any employee incentive plans.

5.19 Taxation considerations for CCIL Shareholders

Section 7 of the Bidder's Statement sets out advice on Australian capital gains tax consequences of accepting Sandon's Offer.

CCIL Shareholders should consult their own tax adviser for tax advice tailored to their own particular circumstances. CCIL Shareholders should not solely rely on section 7 of the Bidder's Statement in relation to the taxation implications of accepting the Offer. In particular, CCIL Shareholders who are subject to taxation outside Australia should obtain their own advice as to the tax consequences for them of the Offer, which may be different to those applicable to Australian resident CCIL Shareholders.

CCIL Shareholders should also note Australian Taxation Office Class Ruling 2019/10 in relation to the demerger of CCIL from Alterra, which is available in the investor section on CCIL's website at https://carbonconscious.com.au/wp-content/uploads/2019/02/ATO_Class_Ruling_CR2019_10.pdf.

5.20 ASIC modifications and exemption

CCIL has not been granted any modifications or exemptions by ASIC from the Corporations Act in relation to the Offer.

5.21 Consents

The following persons have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to:

- be named in this Target's Statement in the form and context in which they are named;

- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement that are based on or referable to statements made in those reports or statements, or that are based or referable to other statements made by those persons in the form and context in which they are included.

Name of Person	Named As	Reports or Statements
Allens	Legal adviser	N/A
Grant Thornton	Independent Expert	Independent Expert's Report at Schedule 1
Automic Registry Services	CCIL Share Registry	N/A

Each of the above persons:

- does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this Section with the person's consent.

Grant Thornton has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement in the form and context in which it is named as the Independent Expert and to the inclusion of the Independent Expert's Report, as set out in Schedule 1 to this Target's Statement. Grant Thornton has not authorised or caused the issue or preparation of this Target's Statement and, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Target's Statement other than the references specified above.

As permitted by *ASIC Corporations (Takeover Bids) Instrument 2023/683 (ASIC Instrument 2023/683)*, this Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC. Pursuant to ASIC Instrument 2023/683 the consent of any person is not required for the inclusion of such statements in this Target's Statement. As required by *ASIC Instrument 2023/683*, any CCIL Shareholder who would like to receive a copy of any of those documents (or relevant extracts from those documents) may obtain a copy (free of charge) during the Offer Period by contacting Andrew McBain of CCIL on via email to amcbain@carbonconscious.com.au.

Additionally, as permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72 (ASIC Instrument 2016/72)*, this Target's Statement may include or be accompanied by certain statements:

- which fairly represent what purports to be a statement by an official person; or
- which are a correct and fair copy of, or extract from, what purports to be an official document; or
- which are correct and are a fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

Pursuant to *ASIC Instrument 2016/72*, the consent of persons such statements are attributed to is not required for inclusion of those statements in this Target's Statement.

5.22 Reliance on information obtained from Sandon or public sources

The information in this Target's Statement about Sandon has been compiled from or is otherwise based on information obtained from Sandon or publicly available sources, and has not been independently audited or verified by CCIL or its advisers. If the information obtained from Sandon or the public sources is inaccurate or incomplete, this may affect the information included in the Target's Statement. In particular, if the information has been used as the basis for forward looking statements in the Target's Statement, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward looking statements.

See Section 2 for a discussion about the risks that apply to holding CCIL Shares.

5.23 Publicly available information

As permitted by *ASIC Corporations Instrument 2023/683*, this Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC. Pursuant to the *ASIC Corporations Instrument 2023/683*, consent is not required for the inclusion of such statements in this Target's Statement.

Any CCIL Shareholder who would like to receive a copy of any of those documents (or relevant extracts from those documents) may obtain a copy free of charge by contacting CCIL via email to amcbain@carbonconscious.com.au.

5.24 Disclosure

CCIL is subject to the periodic reporting requirements of the Corporations Act, including the requirement for annual reports and directors reports to be distributed to shareholders.

CCIL will make copies of the following documents available for inspection at Level 3, 1060 Hay St, West Perth WA 6005 (between 9.00am and 5.00pm on Business Days):

- CCIL's Annual Report for the year ended 30 September 2023 and CCIL's reviewed report for the half year ended 31 March 2023; and
- CCIL's Constitution.

Copies of the documents are also available on CCIL's website (www.carbonconscious.com.au), or may be requested to be provided free of charge by contacting CCIL via email to amcbain@carbonconscious.com.au.

Copies of documents lodged with ASIC in relation to CCIL may be obtained from, or inspected at, an ASIC office.

5.25 Other information

This Target's Statement is required to include all the information CCIL Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept Sandon's Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any of the CCIL Directors.

The Directors are of the opinion that the information that CCIL Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);

- the information contained in CCIL's Annual Report for the year ended 30 September 2023 and CCIL's reviewed report for the half year ended 31 March 2023;
- the information contained in CCIL's announcements on its website prior to the date of this Target's Statement; and
- the information contained in this Target's Statement, including the Schedules to this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the CCIL Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of the CCIL Shares;
- the matters CCIL Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers of CCIL Shareholders; and
- the time available to CCIL to prepare this Target's Statement.

6 Historical Financial Information of the CCIL Group

The historical financial information of the CCIL Group over the past three years is set out below. The information has been extracted from the audited consolidated financial statements of the CCIL Group as at 30 September 2023, 30 September 2022 and 30 September 2021, being the last reported balance dates prior to the date of this Target's Statement.

Category	A\$ as at 30 September 2023	A\$ as at 30 September 2022	A\$ as at 30 September 2021
Total current assets	2,666,034	3,138,609	2,109,489
Total non-current assets	2,138,809	2,269,961	2,834,574
Total assets	4,804,843	5,408,570	4,944,063
Total current liabilities	292,265	441,231	450,553
Total non-current liabilities	353,206	363,893	462,406
Total liabilities	645,471	805,124	912,959
Net assets	4,159,372	4,603,446	4,031,104

7 Historical Financial Performance of the CCIL Group

The summarised historical financial performance of the CCIL Group for the three years ended is set out below. The information has been extracted from the audited consolidated financial statements of the CCIL Group as at 30 September 2023, 30 September 2022 and 30 September 2021, and the reviewed financial statements of the CCIL Group as at 31 March 2023, being the last reported balance dates prior to the date of this Target's Statement.

Category	A\$ - 12 months ended 30 September 2023	A\$ - 12 months ended 30 September 2022	A\$ - 12 months ended 30 September 2021
Revenue from operations	3,162,807	4,197,136	3,941,666
Profit before income tax expense	1,747,315	1,901,209	1,292,645
Net profit after income tax expense for the year	1,308,027	1,421,479	1,054,236

8 Authorisation

This Target's Statement has been approved by a resolution passed by the Directors of CCIL. Each Independent Director of CCIL voted in favour of the resolution authorising this Target's Statement and each non-Independent Director abstained from voting on the resolution.

Dated 10 May 2024.

Signed for and on behalf of CCIL:



Paul Jensen

Non-Executive Chairman

9 Definitions and Interpretation

9.1 Definitions

The following definitions apply in this Target's Statement unless the context requires otherwise.

Acceptance Form means the Transfer and Acceptance Form provided to you by Sandon with its Bidder's Statement containing instructions on how to accept the Offer.

ACCU means Australian carbon credit unit.

ACCUAM means ACCU Asset Management Pty Ltd (ACN 625 187 117), a 100% owned Subsidiary of CCIL.

Adverse Action means, in respect of a Carbon Plantation Agreement, the occurrence of any of the following which remains unremedied for a period of 5 Business Days:

- (a) an event of default occurs;
- (b) a party to a Carbon Plantation Agreement is the subject of an Insolvency Event;
- (c) non-payment or late payment of amounts due under a Carbon Plantation Agreement; or
- (d) a material breach of a term of a Carbon Plantation Agreement by a party to the relevant Carbon Plantation Agreement.

Alterra means Alterra Ltd (ACN 129 035 221).

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in section 12 of the Corporations Act.

Bidder's Statement means the bidder's statement dated 7 May lodged by Sandon with ASIC in relation to the Offer.

BP means BP Energy Asia Pte Limited, Registration Number 200510582K.

BP Carbon Plantation Agreement means the Carbon Plantation Agreement between ACCUAM and BP dated 14 October 2009, as amended from time to time.

Business Day means a day which is not a Saturday, Sunday or a public holiday in Sydney and Perth, Australia.

Carbon Credits Act means *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth).

Carbon Plantation Agreements means:

- (a) the BP Carbon Plantation Agreement; and
 - (b) the Origin Carbon Plantation Agreement,
- and **Carbon Plantation Agreement** means either of them.

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

CCIL Board means the board of directors of CCIL from time to time.

CCIL Director or **Director** means a director of CCIL.

CCIL Group means CCIL and its Subsidiaries.

CCIL Share means a fully paid ordinary share in CCIL.

CCIL Shareholder means a person who is registered as the holder of a CCIL Share in the CCIL register of members.

CCIL Share Register means the register of CCIL Shares.

CCIL Share Registry means Automic Pty Ltd (ACN 152 260 814).

CER means the Clean Energy Regulator, being the Australian Commonwealth government agency established under the *Clean Energy Regulator Act 2011* (Cth) which administers, among other things, the ERF.

Competing Proposal means any proposal by a person other than Sandon (and its representatives) in relation to a transaction or arrangement under which, if the transaction or arrangement is completed:

- (a) a person would acquire (whether directly or indirectly) or become the holder of, or otherwise have a right to acquire or have an economic interest in, all or a material part of the business conducted by CCIL or the assets of CCIL;
- (b) a person would acquire (whether directly or indirectly) 'control' (as that term is defined in section 50AA of the Corporations Act) of CCIL;
- (c) a person would acquire a Relevant Interest in, or voting power of, 20% or more of the CCIL Shares;
- (d) a person would otherwise acquire, or merge or amalgamate with CCIL; or
- (e) CCIL would be required to abandon or otherwise fail to proceed with the transaction, irrespective of how it is structured including by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital restructure, sale or purchase of assets, joint venture or synthetic merger.

Constitution means the Constitution of CCIL as amended from time to time.

Controlled Entity means any entity under the Control (as that term is defined in section 50AA of the Corporations Act) of another entity.

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

ERF means the Emissions Reduction Fund.

ERF Agreement means the ERF participation services agreement between Alterra and Origin dated 16 April 2015.

IBC means the Independent Board Committee established by CCIL in connection with the Offer, comprising the Independent Directors.

Independent Directors means the Directors who are members of the IBC, being Mr Andrew McBain and Mr Jonathan Trollip.

Independent Expert or **Grant Thornton** means Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987).

Independent Expert's Report means the report and related financial services guide prepared by the Independent Expert, as set out in Schedule 1.

Insolvency Event means the occurrence of any one or more of the following events in relation to any person:

- (a) an application is made to a court for an order, or an order is made, that it be wound up, declared bankrupt or that a provisional liquidator or receiver or receiver and manager be appointed;
- (b) a liquidator or provisional liquidator is appointed;
- (c) an administrator is appointed to it under sections 436A, 436B or 436C of the Corporations Act;

- (d) a controller (as defined in section 9 of the Corporations Act) is appointed to it or any of its assets;
- (e) a receiver is appointed to it or any of its assets;
- (f) it enters into an arrangement or composition with one or more of its creditors, or an assignment for the benefit of one or more of its creditors, in each case other than to carry out a reconstruction or amalgamation while solvent;
- (g) it proposes a winding-up, dissolution or reorganisation, moratorium, deed of company arrangement or other administration involving one or more of its creditors;
- (h) it otherwise proposes, or effects, a winding-up, whether under the terms of a constituent document, the Corporations Act or any other applicable law;
- (i) it is insolvent as disclosed in its accounts or otherwise, states that it is insolvent, is presumed to be insolvent under an applicable law (including under sub-section 459C(2) or section 585 of the Corporations Act) or otherwise is, or states that it is, unable to pay all its debts as and when they become due and payable;
- (j) it is taken to have failed to comply with a bona fide statutory demand as a result of sub-section 459F(1) of the Corporations Act which has not been set aside or withdrawn;
- (k) a notice is issued under sections 601AA or 601AB of the Corporations Act;
- (l) a writ of execution is levied against it or a material part of its property;
- (m) it ceases to carry on business or threatens to do so; or
- (n) anything occurs under the law of any jurisdiction which has a substantially similar effect to any of the events set out in the above paragraphs of this definition.

Merger Implementation Deed means the deed dated 12 April 2024, between Sandon and CCIL (as amended) which provides the manner in which Sandon and CCIL have agreed the Offer will be implemented, a copy of which is included in Annexure A to the Bidder's Statement (as amended).

Notice of Status of Conditions means Sandon's notice disclosing the status of the conditions of the Offer, which is required to be given under section 630(3) of the Corporations Act.

Offer means the takeover bid by Sandon to acquire all of the CCIL Shares on the terms and conditions set out in the Bidder's Statement (as subsequently varied in accordance with the Corporations Act).

Offer Period means the period within which Sandon's Offer is open for acceptance in accordance with the Bidder's Statement and the Corporations Act.

Offer Price means A\$0.0667 for each CCIL Share.

Origin means Origin Energy Electricity Limited (ACN 071 052 287).

Origin Carbon Plantation Agreement means the Carbon Plantation Agreement between ACCUAM and Origin dated 16 July 2009, as amended from time to time.

Performance Guarantee means the performance guarantee provided by Alterra to Origin, detailed in the Performance Guarantee Deed.

Performance Guarantee Deed means the deed between ACCUAM, Alterra and Origin, dated 30 November 2018, under which the Performance Guarantee is provided.

Prescribed Occurrence means any one or more of the following events:

- (a) the CCIL Shares are converted into a larger or smaller number of shares;
- (b) CCIL or a Subsidiary of CCIL resolves to reduce its share capital in any way;

- (c) CCIL or a Subsidiary of CCIL:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;
- (d) CCIL or a Subsidiary of CCIL makes an issue of or grants an option to subscribe for any of its securities or agrees to make such an issue or grant such an option;
- (e) CCIL or a Subsidiary of CCIL issues or agrees to issue convertible notes;
- (f) CCIL or a Subsidiary of CCIL disposes or agrees to dispose of the whole or a substantial part of its business or property;
- (g) CCIL or a Subsidiary of CCIL grants or agrees to grant a security interest over the whole or a substantial part of its business or property; or
- (h) any of the following events occurs with respect to CCIL or a Subsidiary of CCIL:
 - (i) it resolves to be wound up;
 - (ii) a liquidator or provisional liquidator is appointed to it;
 - (iii) a court makes an order for its winding up;
 - (iv) an administrator is appointed to it under sections 436A, 436B or 436C of the Corporations Act;
 - (v) it executes a deed of company arrangement;
 - (vi) a restructuring practitioner is appointed to it under section 453B of the Corporations Act;
 - (vii) it makes a restructuring plan under Division 3 of Part 5.3B of the Corporations Act; or
 - (viii) a receiver, or a receiver and manager is appointed in relation to the whole or a substantial part of its property.

Relevant Interest has the meaning given in section 608 of the Corporations Act.

Sandon means Sandon Capital Investments Limited (ACN 107 772 467).

Sandon Group means Sandon and each of its related entities.

Security Deed means the Security Deed between ACCUAM and Alterra dated 30 November 2018.

Service Agreement means the services agreement between CCIL and PF Olsen (Aus) Pty Limited (ACN 117 085 373) dated 15 February 2024.

Step-in Services Deed means the Step-In Services Deed between ACCUAM and Alterra dated 30 November 2018.

Subsidiary has the meaning given to the term in the Corporations Act.

Superior Proposal means a bona fide unsolicited written Competing Proposal received by CCIL after the date of the Merger Implementation Deed (being 12 April 2024) which the Directors determine, acting in good faith and in accordance with their fiduciary duties and after receipt of written advisers from CCIL's external legal advisers, is:

- (a) reasonably capable of being completed, taking into account all aspects of the Competing Proposal and the person making it; and
- (b) more favourable to CCIL Shareholders (as a whole) than the Offer, taking into account all the terms and conditions of the Competing Proposal.

Target's Statement means this document, being the statement of CCIL under Part 6.5 of the Corporations Act in relation to Sandon's Offer.

9.2 Interpretation

- (a) Headings are for convenience only and do not affect interpretation.
- (b) The following rules apply unless the context requires otherwise.
 - (i) The singular includes the plural, and the converse also applies.
 - (ii) A gender includes all genders.
 - (iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
 - (iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
 - (v) A reference to a section or Schedule is a reference to a section of, or Schedule to, this Target's Statement.
 - (vi) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act.
 - (vii) A reference to an agreement or document (including a reference to this Target's Statement) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Target's Statement or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document.
 - (viii) A reference to a party to this Target's Statement or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
 - (ix) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
 - (x) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.
 - (xi) A reference to a *right* or *obligation* of any two or more people comprising a single party confers that right, or imposes that obligation, as the case may be, on each of them severally and each two or more of them jointly. A reference to that party is a reference to each of those people separately (so that, for example, a representation or warranty by that party is given by each of them separately).
 - (xii) A reference to *dollars*, A\$ or \$ is to Australian currency.
 - (xiii) A reference to time is to Sydney, New South Wales AEST.
 - (xiv) All numbers in this Target's Statement, unless otherwise stated, have been rounded to two decimal places.

Corporate Directory

Carbon Conscious Investments Ltd

ACN 629 272 037

Registered office and principal place of business

Level 3
1060 Hay Street
West Perth, WA 6005

Directors

Mr Paul Jensen – Non-Executive Chairman
Mr Andrew McBain – Executive Director
Mr Gregory Harvey – Non-Executive Director
Mr Jonathan Trollip – Non-Executive Director

Legal Adviser

Allens
Mia Yellagonga, Level 11,
Tower 2/5 Spring St, Perth WA 6000

Schedule 1 – Independent Expert's Report

Carbon Conscious Investments Limited

Independent Expert's Report and Financial Services Guide

07 May 2024

Independent Board Committee
Carbon Conscious Investments Limited
Level 3 1060 Hay Street
West Perth 6005

07 May 2024

Grant Thornton Corporate Finance Pty Ltd
ABN 59 003 265 987
AFSL 247140

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230
T + 61 2 8297 2400
F + 61 2 9299 4445
E info@gtinsw.com.au
W www.grantthornton.com.au

Dear members of the Independent Board Committee

Introduction

Carbon Conscious Investments Limited ("CCIL" or "the Company") is an Australian public unlisted company producing carbon credits through carbon farming, which involves the planting of eucalyptus mallee trees in Western Australia's wheat-belt region. The Company's core business is to generate Australian Carbon Credit Units ("ACCUs") from established reforestation projects registered with the Emission Reduction Fund ("ERF"). Held through its subsidiary ACCU Asset Management Pty Ltd. ("ACCUAM"), the assets of CCIL, which include carbon rights, tree plantation agreements and commercial contracts, were previously owned and operated by Alterra Limited ("Alterra") before being demerged in January 2019. Alterra now holds 15.0% shareholder interest in CCIL.

CCIL currently manages two key projects, namely Carbon Conscious Carbon Capture Project 1 ("Project 1") and Carbon Conscious Carbon Capture Project 2 ("Project 2"). The Projects encompass several contracts including Carbon Plantation Agreements ("CPAs") and associated agreements with Origin Energy Electricity Limited ("Origin") and BP Technology Ventures Limited ("BP"). Project 1 and Project 2 are managed as two pools and ACCUAM carries out the arboreal work, submits offset reports and ACCU claims to the Clean Energy Regulator ("CER") at the project level.

Sandon Capital Investments Limited ("Sandon"), with a funds under management ("FUM") of A\$146.7 million¹, is a listed investment company whose assets are managed by an external investment manager, Sandon Capital Pty Ltd ("Sandon Capital" and together with Sandon referred to as "the Bidder"). Sandon focuses on investing predominantly in Australian stock exchange ("ASX") listed companies that its activist value manager Sandon Capital considers as undervalued. Sandon also provides corporate advisory services to select wholesale clients through its unlisted unit trust Sandon Capital Activist Fund ("SCAF")

¹ As at 31 March 2024

Sandon directly holds 17.0% of CCIL but it also holds a 26.1% ownership of Alterra as at 15 April 2024 which in turns owns 15.0% of CCIL.

On 12 April 2024, CCIL and Sandon announced that they entered into a binding Merger Implementation Deed ("MID") for a recommended conditional off-market takeover offer ("Takeover" or "Offer") wherein Sandon will offer to acquire all the issued and outstanding ordinary shares of CCIL ("Shares" or "CCIL Shares") not owned by the Bidder for a cash consideration of A\$11.6 million, which is equivalent to A\$0.0667 per share ("Consideration"). The MID permits CCIL to pay a fully franked dividend to CCIL shareholders ("Shareholders") prior to the Offer closing of not more than A\$700,000.

The Takeover is subject to the conditions precedent set out in Section 1 of this Independent Expert's Report ("IER" or "Report") including Sandon and Sandon Capital having a relevant interest of at least 50.1% (by number) of the CCIL Shares on a fully diluted basis at that time. The MID contains customary exclusivity provisions, including no shop and no talk restrictions, and a matching counterproposal right in the event that CCIL receives a superior proposal. Alterra has advised that it intends to accept the Offer in the absence of a superior proposal subject to approval by its members in the general meeting.

CCIL established an Independent Board Committee ("IBC")² to assess the merits of the Takeover. Subject to no superior proposal emerging, and an independent expert concluding that the Takeover is reasonable to the CCIL Shareholders, the IBC unanimously recommend that CCIL Shareholders accept the Takeover.

Purpose of the report

The Directors of CCIL have requested Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance", "Grant Thornton", or "GTCF") to prepare an IER stating whether the Takeover is fair and reasonable to the CCIL Shareholders for the purposes under Section 640 of the Corporations Act, 2001 ("Corporations Act"). When preparing this IER, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission ("ASIC"), including Regulatory Guide 111 *Contents of expert reports* ("RG 111") and ASIC review, and Regulatory Guide 112 *Independence of experts* ("RG 112").

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Takeover is NOT FAIR BUT REASONABLE. We are of the opinion that it is in the best interests of CCIL Shareholders to accept the Offer in the absence of a superior proposal.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Takeover is fair and reasonable to CCIL Shareholders and, as part of that consideration, have had regard to other quantitative and qualitative considerations.

Fairness Assessment

In forming our opinion in relation to the fairness of the Takeover, Grant Thornton Corporate Finance has compared the fair market value per share of CCIL on a control and 100.0% basis to the Consideration of A\$0.0667 per CCIL Share. The following table summarises our fairness assessment:

² IBC comprising Mr. Andrew McBain and Mr Jonathan Trollip to assess the Sandon proposal. CCIL Directors Mr Paul Jensen and Mr Greg Harvey recused themselves from the process as they both serve as Directors of Alterra.

DCF Method - valuation summary A\$ '000	Section Reference	Low	High
Fair market value of CCIL Shares before the Takeover	6	0.0782	0.0861
Takeover	1	0.0667	0.0667
Premium/(discount)		(0.0115)	(0.0194)
Premium/(discount) (%)		(14.7%)	(22.6%)
FAIRNESS ASSESSMENT		NOT FAIR	

Source: GTCF analysis

The Consideration falls below our assessed valuation range of CCIL on a control basis. Accordingly, we conclude that the Takeover is **NOT FAIR** to CCIL Shareholders.

We have assessed the fair market value of CCIL Shares on a control basis by adopting the discounted cash flow methodology ("DCF Method"). Whilst we have considered other methodologies, none of them were appropriate for cross checking our valuation assessment (refer to section 5 for details).

DCF Method

Grant Thornton Corporate Finance has built a valuation model ("GT Model") based on the historical performance and cash flows prepared by Management of CCIL until FY39 to reflect CCIL's 25-year crediting period of its projects.

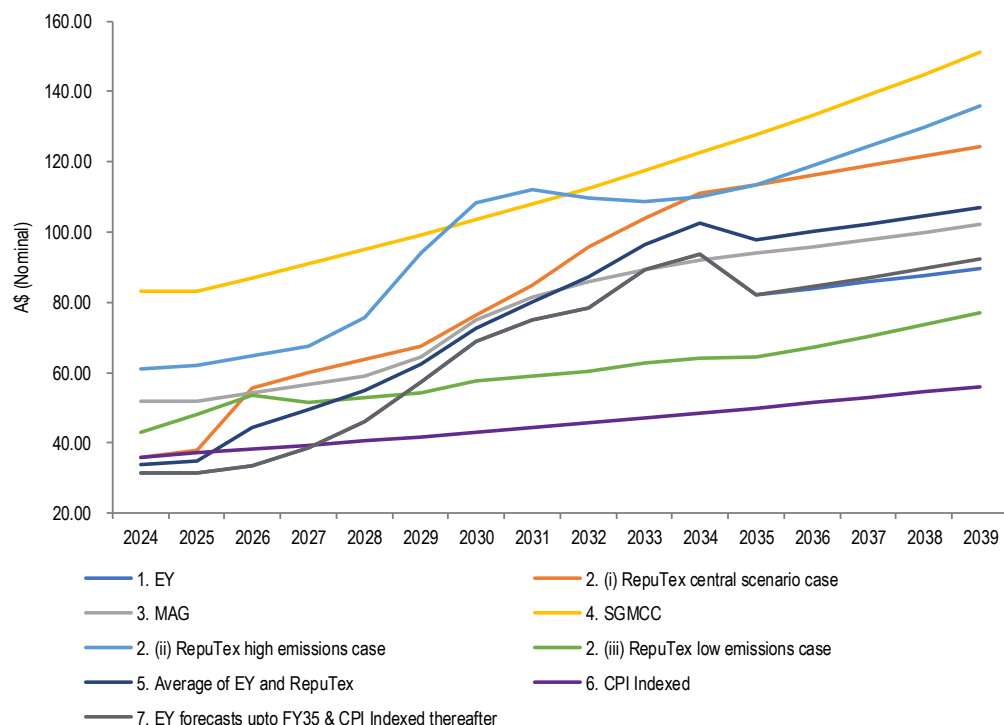
The business model of CCIL is simple with contracted revenue with BP and Origin for a number of years and sale of the ACCUs during all the forecast period. The cost structure is also largely limited to overhead and corporate expenditure with no material capex and working capital investments required over the discrete period. The key forecast uncertainties are in relation to ACCU prices, risk of regulatory changes and business interruption. Whilst there is consensus among market participants and analysts that ACCU prices will increase from the current level, there are wide range of predictions. Given the uncertainties in relation to future prices, in our valuation assessment, we have considered a number of scenarios based on different price permutations derived from market analysts as set out in the following table.

Market Analyst	Source	Report date
1. Ernst & Young ("EY")	Australia's emissions projections 2023, DCCEEW report	Nov 2023
2. RepuTex Energy ("RepuTex") Prices:		
(i) Central scenario price estimates ¹	Australia's emissions projections 2023, DCCEEW report	Nov 2023
(ii) High emissions price case ²	Reputex Energy modelling report	Aug 2023
(iii) Low emissions price case ³	Reputex Energy modelling report	Aug 2023
3. Market Advisory Group ("MAG") Price	MAG Carbon Monthly report	Feb 2023
4. Safeguard Mechanism Cost Containment ("SGMCC") Price	Management	-
5. Average of EY and RepuTex Price (moderate emissions price)	Australia's emissions projections 2023, DCCEEW report	Nov 2023
6. Inflation ("CPI") Indexed Price	FY24 Management's ACCU price estimate indexed by CPI	Apr 2024
7. EY Price forecasts upto FY35 and CPI Indexed thereafter	FY24-FY35 EY price estimates indexed by CPI thereafter	Nov 2023

Source: EY, RepuTex, MAG, Management, Department of Climate Change, Energy, the Environment and Water ("DCCEEW"), GT Model
 Note: To understand the technical potential for covered facilities to reduce emissions, RepuTex models three generic scenarios, considering the different pace and scale for industry to implement GHG emissions reduction actions using currently available and emerging technologies. (1) Under the RepuTex Central case, covered facilities are modelled to progressively invest in process improvements and small equipment upgrades, with some investment in transformative projects. (2) Under the High Emissions (slow transition) scenario, with covered facilities modelled to implement emission reduction activities more slowly, and instead rely on external abatement in place of the transformational technologies needed to decarbonise. (3) Under the Low Emissions (fast transition) scenario, covered facilities are modelled to undertake more proactive investment in emissions reductions wherever economically feasible.

We have plotted below the nominal ACCU price forecasts across the aforementioned market analysts.

Market analysts nominal ACCU price forecasts

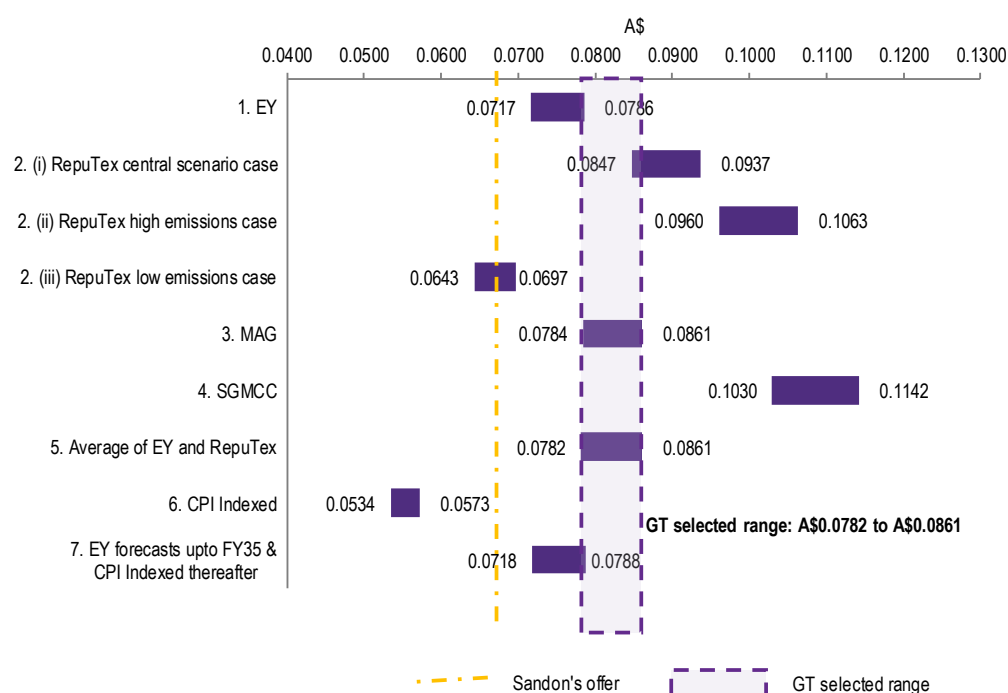


Source: EY, RepuTex, MAG, Management, DCCEEW.

Note: CCIL Management provided the market analysts' ACCU forecasts on both a real and nominal basis with specific CPI indexation assumptions. For the RepuTex (Generic) forecasts sourced from the Reputex Energy modelling report, we have applied the same CPI indexation assumptions to calculate nominal price forecasts.

We have presented below the value range of CCIL in conjunction with the various ACCU price curves.

Summary of values



Source: GT Model, GTCF analysis

Based on the above, we have adopted a value range A\$0.0782 to A\$0.0861 which is broadly consistent with the average price forecast of EY and RepuTex whose price forecasts are also referenced and published by the Department of Climate Change, Energy, the Environment and Water, and hence considered the most reputable sources. Nonetheless, the analysis above evidenced the sensitivity of the value of CCIL to alternative ACCU price curves with the value per share of CCIL below the Offer price (i.e., the Offer would be fair) for some of them.

In our valuation assessment, we have adopted a discount rate between 10.0% to 11.7% which includes a specific risk premium of 2.0% to 2.5% to consider the ACCU pricing, regulatory uncertainties and the risk of production interruption for CCIL. The table below provides a sensitivity analysis of the selected value range in conjunction with the discount rate.

Sensitivity analysis A\$ '000	Discount rate		Equity Value		Variance (in %)	
	Low	High	Low	High	Low	High
GT selected range	10.0%	11.7%	13,575	14,958		
Sensitivities	9.0%	10.7%	14,346	15,864	5.7%	6.1%
	9.5%	11.2%	13,953	15,401	2.8%	3.0%
	10.5%	12.2%	13,214	14,534	(2.7%)	(2.8%)
	11.0%	12.7%	12,867	14,129	(5.2%)	(5.5%)
	12.0%	13.7%	12,218	13,370	(10.0%)	(10.6%)
	13.0%	14.7%	11,622	12,677	(14.4%)	(15.3%)
	14.0%	15.7%	11,075	12,041	(18.4%)	(19.5%)

Source: GT Model, GTCF analysis

Reasonableness Assessment

In considering the reasonableness of the Takeover, we have assessed the following advantages, disadvantages and other factors.

Advantages

Uncertainties on future ACCU prices

CCIL's near to medium term revenue is primarily derived from its contractual offtake agreements with Origin and BP, which is received in the form of management and license fees. However, the contracts with Origin and BP are expected to cease by FY28 and FY31 respectively. After this period, CCIL's revenue will be affected by market conditions for ACCUs, which are difficult to predict at this point in time. The dynamic nature of the embryonic market for ACCUs, the continuously changing regulatory landscape surrounding carbon offsets, the reduced reliability of historical market prices and the limited time horizon of current regulatory policy combine to make the expectations for future prices of ACCUs particularly uncertain.

There are a wide variety of sources of future prices both domestically and internationally. Whilst we have undertaken our fairness assessment mainly based on the ACCU prices estimated by EY and RepuTex Energy, which are expected to grow from A\$33.8 as at 25 April 2024 to between A\$61.0 and A\$67.5 by 2030 (real terms), we note that EY indicates that a plausible range of ACCU prices in the long term is very wide. Whilst their central estimates range between A\$65.0 and A\$75.0 per ACCU (real terms), the analysis suggests that the prices may be much higher or lower ranging between A\$30.0 (more in line with the current prices) and A\$125.0 per ACCU (more in line with international prices).

If the ACCU prices settled in the long term to the low-end of that range, our valuation assessment will be lower than the Consideration. This risk for CCIL is exacerbated by the fact that it is capable of generating revenue from the sale of ACCUs only until 31 December 2039. Therefore, timing differences in the price forecast may also affect the value of the business as it may not have the ability to sell ACCUs at the higher prices if for example they manifest later than currently expected or reflected in our valuation assessment.

The Offer represents an opportunity for CCIL Shareholders to resolve the underlying uncertainty over the future prices of CCIL Shares arising from these confounding factors.

Full sale process undertaken

The Company has received interest from numerous parties regarding a strategic partnership or acquisition of CCIL or its assets. Of the publicly disclosed information, CCIL received an unsolicited takeover offer in February 2024 and another in November 2021 for the acquisition of c. 19.6%³ and 19.9%⁴ respectively of CCIL's issued share capital priced at A\$0.02⁵ and A\$0.03⁶ per share respectively. These unsolicited offers were considered to significantly undervalue the Company's fully paid ordinary shares and they were materially below the Offer.

Additionally, we note that during a previous sale process, the Company received a number of non-binding, indicative proposals from multiple parties, with some of them at prices higher than the Offer. The Company has re-engaged with those parties, but no formal interest emerged outside the Offer.

The Takeover is the only binding offer that the Company has received over the last 24 months which is capable to provide liquidity to the Shareholders and an exit opportunity. This is notwithstanding that CCIL has embarked in two formal sale processes with a number of parties invited to express their interest.

Whilst the Consideration is below our assessment of the fair market value of CCIL, in our opinion, this may be driven by the pricing and regulatory risks considered by interested parties in their evaluation of this investment which may be in excess of what it is capable of being reflected in our valuation assessment based on the DCF approach having regard to the prices forecast currently available.

While CCIL has agreed not to solicit any competing proposals or to participate in discussions or negotiations in relation to any competing proposals, there are no material impediments to an alternative proposal being submitted by potentially interested parties. The transaction process may act as a catalyst for other interested parties as it will provide significant additional information in the Target Statement and Independent Expert's Report and enable such potential acquirers to assess the merits of potential alternative transactions. If a Superior Proposal emerges before the Offer becomes unconditional, CCIL Shareholders who have not accepted the Offer, will have the opportunity to consider them.

Regulatory risk

The degree of regulatory risk affecting the fair market value of CCIL Shares is significant and binary for CCIL Shareholders. Recent changes to the regulatory regime following further policy revision in the structure of the carbon offsets market in Australia indicate the dynamic nature of the system from which the Company's projects derive ACCUs. The risk of further regulatory and policy changes is amplified for CCIL Shareholders because Project 1 and Project 2 have finite lives. The combination of these factors presents

³ CCIL public announcement dated February 2024

⁴ CCIL public announcement dated November 2021

⁵ Ibid.

⁶ Ibid.

potentially binary outcomes for CCIL Shareholders because adverse changes to the regulatory regime (e.g., ACCUs may become stale or may be cancelled, or their market price may be affected by the underlying policy regime) may not be able to be addressed by it before the Projects expire. The present regulatory policies are expected to be refreshed and or replaced progressively between 2025 and 2030 as the various policies reach the end of their applicable periods.

Liquidity to CCIL Shareholders

While CCIL is a public company, the CCIL Shares are not publicly quoted on the ASX or any other public market. Hence, opportunities for minority shareholders to readily sell their shares or buy additional shares in CCIL are limited in the absence of the Takeover or alternative transactions. The Offer represents an opportunity for liquidity for the CCIL Shares.

The risk of CCIL becoming a controlling entity of the Bidder

If the Offer becomes unconditional, any remaining CCIL Shareholders will continue as minority in an unlisted vehicle. In Section 5 of the Bidder's Statement, Sandon sets out its intention to restructure the representation of the Board of Directors in proportion with its voting power. That is, upon obtaining 50.1% of the relevant interest in CCIL shares, the Bidder will be able to exercise day to day control over the strategy, operations and activities of the Company to be able to pass ordinary resolutions of the Company by the voting power of its own holdings.

At levels of acceptance that result in the Bidder becoming entitled to relevant interests in CCIL Shares above 50.1% and up to 90.0%, the degree of control exercisable by the Bidder would increase. The effects of the various levels of control may include, reduced trading liquidity making it more difficult for minority shareholders to sell CCIL Shares once the Offer period expires.

Fundraising capacity

CCIL's status as an unlisted public company also limits CCIL's ability to raise equity capital, should they require equity capital at short notice through various equity funding alternatives such as institutional placements or entitlement offers should a future, unexpected need arise.

Potential slow-down of Australian economy

Economic growth within the Australian economy is expected to remain subdued in the near term as high inflation and higher interest rates continue to weigh on consumption. The year average GDP growth is expected to be 1.5% in 2024 compared to 2.0% expected average GDP growth in 2023⁷. The overall slowing economy could cause an adverse impact on all sectors including the carbon farming industry.

No brokerage costs

CCIL Shareholders will be able to realise their investment in CCIL without incurring any brokerage or stamp duty costs.

⁷ Statement on Monetary policy, published by RBA date February 2024

Disadvantages

Risk of missing future upside potential

Subject to the Takeover being declared unconditional, CCIL Shareholders will forego the opportunity to participate in the future upside of the Company in relation to the following:

- The generation of ACCUs in the market, as a financial product that are regulated and issued by the Australian government to project developers, is expected to serve as more than offsets under Australia's carbon policy framework and in Australia's path to achieving net zero emissions by 2050. CCIL being a market leader in this business and their established contracts over the past decade, served as a market tested ESG investment opportunity within Australia. Upon completion of the Takeover, CCIL Shareholders that accept the Offer will miss out on one of the key market tested ESG investment opportunities.
- Domestic ACCU prices and forecasts are at a considerable discount to those of established international markets for carbon offsets. For example, the most recent price per tonne published by the UK's Department for Energy Security & Net Zero based on average market prices was GBP64.90⁸ or A\$125.11 at present exchange rates. Similarly, the published price from the EU Emissions Trading System for carbon offsets in Europe is EUR67.67 or A\$111.42 at present exchange rates. This disparity between those international market prices and those prevailing in Australia is believed to reflect some uncertainty about the ACCU mechanism and policies. As the Australian market matures and if the regulatory uncertainty is removed, it is possible that the disparity between domestic prices and those of the more robust markets may reduce or disappear.
- Market conditions for ACCUs are expected to continue to improve as the public appetite for carbon reduction aligns with government regulation and policy. The implementation of mandatory ESG reporting in financial statements by reporting entities is the current significant driver to near term growth in the market for ACCUs. Such drivers underpin the expectations for continuation of the growth in ACCU holdings as discussed in section 3.2.2 below.

Other factors

Implications if the Takeover does not become unconditional

If the Takeover does not become unconditional, it would be the current Directors' intention to continue operating CCIL in line with its stated strategy and objectives until expiry of the projects.

IBC recommendations and intentions

As set out in the Merger Implementation Deed, as at the date of this Report, subject to no superior proposal emerging, and an independent expert concluding and continuing to conclude that the Offer is reasonable to CCIL Shareholders, the IBC recommends that Shareholders accept the offer.

Tax implications

CCIL shareholders who accept the Takeover will receive A\$0.0667 in cash for every CCIL Share currently held, which may, depending upon individual shareholders' taxation position, give rise to Capital Gains Tax

⁸ UK Department for Energy Security & Net Zero 2024 penalty price is based on average market trading prices

consequences at a time that may be or may not be advantageous to individual CCIL Shareholders. A generic and indicative outline of the taxation implications of the Takeover is included in the Bidder's Statement at section 7. CCIL Shareholders should read the overview of tax implications of the Takeover set out in the Target's Statement and seek their own independent taxation advice regarding the taxation consequences of the Takeover.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that, on balance, the Takeover is **REASONABLE** to the CCIL Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Takeover is **NOT FAIR BUT REASONABLE** to the CCIL Shareholders in the absence of a superior alternative proposal emerging.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

In preparing this Report, we have considered the interests of CCIL Shareholders as a whole. Accordingly, this Report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual Shareholders.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN
DIRECTOR



MARK BUTTELFIELD
DIRECTOR

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by CCIL to provide general financial product advice in the form of an independent expert’s report in relation to the Takeover. This Report is included in the Target’s Statement outlining the Takeover.

2 Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of this report, Grant Thornton Corporate Finance will receive from CCIL a fee of A\$40,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the Report. Our employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of CCIL in order to provide this report. The guidelines for independence in the preparation of independent expert’s reports are set out in RG 112

Independence of expert issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

“Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with CCIL (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Takeover.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Takeover, other than the preparation of this report. We note the following:

- *Grant Thornton Corporate Finance was engaged by CCIL to prepare an IER in relation to a change of control transaction at the beginning of 2023 which was subsequently aborted.*
- *We have also been engaged by Alterra to prepare an IER in relation to the proposed sale of Alterra’s 15.0% stake in CCIL to Sandon, who is Alterra’s largest shareholder holding 26.1%. Accordingly, if Alterra agreed to sell its CCIL shares to Sandon in the absence of a superior offer, under ASX Listing Rule 10.1, an IER will be required.*

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Takeover. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 “Independence of expert” issued by the ASIC.”

6 Complaint’s process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the Target Statement should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1. Outline of the Takeover

1.1. Conditions and key terms of the Takeover

The Takeover is subject to a number of conditions, set out in Schedule 1 of the MID, which are discussed below in a non-exhaustive manner:

- At the end of the Offer period, the Bidder has a relevant interest of greater than 50.1% of the CCIL shares then on issue.
- No CCIL shareholder increases its relevant interest in CCIL Shares above 10.0% during the period between the Announcement Date and the end of the Offer Period.
- No adverse environmental event which materially and adversely affects the properties subject of a carbon plantation agreement ("CPA") before the end of the Offer Period.
- The aggregate cash balance(s) in CCIL's bank accounts(s) remain above A\$750,000 during the period commencing on the announcement of the MID and ending on the date Sandon delivers the notice under section 630(3) of the Corporations Act.
- The aggregate cash balance(s) in CCIL's bank accounts(s) remains a minimum of A\$900,000 the period after Sandon delivers the notice under section 630(3) of the Corporations Act.
- No litigation, no regulatory intervention, no prescribed occurrences (as their terms are defined under the MID).
- Non-termination of CPA with Origin or BP and the Performance Guarantee is not called on by Origin.
- Non-termination of the ERF participation services agreement between Alterra and Origin dated 14 April 2015.
- Origin consents to the change of Control in CCIL under the CPA between Origin and ACCUAM.
- Other conditions precedent typical for a transaction of this type.

2. Purpose and scope of the report

2.1. Purpose

Section 640 of the Corporations Act

Section 640 of the Corporations Act requires that a target's statement made in response to a takeover offer must be accompanied by an IER if:

- The bidder's voting power in the target is 30.0% or more; or
- For a bidder who is, or includes, an individual – the bidder is a director of the target; or
- For a bidder who is, or includes, a body corporate – a director of the bidder is a director of the target

The IER must state whether, in the opinion of the independent expert, the Takeover is fair and reasonable to the target company's independent shareholders and provide the reasons for forming that opinion.

The Directors of CCIL have requested that Grant Thornton Corporate Finance prepare an independent expert's report to assist CCIL Shareholders to assess the merits of the Takeover and whether the Takeover is fair and reasonable to the CCIL shareholders for the purpose of Section 640 of the Corporations Act.

2.2. Basis of assessment

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this Report, Grant Thornton Corporate Finance has had regard to RG 111 which establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" are in the context of a takeover offer.

As the Takeover is a takeover bid, Regulatory Guide 111 "*Content of expert reports*" requires the following assessment:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject to the offer. The comparison should be made assuming 100.0% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.
- An offer is considered reasonable if it is fair. If the offer is not fair, it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
 - The offeror's pre-existing entitlement, if any, in the shares of the target company.
 - Other significant shareholding blocks in the target company.

- The liquidity of the market in the target company's securities.
- Taxation losses, cash flow or other benefits through achieving 100.0% ownership of the target company.
- Any special value of the target company to the offeror, such as particular technology or the potential to write off outstanding loans from the target company.
- The likely market price if the offer is unsuccessful.
- The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Takeover is fair to the CCIL Shareholders by comparing the fair market value range of CCIL Shares on a 100.0% basis with the Offer price of A\$0.0667 per CCIL Share.

In considering whether the Takeover is reasonable to the CCIL Shareholders, we have considered a number of factors, including:

- Whether the Takeover is fair.
- The implications to CCIL and CCIL shareholders if the Takeover offer lapses.
- Other likely advantages and disadvantages associated with the Takeover as required by RG 111.
- Other costs and risks associated with the Takeover that could potentially affect CCIL shareholders.

2.3. Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100.0% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Takeover with reference to RG 112 issued by ASIC.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the Takeover other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

We have also been engaged by Alterra to prepare an IER in relation to the proposed sale of Alterra's 15.0% stake in CCIL to Sandon, who is Alterra's largest shareholder holding 26.1%. Accordingly, if Alterra agreed to sell its CCIL shares to Sandon in the absence of a superior offer, under ASX Listing Rule 10.1, an IER will be required.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Takeover.

Grant Thornton Corporate Finance has not had any involvement in the Takeover other than preparing this IER. Accordingly, it believes it remain in compliance with the independence requirements as envisaged in RG112.

2.4. Consent and other matters

Our Report is to be read in conjunction with the Target's Statement dated on or around May 2024 in which this report is included and is prepared for the exclusive purpose of assisting CCIL Shareholders in their consideration of the Takeover. This Report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this Report in its form and context and consents to its inclusion in the Target's Statement.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Takeover to CCIL Shareholders as a whole. We have not considered the potential impact of the Takeover on individual CCIL shareholders. Individual shareholders have different financial circumstances, and it is neither practicable nor possible to consider the implications of the Takeover on individual shareholders.

The decision of whether or not to accept the Takeover is a matter for each CCIL shareholder based on their views on the value of CCIL and expectations about future market conditions, together with CCIL's performance, risk profile and investment strategy. If CCIL shareholders are in doubt about the action they should take in relation to the Takeover, they should seek their own professional advice.

2.5. Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards ("APES") Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

3. Industry overview

3.1. Introduction

Growing concerns around climate change have led countries to set targets to regulate their greenhouse gas emissions. Carbon dioxide (“CO₂”) is the primary contributor to overall emissions in Australia, accounting for approximately 66.0% of total emission in Australia in September 2023. Trend-wise, quarterly CO₂ emissions have decreased by 33.0% to 75 Mt⁹ in the quarter ending September 2023 since the June 2005 Quarter¹⁰, which is Australia’s baseline year for Australia’s 2030 reduction targets under the Paris Agreement. CCIL, as well as other participants in the carbon farming industry have been working towards driving changes to land management practices to either avoid the emissions of greenhouse gases, or to increase the storage of carbon in the land via trees or soil.

The key drivers leading to this long-term decrease in CO₂ emissions include the continued switch from coal to renewable fuels for power generation, as well as the decline in emissions from the land sector. The decline in emissions from land usage are a result of land restoration projects, such as plantations or initiatives that restore natural vegetation in the landscape and in turn remove CO₂ from the atmosphere. Such projects also yield co-benefits including biodiversity, water, soil conservation and social benefit for local communities.

The projects have also led to the generation of carbon credits, a financial product that is regulated and issued by the Australian government to project developers. The government uses the Australian National Registry of Emissions Units (“ANREU”), which is managed by the CER and is a secure electronic system that tracks the location and ownership of the Australian carbon market’s tradeable commodity ACCUs¹¹.

We will discuss below in detail the key aspects, as well as the activities in the Australian carbon farming industry.

3.2. ERF and ACCUs

3.2.1. ERF in Australia

ERF offers landholders and businesses the opportunity to undertake projects in Australia that avoid the release of greenhouse gas emissions, remove or sequester carbon from the atmosphere. ERF participants with eligible carbon abatement projects can earn ACCUs wherein each ACCU denotes one tCO₂-e emissions avoided or stored in carbon sinks, such as in vegetation or soil by a project. Further, ACCUs can be sold to generate income, either to the Australian government through a carbon abatement contract, or to companies and other private buyers in the secondary market¹².

The calculation of carbon abatement is based on the Full Carbon Accounting Model (“FullCAM”)¹³, which is a commonly used method that provides fully integrated estimates of carbon pools in forest and agricultural systems for land sector reporting purposes. It also accounts for human-induced changes in emission and sequestration of major greenhouse gases.

⁹ Metric tons

¹⁰ Quarterly Update of Australia’s National Greenhouse Gas Inventory: September 2023.

¹¹ Greening Australia website

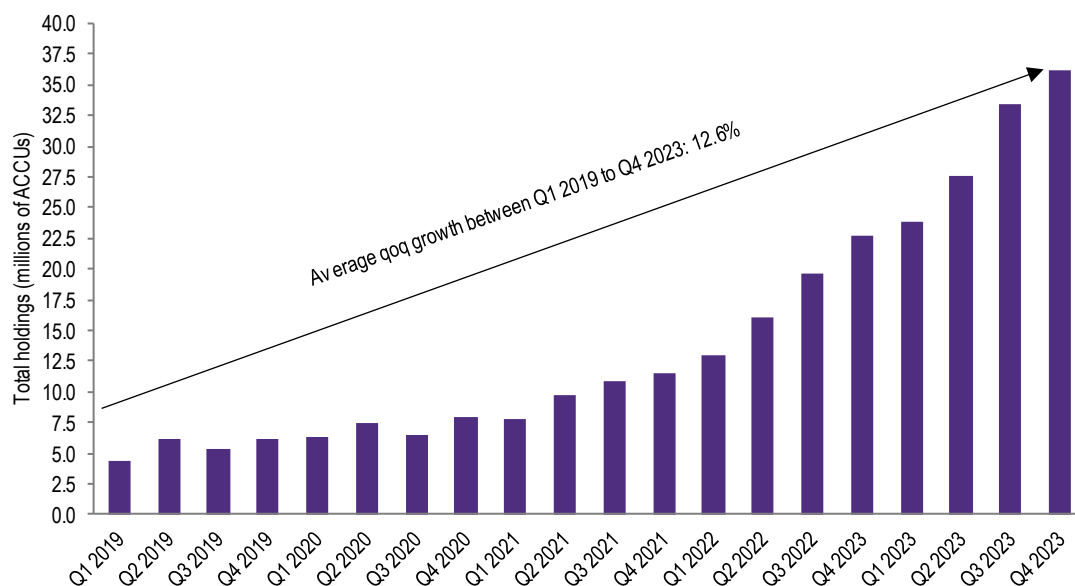
¹² The Clean Energy Regulator of Australian Government

¹³ Carbon Credits (Carbon Farming Initiative) (Native Forest from Managed Regrowth) Methodology Determination 2013

3.2.2. Demand and supply of ACCUs

As depicted below, the total ACCU holdings increased from 4.3 million in Q1 2019 to 36.2 million in Q4 2023¹⁴, representing an average quarter-on-quarter growth of 12.6%, thereby reflecting an increase in the level of interest in the ACCU market over the past five years.

ACCU holdings in the past five years



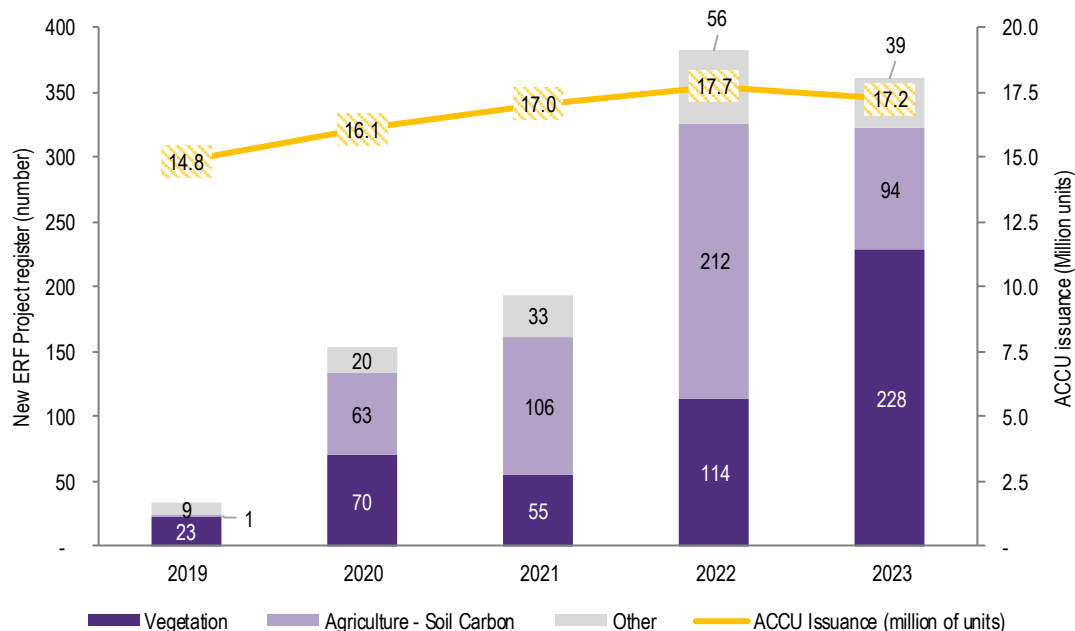
Source: Quarterly Carbon Market Report published by Clean Energy Regulator, dated December 2023

ACCU issuances hit a record of 11.0 million in the second half of 2023, following lower issuances in the first half of 2023. This brought the total ACCU issuances for 2023 to 17.2 million, in line with the revised estimate of 17.0 million, which was slightly lower than the 17.7 million ACCUs issued in 2022. Lower ACCU supply in 2023 was partly a result of the lag in credit application processing times for Human-induced regeneration (“HIR”) ACCUs due to the implementation of the independent review of ACCUs recommendations and gateway audits.

In Q4 2023, 72 ACCU projects were registered, bringing the 2023 total to 361 new projects registered under the ACCU scheme. As illustrated in the following chart, this was a marginal decrease from the 382 projects registered in 2022, mainly due to a decrease in registered soil carbon projects from 2022, which was possibly driven by a strong uptake of the subsidised 2021 soil carbon method. Vegetation and other projects such as waste and savanna burning projects continue to represent a large portion of the project portfolio, potentially due to being relatively cheaper to implement. Nevertheless, increases in carbon prices will result in more projects and methods becoming viable. In January 2024, the Australian Government announced A\$17.5 million in grants under the Carbon Farming Outreach Program to support continued growth in new ACCU projects.

¹⁴ Australian Government the Clean Energy Regulator

Number of new registered ERF projects and unit of ACCU supply

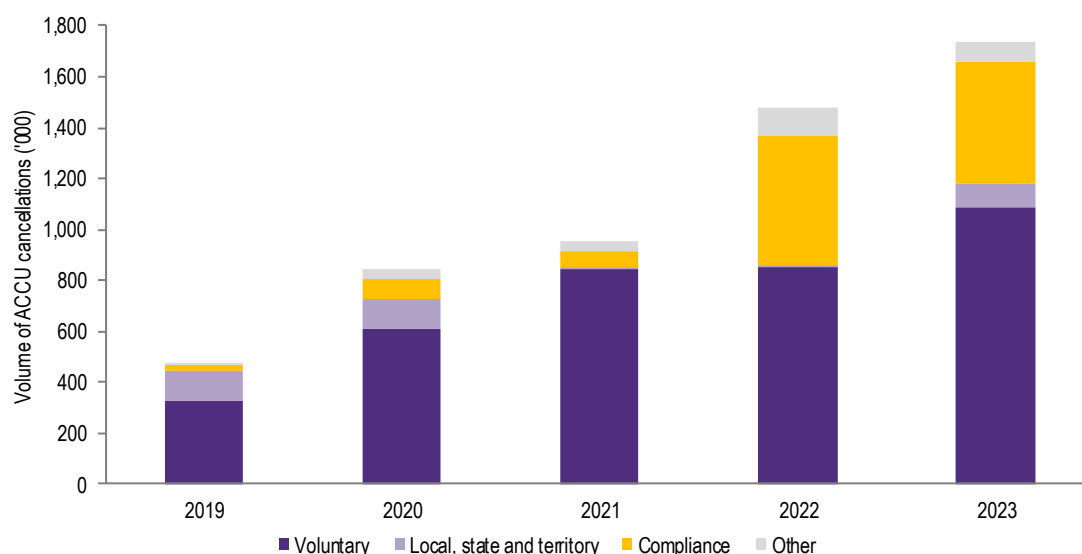


Source: Quarterly Carbon Market Report published by Clean Energy Regulator, dated December 2023

Driven by the rising concerns to combat climate change, demand for land-sector carbon continues to increase from a range of existing and emerging sources. Historical demand for ACCUs was primarily driven by Commonwealth demand, in which ACCUs were delivered to the CER under Commonwealth abatement contracts or Safeguard Mechanism obligations. In 2020-21, Australian government purchases through the ERF represented 89.0%¹⁵ of ACCU demand, while the remainder of the market was made up of voluntary demand, compliance with the safeguard mechanism, and speculators or buyers on the secondary market for other purposes. However, increasing climate ambition and voluntary certification programs such as Climate Active is expected to further increase voluntary action and demand for ACCUs by alternate sources. In recent years, non-commonwealth demand has increased significantly. The main factors influencing this trend include a growing demand for products and services with low emissions from investors, consumers, and supply chains. Additionally, the Australian government's potential implementation of mandatory climate-related financial disclosures for large corporations is also a significant contributor. Total non-commonwealth ACCU cancellations was 1.7 million in 2023, compared to 1.5 million 2022, indicating the growing interest in carbon offsetting and strengthening of the carbon market. We have illustrated below the historical volume of Non-Commonwealth ACCU cancellation:

¹⁵ Carbon Market Institute. June 2023. Considerations for Future ACCU Supply & Demand Market Brief.

Non-Commonwealth ACCU cancellation by demand source



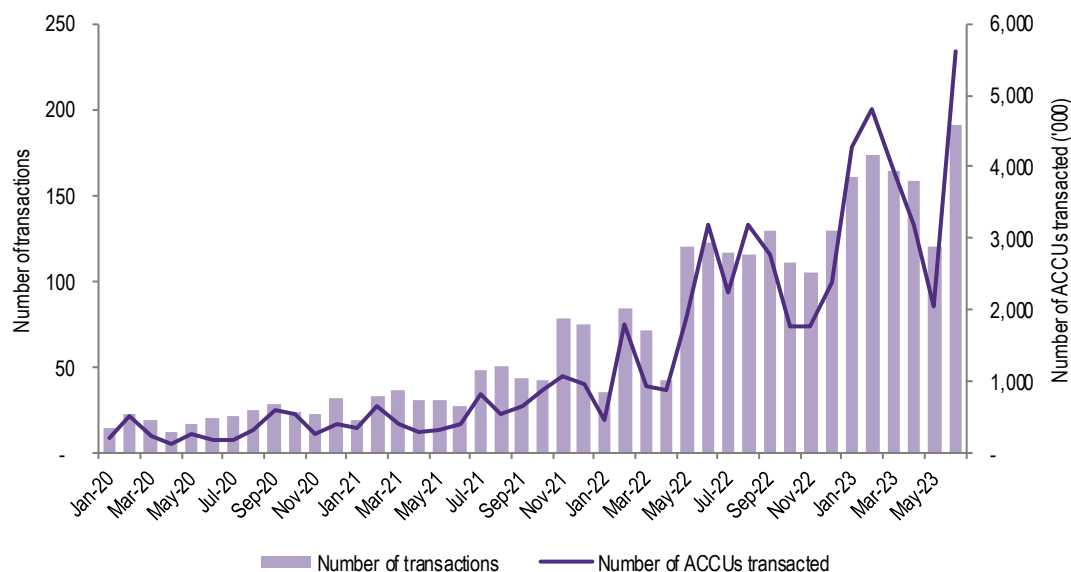
Source: Quarterly Carbon Market Report published by Clean Energy Regulator, dated December 2023

Similarly, supply of ACCUs has also increased significantly in the past few years, driven by agriculture based methods such as vegetation, waste and savanna burning projects, which has contributed to ACCU supply as a result of being a key participant in the nation's carbon sequestration. In the longer term, as supply from existing projects slows and the pool of lower cost credits are exhausted, new higher marginal cost projects will play a dominant role in supplying the market. Nonetheless, we note that increasing project registration numbers may not always result in proportional increase in future ACCU supply, given the potential lag between the project commencement and actual ACCU production. Supply of units from some of these new projects may increase the supply in 2024, however some projects may take longer to attain first crediting than others. Long term shortfall of supply with increased demand will drive higher long-term prices.

3.2.3. ACCU trading activities and ACCU prices

We have illustrated below the volume of ACCU market transactions from January 2020 to June 2023.

ACCU transaction volume and number of ACCUs transacted



Source: Quarterly Carbon Market Report published by Clean Energy Regulator, dated June 2023

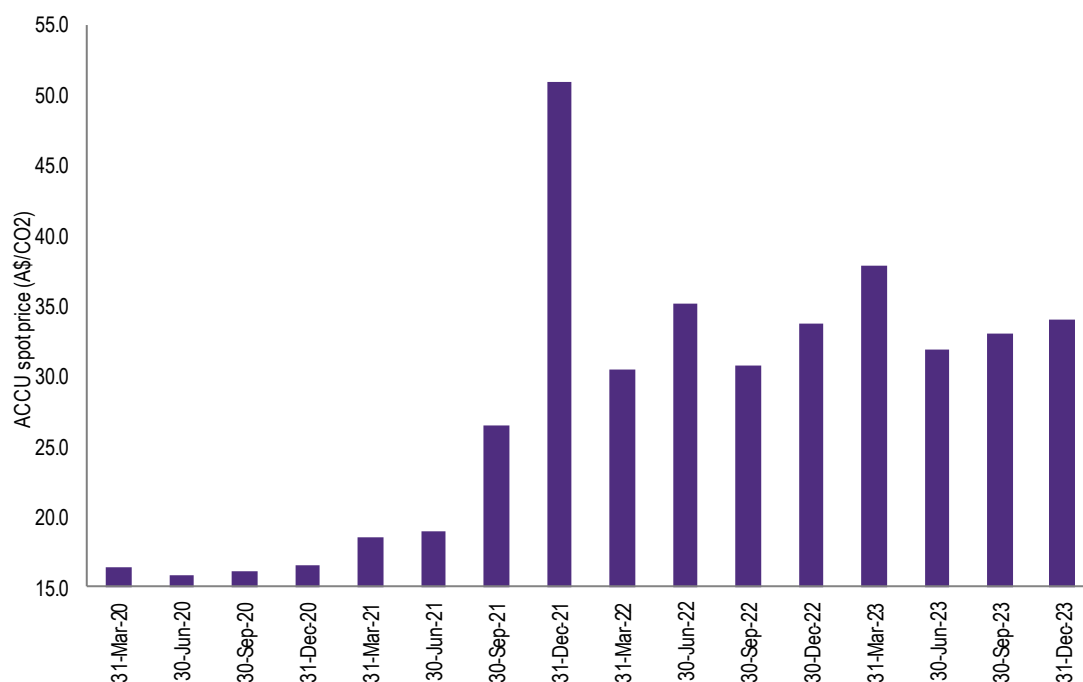
Note: (1) Data on number of transactions and ACCUs transacted for Q3 and Q4 of 2023 is unavailable and excluded from the graph.

There has been a significant increase in market activity since the start of 2022, as a result of increased ACCU liquidity and stabilised unit price¹⁶. We also note that, according to the CER, during Q1 2023, the average transaction parcel size increased from 16,642 to 26,000 ACCUs per trade, implying an increase of 56.0% as compared to Q1 2022. The accumulation by intermediaries, has contributed to the increase in transactions as companies prepare for increased demand from safeguard entities, interest from other existing clients and trading opportunities. In addition to spot trades, 1.3 million ACCU's were agreed for future delivery in Q1 2023 alone. The ability of market participants to contract forwards reflects that the ACCU market is maturing, demonstrated by a growing number of instruments for hedging purposes.

We also note that the trends in demand and supply of ACCUs also partially drive the price of ACCUs. We have set out below the historical spot ACCU price from March 2020 to December 2023.

¹⁶ Clean Energy Regulator

Historical spot price of ACCU (A\$ per CO₂-e)



Note: (1) The prices shown above were estimated spot prices as at each quarter-end, drawn from the available source graphs, due to exact spot prices not being available across all quarters.

Source: Quarterly Carbon Market Reports from March 2020 to December 2023

Historically, the ACCU prices underwent significant fluctuations. The spot price was trading around the ERF contracted price levels of lower than A\$17.0 during 2020, then significantly increased to more than A\$50.0 by December 2021 owing to several factors, including the federal government's commitment to meet net zero by 2050, a significant increase in interest in carbon abatement and offsets, and corporations looking to honour their ESG commitments.¹⁷ Subsequently, the war in Ukraine, changes to federal government policy, and the government permitting ACCU producers to discontinue their contracts with the ERF led to an increased supply, which therefore drove the price lower.

Going forward, a price increase in the future is expected by industry analysts¹⁸ as a result of changes to legislated safeguard mechanism reforms, which is expected to increase long-term private-sector demand due to improved policy certainty and positive sentiment. However as noted by other market analysts¹⁹, significant uncertainty remains as to how much, and when this source of demand will grow, especially as policy reform under the Safeguard Mechanism will not create a liability on entities until first compliance in March 2025. Short and medium-term upside could be constrained by a large pipeline of "firm" ACCU supply available to the market and slow initial buying demand from Safeguard Mechanism compliance entities, as there is no significant time pressure for compliance entities to enter the market. Prices may increase as compliance entities formulate their go-to-market strategies for longer term procurement of ACCUs under the Safeguard Mechanism, however timing and scale of on-site action by high emitting companies is currently difficult to predict.

¹⁷ Jarden Australia

¹⁸ Market Advisory Group, March 2024. Carbon Monthly

¹⁹ Reputex, August 2023. Modelling Results & Impacts Australian Carbon Credit Unity Market Analysis.

3.3. Regulatory environment

The growth in the carbon industry is supported by Australian government's efforts in response to climate change, which has led to several emission reduction strategies including regulating and reporting on greenhouse gas emissions. Specifically, three key incentives introduced to encourage businesses to reduce their emissions include:

- Emissions Reduction Fund: As discussed in section 3.2, ERF encourages a range of organisations and individuals to adopt new practices and technologies to reduce their emissions, and store carbon.
- Climate Active: An ongoing partnership between the Australian government and Australian businesses to drive voluntary climate action²⁰. Aims to encourage Australian businesses to become carbon neutral by awarding the Climate Active Carbon Neutral Standard certification.
- The Renewable Energy Target (RET) scheme: Reduce emissions by encouraging more electricity generation from renewable sources²¹.

We also note the following regulatory activities which could impact the carbon farming industry:

- Independent Review of ACCUs: In July 2022, the government appointed an independent panel, led by former Chief Scientist professor Ian Chubb to conduct a review to ensure that the ACCU and carbon crediting framework maintain a strong and credible reputation. The panel examined governance arrangements and legislative requirements of the carbon crediting scheme, whilst also investigating the integrity of key methods used, and other scheme settings affecting the integrity of ACCUS. In January 2023, Minister Bowen released the Australian Government response to the Independent Review, which concluded that the ACCU scheme arrangements are essentially sound, incorporating mechanisms for regular review and improvement, and recommended several changes to clarify governance and improve transparency of project information to assure project method integrity.
- Rigorous emissions monitoring and accountability systems: Australia's long-term plan and national actions are administered by rigorous emissions monitoring and accountability systems. The National Greenhouse and Energy Reporting scheme is a single national framework for reporting greenhouse gas emissions, energy production and energy consumption. The Safeguard Mechanism requires Australia's major greenhouse gas emitters to maintain their net emissions below a certain limit. If a business exceeds its emissions limit, it is required to purchase and surrender ACCUs. The safeguard mechanism was reformed in 2023. The reforms aimed to ensure Australia's largest emitters would reduce their emissions in line with Australia's climate targets. The reforms introduced baselines that decline at a default rate of 4.9%²² each year to facilities baselines, so that they are reduced gradually overtime on a trajectory consistent with achieving Australia's emission reduction targets. The reforms will create a liability on entities with first compliance in March 2025.
- Australian Carbon Exchange: In addition to regulating and reporting emissions, CER has announced the development of an Australian Carbon Exchange, an online carbon exchange for the purchase, clearing and settlement of ACCUs and potentially other types of carbon units and certificates. The exchange aims to make the market more transparent and help businesses meet their emission reduction targets and obligations at a lower cost by setting prices, reducing transaction costs and

²⁰ Climate active official website.

²¹ Department of Climate Change, Energy, the Environment and Water.

²² Australian Government, Clean Energy Regulator

limiting administrative burdens. The exchange will rely on a modernised Unit & Certificate register being developed as part of the project, which will replace the ANREU and increase efficiency and choice for buyers and sellers. According to CER, the Australian Carbon Exchange will launch between late 2024 and early 2025 with the Unit and Certificate Register to be operating by mid-2025.

- *Government mandate to cut carbon emissions:* In a statement released in January 2023, the government mandated the nation's biggest polluters to slash their emissions by a minimum of 30.0%²³ over the next seven years towards achieving its target to cut carbon emissions by 43.0%²⁴ from 2005 and attain net zero emissions by 2050. To support the mandate, the government would also allow the trade of credits earned by companies that surpass their emission reduction targets to other companies under the scheme. This allows heavy emitters that cannot afford or access new technology to pay companies for their excess emissions reduction. In 2024, the Albanese government introduced a legislation to establish a Net Zero Economy Authority, to support the mandate and act as a catalyst for private and public investment, major project development, job creation to transition to net zero by 2025.
- *Advancement of soil carbon resources:* Towards the end of 2022, the Australian government extended support to farmers and land managers via a first round of grants of over A\$30.0 million²⁵, under the government's A\$50.0 million National Soil Carbon innovation Challenge. The challenge aims to assist them in managing their soils and demonstrating how they are cutting emissions by lowering the cost of monitoring soil organic carbon. In December 2023, a second round of A\$9.8 million²⁶ in grants were awarded to fund an additional five projects under the challenge. The projects undertaken to accelerate the development of reliable, low-cost technologies for measuring soil organic carbon, would support and enable farmers and land managers to measure and advance their soil carbon resources and implement sustainable practices that harness the potential of Australia's emissions reductions.

3.4. Recent activities and outlook

Recent key factors and activities impacting the carbon farming industry include:

- *Environmental factors:* Environmental concerns have gained further public attention in the past five years on account of growing public knowledge of a wider range of environmental problems, including air pollution, waste management, and unsustainable agricultural and forestry practices. Several awareness efforts across media platforms have been launched following scientists' increasing warnings about the dangers of climate change. Particularly, concern over environmental issues increased throughout the first half of 2019–20 as a result of global climate protests and intense bushfires during the 2019–20 Australian summer. In addition, positive consumer sentiment, business confidence and consumer confidence in the state of the economy and their financial future, is expected to support an increase in the percentage of people concerned about the environment by 0.5 percentage points in 2023-24 to reach 82.5%²⁷.
- *Transaction activity:* We note that the industry has been increasingly active in the merger and acquisition space as a result of on-going concern on environmental impact of carbon production,

²³ Australian Financial Review article 'Labour to Offer Big Emitters Help with Carbon Price', dated 11 January 2023

²⁴ Ibid.

²⁵ Department of Agriculture, Fisheries and Forestry. November 2022. Technology helping farmers store carbon boosted by Albanese Government.

²⁶ Department of Climate Change, Energy, the Environment and Water. December 2023. Final Grants awarded under national Soil Carbon innovation Challenge.

²⁷ IBIS World. January 2024. Public concern over environmental issues.

increasing quantity of both supply and demand of ACCUs, as well as the increasing regulatory requirement for emissions reporting and monitoring. Key private acquisitions across the industry include²⁸:

- Mitsubishi acquiring a 40.0% stake in Australian Integrated Carbon
- Mitsui Energy and Petroleum acquiring Outback Carbon
- GreenCollar selling 35.0% of its shares to Ontario Teacher Pension Plan
- GreenCollar acquiring a controlling stake in Agriprove (Soil Carbon)
- RegenCo progressing towards an IPO listing (due to list in early 2022).
- Tiverton Agriculture taking a majority position in WA base project developer 'Carbon Neutral'.

We note that these transactions primarily occurred before 2022, with no comparable acquisition's occurring in more recent years. However, they demonstrate evidence of acquisition activity in the carbon farming industry within recent years and we consider them supportive of the possibility of further acquisitions and greater M&A activity occurring in the future.

With 382 ERF projects registered in 2022 and 361 projects in 2023²⁹, these new opportunities are expected to have a substantial impact on supply from 2024 and beyond. The CER expects higher spot prices to encourage further project registrations, including from large demand side players contracting longer term for the ACCU supply they need. However, the risks of a lower price environment are also to be considered. According to an industry analyst³⁰, while the shift towards net-zero emissions will be supportive for the local market, low prices and a lack of multi-year contracting commitments from larger long-term buyers, are expected to impact the incentive for project developers to invest in new emissions reduction projects. As a result, having delayed timeline implications for planned ACCU projects³¹.

Overall, the government's long-term emissions reduction plan which includes reducing technology costs, seizing opportunities in new markets such as clean hydrogen as well as traditional markets (agricultural sector), and fostering global collaboration towards carbon offsets among others, indicate a positive outlook for the carbon farming industry.

²⁸ CCIL Corporate update March 22

²⁹ Clean Energy Regulator. Executive summary – 2023 in review and outlook for 2024

³⁰ Reputex Energy – provider of modelling and forecasting services for the Australian renewable energy, electricity and carbon markets.

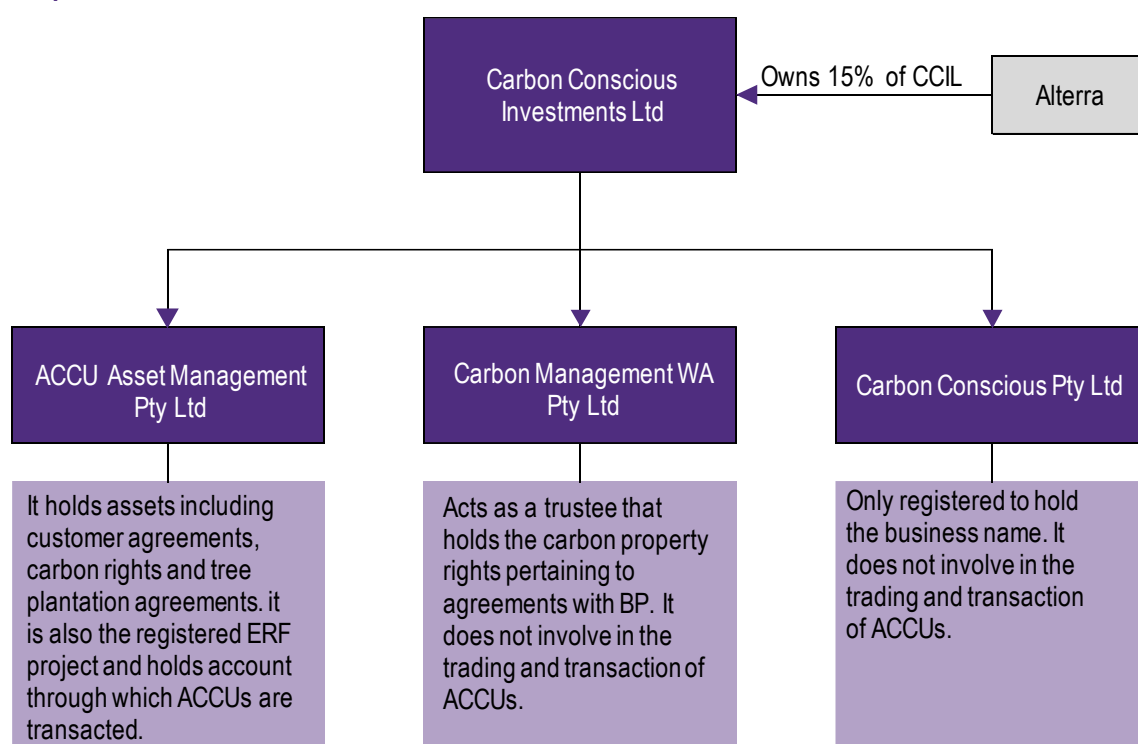
³¹ Reputex Energy. August 2023. Final report for Climate Change Authority

4. Profile of CCIL

4.1. Overview and business model

CCIL is an Australian public unlisted company producing carbon credits through carbon farming, which involves the planting of eucalyptus mallee trees in Western Australia's wheat-belt region. The Company's business is to generate ACCUs from established reforestation projects registered with the ERF. The assets of CCIL including carbon rights, tree plantation agreements and commercial contracts were previously owned and operated by Alterra, before being demerged in January 2019. Alterra now holds 15.0% shareholders interest in CCIL. Set out below is an illustration of the corporate structure of CCIL.

Corporate structure of CCIL



Source: Management

The Company's principal activity is the management of two Western Australian carbon reforestation projects across circa 17,000 hectares of mallee reforestation in 30 farming properties. In 2013 and 2014, the Projects were subsequently registered with the CER, and since then the Company submits annual offset reports to the CER which in turn issues ACCUs to the Company's ACCU account. CCIL's Projects are currently generating a significant volume of carbon credits which are expected to gradually taper down towards end of 2039 as the 25-year crediting period over which their Projects generate credits come to an end. Currently, the majority of the ACCUs generated is allocated to Origin and BP, with a minor share allocated to CCIL.

We understand from the Management that CCIL initially purchased the land, which was then sold between 2013 and 2020. Prior to the sale, CCIL registered a carbon covenant and lodged a freehold title wherein the caveat stated CCIL owns all the trees, and the associated CPA also allows CCIL to conduct their activities without any interference.

CCIL generates revenue through the following streams:

- *Generation and the sale of ACCUs*: The Company generates ACCUs through its Projects under contracts with Origin and BP that extend to 2027 and 2025 respectively, with potential extension of the BP contract to 2030. During the contracted period most ACCU's are attributable to Origin and BP and only a minor portion of revenue is earned by CCIL from ACCU sales. Post the contract period, all ACCUs generated by the Projects will stay at the Company's own account and will be the basis of ACCU sales revenue through to December 2039. We understand from the Management that CCIL lodges ACCUs towards the end of every calendar year (ACCU year) which gets accounted for in the following financial year. Due to the fact most ACCUs are attributable to Origin and BP in the contracted years, CCIL's major revenue source is management and license fees.
- *Management and license fees*: CCIL is paid quarterly management and carbon license fees up to 2027, under its contract with Origin and quarterly license fees up to 2025 or 2030 under its contract with BP, if BP exercises its right to extend the contract for an additional 5 years, for managing the reforestation Projects and offset reporting with the majority of ACCUs generated allocated to Origin and BP.
- *Sale of Voluntary Carbon Offsets ("VCOs")*: Includes the sale of a small inventory of trees planted to offset CO₂ on the Company's own account. Historically contributing an average of 0.7% to total revenue, we understand from the Management that this contract was discontinued in FY22.

4.2. Profile of CCIL's key projects and agreements

4.2.1. Key Projects

As stated earlier in this Report, we note that the Company currently manages two key projects, Project 1 and Project 2. Project 1 is managed in accordance with the Carbon Credits FullCAM Methodology Determination 2014 using the FullCAM2020 calibrations³². As for Project 2, CCIL submitted an application in 2021 to replace the method requiring actual stem diameter measurements of trees with the FullCAM method. The resultant benefit of switching methodologies included lower measurement and reporting costs and consistent growth curves.

Currently, Origin and BP bear the ACCU yield risk, ACCU market and price risk and sovereign risks, which includes risks associated with scheme rules that enable the issuance of ACCUs, by taking majority of the ACCU production from the Projects and pay fees quarterly in arrears.

4.2.2. Key agreements and contracts

The majority of CCIL's current revenue is supported by its agreements and contracts with its clients. We have summarised below the key terms for each contract.

4.2.3. CCIL's agreements with Origin

Currently, CCIL holds several agreements and contracts with Origin, including CPAs, licence agreement, carbon abatement contract, and ERF participation services agreement (collectively, "Origin Agreements")

³² The Carbon Credits FullCAM Methodology Determination 2014, using the FullCAM2020 calibrations, is a set of guidelines for calculating carbon abatement in Australia's land sector, using the Full Carbon Accounting Model. FullCAM2020, the latest version of this tool, estimates carbon stock changes in ecosystems and is used for generating abatement estimates for vegetation Methodology Determinations under the Australian Carbon Credit Units Scheme

as set out below. Under the current Origin Agreements, Origin bears the sovereign risks by taking all ACCU production from the Projects and pays related fees quarterly in arrears.

- *Carbon plantation agreement:* In July 2009, CCIL entered into a CPA with Origin, which requires CCIL to manage areas of land that have been planted to mallee trees and registered as Carbon Farming Initiative Projects (“CFI Projects”) as administered by the CER. The term for Origin Agreement is between 16 July 2009 and 31 December 2027. At the end of the term, Origin will not have the option to extend the CPA, and CCIL will retain all future benefits and liabilities associated with the CFI Projects. The CPA also grants a fixed charge to CCIL over all the carbon property rights that underlie or relate to Origin’s relevant licence and Origin’s share of ACCUs.
- *ERF participation services agreement:* CER requires that only a project proponent could enter a carbon abatement contract to monetise ACCUs, meaning Origin by itself could not do so. This agreement was therefore entered for the purpose of monetising ACCUs attributable to Origin. CCIL committed to sell 278,150 ACCUs on behalf of Origin and has an outstanding 73,703 ACCUs to deliver on a schedule ending in June 2028.
- *Licence agreement:* CCIL provides 24 exclusive licences over the whole of the carbon property rights. CCIL therefore also receives licence fees from the licence agreement on the Origin contracted properties, along with the contracted ACCU revenues.

4.2.3.1. CCIL’s agreements with BP

Currently, CCIL holds several agreements and contracts with BP, including carbon plantation agreement, ERF participation services agreement and licence agreement (collectively, “BP Agreements”), as set out below:

- *Carbon plantation agreement:* The key terms and services agreed in CCIL’s CPA with BP is substantially similar to the ones set out in the Origin Agreements. The term for BP Agreement is from 14 October 2010 to 31 December 2025. However, unlike the Origin Agreements, BP has an option to extend the term for an additional 5 years after December 2025. If BP terminates the agreement earlier than December 2025, BP will continue to pay the License Fees until the expiry of the term. The CPA also grants a fixed charge to CCIL over all the carbon property rights that underlie or relate to BP’s relevant licence and BP’s share of ACCUs.
- *Licence agreement:* Similar to Origin Agreements, in addition to the plantation agreement with BP, CCIL also generates licence fee from BP which is based on the area of plantations established in 2010 and the licence fee is made quarterly in arrears. The licence fee will increase until the last payment in December 2025 (or December 2030 in case of an extension).

4.2.3.2. Agreements with Alterra

CCIL currently has several agreements with Alterra, including performance guarantee on Origin Agreements, and a security deed with ACCUAM. It has been agreed that as part of the Takeover, Sandon and Alterra intend to reach a mutually acceptable solution in relation to Alterra’s arrangements with Origin, once the Takeover becomes unconditional.

4.3. Financial information

4.3.1. Financial Performance

The table below illustrates the Company's audited consolidated statements of comprehensive income for the last two financial years.

Consolidated statements of financial performance	FY22	FY23
A\$ unless otherwise stated	Audited	Audited
Revenue from operations	4,197,136	3,162,807
Other income	-	-
Cost of sales	(1,265,645)	(313,524)
Gross profit	2,931,491	2,849,283
<i>Gross margin</i>	69.8%	90.1%
Administrative expenses	(147,895)	(422,469)
Business development expenses	(118,802)	(157,380)
Depreciation and amortisation	(567,087)	(131,152)
Employee benefits	(196,498)	(390,967)
Net profit before tax	1,901,209	1,747,315
Tax expense	(479,730)	(439,288)
Net profit / (loss)	1,421,479	1,308,027
<i>Net profit margin</i>	33.9%	41.4%

Source: CCIL FY23 annual report

In relation to the above, we note the following:

- Revenue decreased from A\$4.2 million in FY22 to A\$3.2 million in FY23 because of the significant decrease in ACCU sales from A\$0.9 million to c. A\$0.2 million. We understand this is a result of higher revenue recognition in FY22, as an outcome of claiming Project 2 ACCUs for a two-year period post switching to the FullCAM methodology. Additionally, we understand CCIL discontinued its contract to sell VCOs in FY22. We have set out below a revenue breakdown.

Revenue	FY22	FY23
A\$ unless otherwise stated	Audited	Audited
VCO sales	14,563	378
ACCU sales	912,228	299,555
Project - Land licence fees	1,174,231	1,175,190
Project - Management fees	1,462,050	1,549,800
Delivery of ACCUs Income	634,064	137,884
Total revenue from operations	4,197,136	3,162,807

Source: CCIL FY23 annual report

- Gross Margin increased from 69.1% in FY22 to 90.1% in FY23 due to a significant decrease in cost of sales from A\$1.3 million in FY22 to A\$0.3 million in FY23. We note this was due to a change in accounting methodology to better reflect actual business performance. CCIL previously accounted for its back-to-back agreement with Origin to sell Origin's ACCU's to the ERF, by increasing revenue and expenses by the same amount. CCIL no longer accounts for back-to-back revenue in its accounts due

to ACCU's not being the property or risk of CCIL. Additionally, CCIL restructured its project management arrangements in FY23 to further reduce costs.

- Administrative expenses increased from A\$0.1 million to A\$0.4 million and employee benefits increased from A\$0.2 million to A\$0.4 in FY23, following the appointment of Andrew McBain as Executive Director on 31 May 2022, Greg Harvey as non-executive director on 30 September 2022 and Paul Jensen as non-executive director on 28 September 2022 and chairman on 29 November 2023.

4.3.2. Financial Position

The table below illustrates the Company's audited consolidated statements of financial position for the last two financial years.

Consolidated statements of financial position A\$ unless otherwise stated	As at	30-Sep-22 Audited	30-Sep-23 Audited
Assets			
Cash and cash equivalents		2,444,967	1,938,900
Trade and other receivables		664,660	689,420
Prepay ments		28,982	37,714
Total current assets		3,138,609	2,666,034
Intangible assets		2,250,494	2,120,031
Inventories		17,630	17,630
Plant & Equipment		1,837	1,148
Total non-current assets		2,269,961	2,138,809
Total assets		5,408,570	4,804,843
Liabilities			
Trade and other payables		163,977	146,091
Employee benefits		-	25,327
Provision for income tax		277,254	120,847
Total current liabilities		441,231	292,265
Deferred tax liability		363,893	353,206
Total non-current liabilities		363,893	353,206
Total liabilities		805,124	645,471
Net assets		4,603,446	4,159,372

Source: CCIL FY23 annual report

In relation to the above, we note the following:

- The intangible assets represent the carrying value of forestry rights on the land. The Company's forestry and carbon rights are held separately from property, plant and equipment, and disclosed as intangible assets, which are valued at the original cost of the freehold less the sales proceeds. The forestry and carbon rights are then amortised over the useful life of 17.2 years. The reduction of c. A\$0.1 million in the carrying value in FY23 was a result of amortisation.

4.3.3. Cash flow

The Company's cash flow statement for the last two financial years.

Consolidated statements of cash flow A\$ unless otherwise stated	FY22 Audited	FY23 Audited
Cash flows from operating activities		
Receipts from customers	4,182,987	3,138,047
Payments to suppliers and employees	(1,756,522)	(1,285,631)
Income tax	(491,691)	(606,382)
Net cash inflow from operating activities	1,934,774	1,246,034
Cash flow from financing activities		
Dividends paid to shareholders	(849,137)	(1,752,101)
Net cash (outflow)/inflow from financing activities	(849,137)	(1,752,101)
Net increase / (decrease) in cash and cash equivalents	1,085,637	(506,067)
Cash and cash equivalents at the beginning of the financial year	1,359,330	2,444,967
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at year end	2,444,967	1,938,900

Source: CCIL FY23 annual report

4.3.4. Number of shares outstanding

As at the date of this Report, there are 173,647,045 ordinary shares on issue.

5. Valuation methodologies

5.1.1. Introduction

As discussed in Section 2, our fairness assessment involves comparing the Consideration of A\$0.0667 per CCIL Share to the fair market value of CCIL Shares on a control basis.

Grant Thornton Corporate Finance has assessed the value of CCIL using the concept of fair market value. Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.1.2. Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets (DCF Method).
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (“FME Method”).
- Amount available for distribution to security holders on an orderly realisation of assets (“NAV Method”).
- Quoted price for listed securities, when there is a liquid and active market (“Quoted Security Price Method”).
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this Report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.1.3. Selected valuation methods

In our assessment of the fair market value of CCIL, Grant Thornton Corporate Finance has primarily relied on the DCF Method. We believe the DCF Method is appropriate to value CCIL's assets due to the following:

- The revenue streams are supported by long term contracts and the majority of revenue is generated through the long term off-take agreements with BP and Origin.
- The DCF Method is one of the most commonly used methodologies for the valuation of companies operating with finite life projects and contracts. Specifically, for companies like CCIL, sequestration or carbon storage projects have a 25-year crediting period over which their projects generate credits.
- CCIL has a stable, predictable, and positive free cash flow in the foreseeable future.

Grant Thornton Corporate Finance has built a GT Model based on the high-level cash flow scenarios prepared by Management until FY39 and benchmarked with publicly available information.

Whilst we have investigated other valuation methodologies, we do not consider them appropriate due to the following reasons:

- Lack of publicly available information for listed companies or public transactions: There are no publicly listed companies in Australia whose operation or prevailing business structure is directly comparable to CCIL's current structure (i.e., CCIL is 10 years into the 25-year crediting period for the Projects). Further, we considered listed companies in other jurisdictions not comparable given the differences between regulatory environments of different jurisdictions, as well as the uniqueness in relation to CCIL's revenue model (i.e., the majority of revenue is supported by two energy oligopolies and all sovereign risks are passed onto CCIL's clients). We note the industry has been increasingly active in recent years. However, there is no directly comparable recent transaction with publicly disclosed value. We therefore consider FME Method inappropriate.
- Realisation of assets: We note that the Company i) holds forestry and carbon rights as intangible assets on balance sheet which are amortised over the life of the contracts with BP and Origin, ii) does not have any material net working capital and iii) does not have loans given or received post FY22. Further, we also understand from the Management that while CCIL initially purchased land, they sold the land between 2013 and 2020. We therefore consider the NAV method inappropriate which determines the amount available for distribution to security holders in an orderly realisation of assets.
- Unlisted public company: CCIL's shares are unlisted securities and not being traded in any liquid, active market. We therefore consider Quoted Security Price Method inappropriate.
- Recent genuine offers received by CCIL: The Company received interests from numerous parties regarding a strategic partnership or acquisition of CCIL or its assets. Of the publicly disclosed information, CCIL received an unsolicited takeover offer specifically in February 2024 and November 2021 for the acquisition of c. 19.6%³³ and 19.9%³⁴ respectively of CCIL's issued share capital priced at

³³ CCIL public announcement dated February 2024

³⁴ CCIL public announcement dated November 2021

A\$0.02³⁵ and A\$0.03³⁶ per share respectively. However, CCIL did not proceed with the unsolicited offers for certain reasons. We understand from the Management that a decision was taken based on a recent extensive process for potential sale opportunities undertaken by the Company last year and the Management considered that the prices of these unsolicited offers significantly undervalued the value of the Company's fully paid ordinary shares.

³⁵ Ibid.

³⁶ Ibid.

6. Valuation Assessment of CCIL Shares

6.1.1. GT Model

For the purpose of our valuation using the DCF Method, Grant Thornton Corporate Finance was provided with Management's Internal Projections up to FY39 which we have used to build the GT Model. Prior to using the Internal Projections for the purpose of our valuation assessment, Grant Thornton Corporate Finance has undertaken a critical review and consideration of the following:

- Historical financial performance of CCIL.
- Key industry risks, growth prospects and general economic outlook.

Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the GT Model are reasonable and appropriate to be adopted for the purpose of our valuation, we have not disclosed them in our IER as they contain commercially sensitive information and because we have not commissioned an Investigating Accountant Report ("IAR")³⁷. The assumptions adopted by Grant Thornton Corporate Finance do not represent projections prepared by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are subject to uncertainty and there is scope for differences of opinion, such that the value of CCIL could vary materially based on changes to certain key assumptions.

6.1.2. Key valuation assumptions

Total Revenue

As discussed in Section 4, CCIL is paid quarterly fees till the contracted period for managing the reforestation projects and offset reporting with majority of ACCUs generated allocated to Origin and BP with a minor share allocated to CCIL (i.e., till FY27 for Origin and till FY25 for BP with possible extension to FY30). Thereafter, all ACCUs generated by the Projects will be for CCIL's benefit and will be the basis of revenue through to FY39.

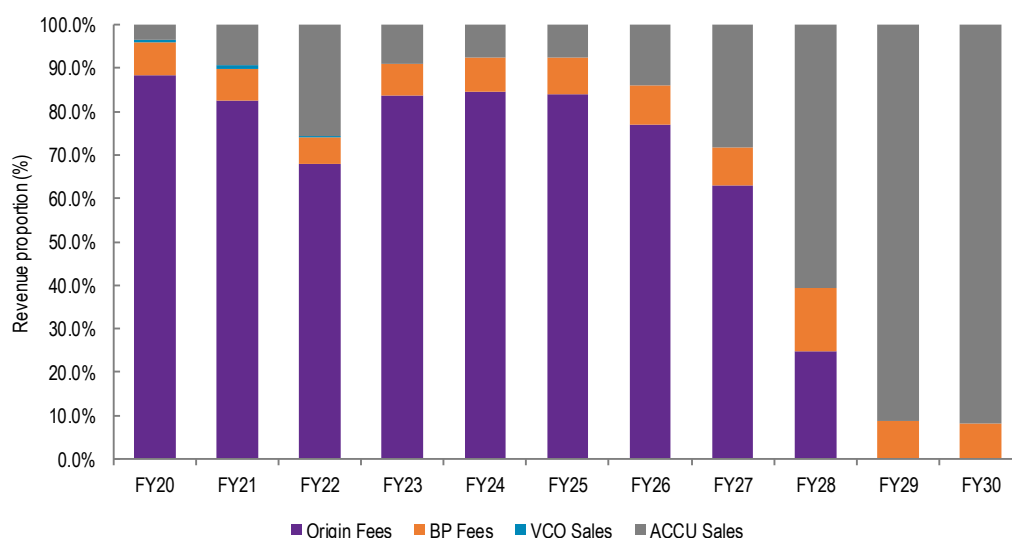
We note the following in relation to our key assumptions:

- Contracted revenue: CCIL receives carbon license and management fees based on carbon lots which were derived at the time of plantation during the period 2009-2012. For BP, we understand from the Management that CCIL only receives licence fees towards managing the project. Given the nature of the contracts, a constant flow of revenue is assumed from i) Origin with the contracted term ending in December 2027 and last revenue in Q1 FY28, and ii) BP with the contracted term ending in December 2025 with an assumption that BP will avail the option to extend the contract by 5 years. This extension is on account of the lower current productivity of the BP project vis-à-vis when the contract was initially struck, and with the advantages relating to ACCU, BP is assumed to roll over the contract till December 2030. Given the contractual nature, we consider the Management's revenue forecast to be reasonable.

³⁷ ASIC Regulatory Guide 170 "Prospective Financial Information" and RG111 require to commission an IAR if the Expert intends to disclose the actual projections used in the valuation in the IER

- **ACCU revenue:** Includes the revenue generated from the sale of ACCUs from the CFI project areas across the forecast period of FY24 to FY39. Whilst the ACCU revenue between FY31 to FY39 constitute 80.6% of the total ACCU revenue across the forecast period, it does not seem unreasonable given it is the primary revenue source post the contracted period (assuming BP will avail the option to extend the contract by 5 years) and the future trend of the ACCU prices. We have set out below the contracted revenue by segments from FY20 to FY30. From FY31 onwards, the volume of carbon credits are expected to gradually taper down towards the end of 2039 as the 25-year crediting period over which their Projects generate credits come to an end.

CCIL's revenue segments across the contracted period



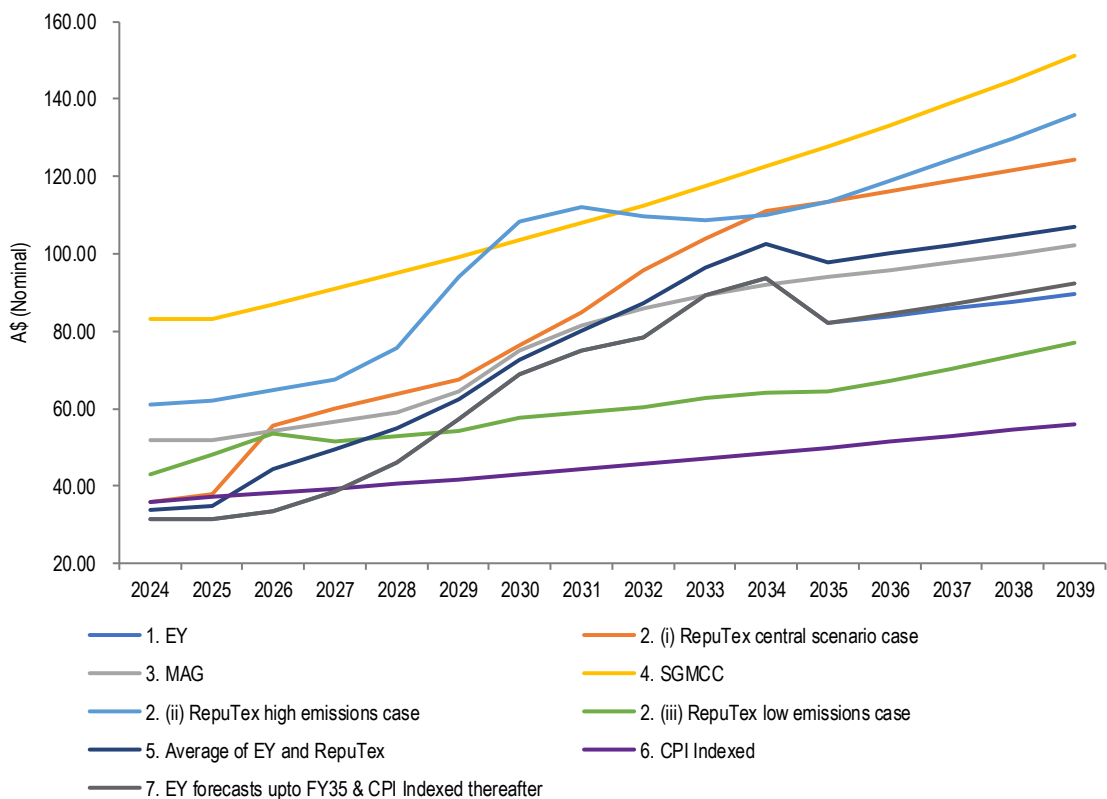
Source: CCIL Management

- **ACCU prices:** As discussed previously, the market has witnessed significant legislative changes, with more changes expected to come in the near term, which have created volatility in historical prices and uncertainties in relation to the future. Whilst there is consensus among market participants and analysts that prices will increase from the current level, there are wide range of predictions. The Active Carbon Neutral Certification or the Climate Active Certification introduced by the Australian Government in 2010 to recognise businesses and organisations that have achieved net zero emissions, had further minimum requirements published in June 2022. This certification has witnessed a significant uptake over the last year and is expected to significantly increase the demand for ACCUs given the certification does not permit one to buy other forms of carbon credits to offset their obligations. However, the number of businesses who are in the process of acquiring the certification is still unknown. Notwithstanding these changes, we understand that the Australian government is reassessing the way they are permitting the use of ACCUs, which could potentially affect the translation of the ACCU demand into the ACCUs supplied. Noting these changes and their significant impact, we consider the real impact on the ACCU price forecasts remain uncertain given the lack of historical data to predict the impact of the legislative changes. Overall, the market analysts expect an increase under all scenarios modelled, with ACCU prices at least set to double on account of the following:
 - Increased demand:** Driven by the legislative and regulatory changes, the demand for ACCUs is expected to increase albeit any delays encountered in delivering abatement or units could further escalate short-term ACCU prices.

- (ii) *Industry driven factors:* The business decisions of oil and gas producers, who contribute to c.35.0%³⁸ of the current total Safeguard Mechanism emissions, are expected to significantly impact market prices and volumes which would largely dictate ACCU prices. These business decisions involve strategic choices made by oil and gas producers that influence their emissions and the ACCU market. These can include production levels, technology investments, participation in carbon markets, and compliance strategies.
- (iii) *ACCU market driven factors:* The increasing interest in the ACCU market evidenced by secondary market transaction volumes in the ANREU and reported spot trade volumes, is expected to increase liquidity and therefore positively affect the ACCU prices.

Accordingly, while the ACCU prices are expected to increase, the ACCU price forecast across multiple market analysts is based only on a potential view of how these legislative changes may eventuate. Therefore, the extent of reliance on these market forecasts at this given point in time holds a significant degree of uncertainty. Specifically, relying on high ACCU forecast prices in the outer years could lead to financial risks if actual ACCU prices turn out to be lower and potential purchasers might be cautious due to the above mentioned factors such as price volatility, potential legislative changes, fluctuations in market demand and supply, and the inherent uncertainty associated with long-term forecasts. Nevertheless, we have analysed the nominal ACCU price forecasts across several providers as set out below.

Market analysts nominal ACCU price forecasts



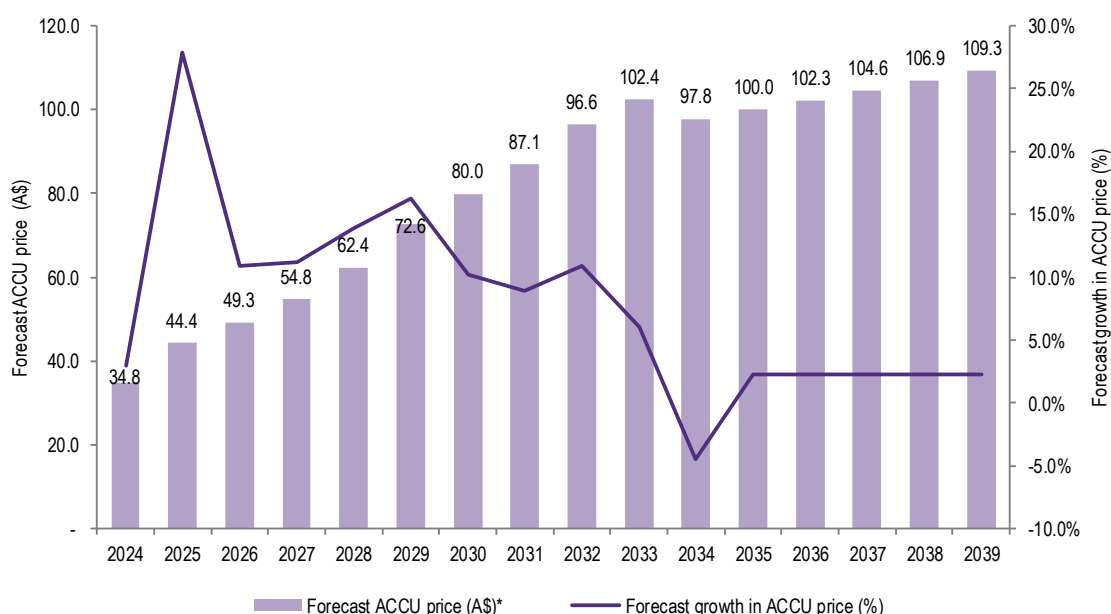
Source: EY, RepuTex, MAG, Management, DCCEEW.

³⁸ EY: Changing Gears: Australia's Carbon Market Outlook 2023 dated September 2023

Note: CCIL Management provided the market analysts' ACCU forecasts on both a real and nominal basis with specific CPI indexation assumptions. For the RepuTex (Generic) forecasts sourced from the Reputex Energy modelling report, we have applied the same CPI indexation assumptions to calculate nominal price forecasts.

The average nominal ACCUs price forecast of EY and RepuTex, whose price forecasts are also referenced and published by the DCCEEW, is outlined in the graph below.

Average nominal ACCU price forecast derived from EY and RepuTex



Source: Management, Australia's emissions projections 2023, DCCEEW report

- **Operating costs:** Operating costs have been estimated in line with the historical trend and the underlying contract agreement terms.
 - **Project management expenses:** These expenses pertain to managing Project 1 and Project 2 till the end of the crediting period.
 - **Major remap costs:** Another considerable cost that is estimated to impact the cash flows every 4 years is the major remap cost which is a hi-resolution aerial photo and analysis of all properties repeated at four-year intervals. We have estimated this cost factoring in the historical levels and increasing it in line with indexation to the CPI rate of c. 3.0% until FY36, assuming no major remap required in FY39, as it is the final year of the crediting period.
 - **Performance Guarantee (Alterra):** While the fee paid to Alterra for guaranteeing provision of services to Origin is based on a circumstance wherein Alterra would have to step in if CCIL is unable to provide the agreed services to Origin, under the circumstances of CCIL's takeover on a 100.0% basis, we have assumed that CCIL's payment towards the performance guarantee would continue per the contract terms, even if Sandon were to step in post Alterra's exit as a shareholder of CCIL. Furthermore, with the Takeover, the agreement requires that Sandon as the bidder will provide a bank guarantee of A\$3.0 million in favour of Origin which has costs associated with it.

- Other operating costs and administration expenses: We have adopted Management's expected operating expenses in the GT Model for the period between FY24 to FY39 which are forecast to grow by CPI (i.e., 3.0%).
- Synergies: In our fairness assessment, we have undertaken the valuation on 100.0% basis and accordingly, we have eliminated the costs associated with share registry and directors' fees.
- EBITDA margin: The EBITDA margins are expected to slightly improve from FY24 onwards on account of the savings recorded from lower project management expenses owing to a change in the service supplier. We note that average EBITDA margin over the historical period was 71.0% which averages to 71.7% in the forecast period.
- Depreciation and amortisation: We understand from the Management that between 2009-2012, when the forests were planted, an amount accumulated for forestry and carbon rights had to be amortised. The forestry and carbon rights are amortised over the period during which these rights produce economic benefits. These benefits arise from managing carbon plantations, fulfilling offtake contracts, and the ability to create ACCUs by providing offset reports to the CER. The CER has made a decision that applications for ACCUs are acceptable until December 2039.
- Tax rate: Based on the applicable Australian corporate tax rate, 25.0% has been assumed. We understand from the Management that CCIL does not have any carry forward tax losses.
- CPI: CCIL has applied a CPI rate of 3.0% to the management fees across the forecast period. Holding regard to the RBA's long term inflationary target of 2.0% to 3.0%, this rate seems reasonable.
- Capital expenditure: With respect to the plantation areas or lands, the responsibility of maintenance lies with the landowners and there is no capital expenditure for CCIL apart from a small-scale maintenance and replacement of water tank or piping at the most. Given the nature of the business, there is no ongoing capital expenditure for CCIL estimated for the business.
- Discount rate: We have adopted a discount rate between 10.0% to 11.7%. As stated in the aforementioned sections, due to the absence of direct comparable companies, we benchmarked a broad set of comparable companies within the industry in and outside Australia and additionally leveraged industry inputs published by Damodaran³⁹ for the purpose of computing the discount rate. We further added an additional risk premium of 2.0% to 2.5% to take into account the ACCU pricing and regulatory uncertainties. Refer to Appendix C for details.
- Cash balance: As at 31 March 2024, CCIL had a cash balance, comprising of cash and cash equivalents, of A\$1.7 million and a declared but unpaid dividend of A\$0.7 million which we have deducted from the cash balance.

³⁹ Damodaran, NYU Stern. Datasets dated January 2024.

6.1.3. Summary of values

We have set out below a summary of our valuation.

DCF Method - valuation summary A\$ '000	Section Reference	Low	High
Enterprise value on a control basis	6.1.3	12,532.1	13,914.9
Add: cash balance as at 31 March 2024 (net of dividends paid)	6.1.2	1,043.0	1,043.0
Equity value (control basis)		13,575.1	14,957.9
Number of outstanding shares ('000s) (fully diluted)	4.3.4	173,647.0	173,647.0
Value per share (control basis) (A\$ per share)		0.0782	0.0861

Source: GT Model, GTCF analysis

Our value range is broadly consistent with the average price forecast of EY and RepuTex whose price forecasts are also referenced and published by the Department of Climate Change, Energy, the Environment and Water and hence considered the most reputable sources. Refer to the executive summary for details.

7. Sources of information, disclaimer and consents

7.1. Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Executed MID.
- Annual reports / consolidated accounts of CCIL for FY20 to FY23.
- FY23 budget pack and minutes of Board meetings.
- Management Presentation and Projections.
- Press releases and announcements by CCIL.
- S&P Global / Capital IQ.
- Various industry and broker reports.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of CCIL.

7.2. Limitations and reliance on information

This report and opinion are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to provide an independent opinion as to whether the Takeover is fair and reasonable to the CCIL shareholders. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Takeover is fair and reasonable to the CCIL shareholders.

CCIL has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

7.3. Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Target Statement to be sent to CCIL shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows is discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the Company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the Company. The risk

attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Comparable trading company descriptions

Comparable Companies	
Company Name	Business Description
Base Carbon Inc.	Base Carbon Inc., together with its subsidiaries, engages in the provision of capital, development expertise, and management operating resources to projects involved primarily in voluntary carbon markets and the broader environmental markets. It engages with corporations, sovereign entities, academic institutions, and carbon reduction project developers to produce and commercialize verified carbon credits. The company was formerly known as 1287411 B.C. Ltd. and changed its name to Base Carbon Inc. in February 2022. Base Carbon Corp. is headquartered in Toronto, Canada.
Carbon Done Right Developments Inc.	Carbon Done Right Developments Inc., a carbon exploration and development company, develops validated and verified carbon credits from afforestation and reforestation of degraded land areas and marine ecosystems for sale into international voluntary carbon markets. The company was formerly known as Klimat X Developments Inc. and changed its name to Carbon Done Right Developments Inc. in February 2024. Carbon Done Right Developments Inc. was incorporated in 1963 and is headquartered in Vancouver, Canada.
Ostrom Climate Solutions Inc.	Ostrom Climate Solutions Inc. provides carbon management solutions in Canada, Europe, the United States, and internationally. It operates through Carbon Management and Innovation, Domestic Land Use, International Land Use, and Retail Offset Sales divisions. The company engages in the verified emission reduction units, as well as project development consulting services, and other environmental consulting services. It also provides climate advisory, clean technology and industrial innovation, and nature-based solutions. The company was formerly known as NatureBank Asset Management Inc. and changed its name to Ostrom Climate Solutions Inc. in December 2021. Ostrom Climate Solutions Inc. was incorporated in 2005 and is headquartered in Vancouver, Canada.
Alterra Limited	Alterra Limited engages in the origination, development, and management of agricultural land and water assets in Australia. Its flagship project is the Carpenters project, which covers an area of 200 hectares of avocado development located in Pemberton, Western Australia. The company was formerly known as Carbon Conscious Limited and changed its name to Alterra Limited in March 2016. Alterra Limited was incorporated in 2008 and is based in Perth, Australia.
LGI Limited	LGI Limited provides carbon abatement and renewable energy solutions with biogas from landfill. The company operates through Renewable Energy, Carbon Abatement, and Infrastructure Construction and Management segments. It offers greenhouse gas abatement solutions. In addition, the company operates and maintains biogas extraction infrastructure and flaring systems. Further, it provides renewable energy related services. Additionally, the company is involved in wells, well head manifolds, surface pipework, and mainline pipes related activities. LGI Limited was incorporated in 2009 and is based in Eagle Farm, Australia.

Source: S&P Global

Appendix C – Discount rate

The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided.

Since market value is premised on a current transaction between willing parties, industry specific estimates relative to capital structure, required return on equity, and required yield on interest bearing debt are utilised.

The formula for calculating the WACC is:

$$\text{WACC} = (K_e * W_e) + (K_d * (1-t) * W_d)$$

Where:

K_e = Cost of equity

W_e = Equity weight (value of equity divided by invested capital)

K_d = Cost of debt

t = Effective tax rate

W_d = Debt weight (value of debt divided by invested capital)

Given CCIL's capital structure, which is entirely equity-based, the cost of debt does not factor into the computation of the WACC.

The derivation of each of the inputs into the model is described in the following sections.

Cost of equity

The cost of equity was estimated using a model known as the capital asset pricing model ("CAPM"). We have considered financial data for similar firms in the industry to provide an estimate of the required return that an equity holder would require for its investment.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio,

they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market – it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (R_e) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f) + SRP$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- $(R_m - R_f)$ = market risk premium
- SRP = Specific Risk Premium

Risk free rate – 4.4%

In the absence of an official risk-free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. For the purpose of our valuation assessment, we have assumed the cash flow period is to end in FY39 given the 25-year crediting period of CCIL's projects. Accordingly, while we have had regard for the observed historical yield on the 10-year Australian Government bond over several intervals as set out below, we have adopted a more current view and have relied upon the prevailing spot yield of 4.432% on the 10-year Australian Government bond.

Australia Government Debt - 10 Year			
Valuation Date: April 23, 2024	Low	High	Average
Previous 5 trading days	4.26%	4.39%	4.33%
Previous 10 trading days	4.13%	4.39%	4.26%
Previous 20 trading days	3.98%	4.39%	4.19%
Previous 30 trading days	3.98%	4.39%	4.19%
Previous 60 trading days	3.96%	4.39%	4.17%
Previous 1 year trading	3.31%	4.96%	4.13%
Previous 2 years trading	2.99%	4.96%	3.97%
Previous 3 years trading	1.05%	4.96%	3.00%
Previous 5 years trading	0.60%	4.96%	2.78%
Previous 10 years trading	0.60%	4.96%	2.78%

Source: S&P Global, GTCF analysis

Market risk premium – 6.0%

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk-free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of up to 100 years suggest a risk premium between 6.0% and 8.0% for the Australia markets.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.0%.

Equity Beta – 0.60 to 0.80

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

Grant Thornton Corporate Finance has observed the betas of the comparable listed companies of CCIL by reference to the local index of each company (based on country of domicile) over 5 years based on monthly observations as this best represents the beta over a longer term.

It should be noted that the betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations, it is important to assess their

commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for companies operating in the renewable energy industry, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected company are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable company, a process commonly referred as de-gearing. We then recalculate the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (re-gearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the de-gearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- β_e = Equity beta
- β_a = Asset beta
- t = corporate tax rate

The betas are de-gearred using the average historical gearing levels of those respective companies over several years and then re-gearred based on an optimal capital structure. In determining the appropriate capital structure, we have had regard to the current capital structure of CCIL and its comparable companies. We note that CCIL had no debt in their books since FY22 and based on the gearing ratios of the comparable companies, we have assumed a target gearing ratio of 15.0% to 20.0% for the purposes of re-gearing the asset beta.

Based on the above, the ungeared asset betas for the comparable companies for CCIL are set out in the table below:

Beta analysis	Market cap	Equity	R-squared	Gearing	Ungeared	Adopted
Company	Country	A\$m	Beta	Ratio	Beta	Beta
Base Carbon Inc.	Canada	40.1	0.34	0.02	0.3%	0.33
DGB Group N.V.	Netherlands	5.8	0.46	0.02	111.1%	0.25
Carbon Done Right Developments Inc.	Canada	5.2	0.63	0.02	35.6%	0.50
Ostrom Climate Solutions Inc.	Canada	8.8	4.20	0.10	10.5%	3.90
LGI Limited	Australia	233.3	0.44	0.08	2.6%	0.43
Low						0.25
Median						0.38
Average						0.38
High						0.50

Source: S&P Global and GTCF analysis

Note: Equity betas are calculated using data provided by S&P Global as at 23 April 2024 (Contemporaneous betas). The betas are based on a five-year period with monthly observations and based on the local index.

In our beta assessment, we additionally leveraged the industry beta between 0.54 and 0.71 for the Environmental & Waste Services and Green & Renewable Energy segments specific to Australia, New Zealand and Canada published by Damodaran as at January 2024.

Overall, for the purposes of our valuation assessment, we have selected an equity beta range of between 0.60 and 0.80 to calculate the required rate of return on equity capital.

Company specific risk premium – 2.0% to 2.5%

While CCIL is backed by contracted revenues, we have assumed a specific risk premium of 2.0% to 2.5% to account for uncertainties relating to the ACCU prices and any factors leading to not delivering project ACCUs such as environmental risks such as fire events or a risk in the change in underlying methodology owing to regulatory driven requirements.

Furthermore, we understand from the Management that for any reforestation project that is a carbon farming project, the area on which carbon abatement must achieve is at least 20.0% canopy cover. There is an operational production risk element if CCIL does not make the minimum canopy cover. This risk is based on the ongoing reporting requirements during the reassessment period for reporting the carbon estimation area to the CER.

Tax Rate –25.0%

For the purpose of our valuation assessment, we have adopted an effective tax rate over the life of the model of 25.0%, which is the lower company tax applied to companies classified as a base rate entity within Australia.

WACC calculation

Based on the analysis above, the cost of capital for CCIL has been derived below:

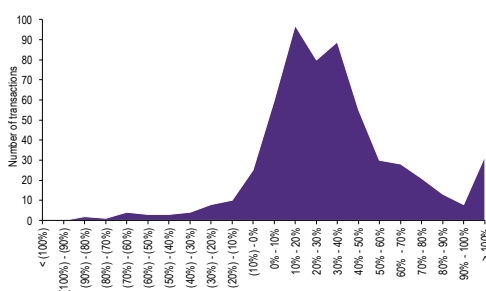
WACC calculation	Low	High
Cost of equity		
Risk free rate	4.4%	4.4%
Beta	0.60	0.80
Market risk premium	6.0%	6.0%
Specific risk premium	2.0%	2.5%
Cost of equity	10.0%	11.7%
Cost of debt		
Cost of debt (pre tax)	0.0%	0.0%
Tax	25.0%	25.0%
Cost of debt (post tax)	0.0%	0.0%
Capital structure		
Proportion of debt	0%	0%
Proportion of equity	100%	100%
WACC (post tax)	10.0%	11.7%

Source: S&P Global, GTCF analysis

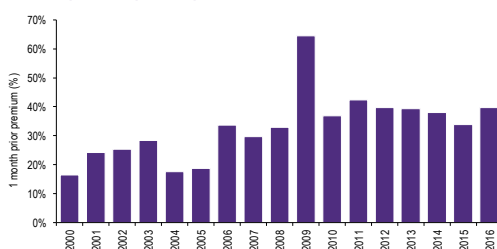
Appendix D – Premium for control study

Evidence from studies indicates that premium for control on successful takeovers has frequently been in the range of 20.0% to 40.0% in Australia, and that the premium vary significantly for each transaction.

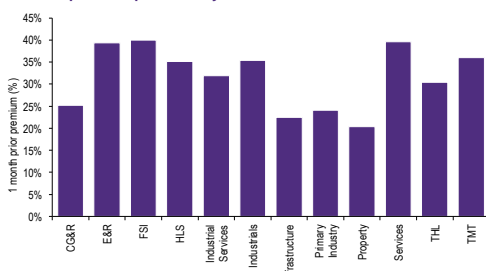
1 Month Prior Control Premium



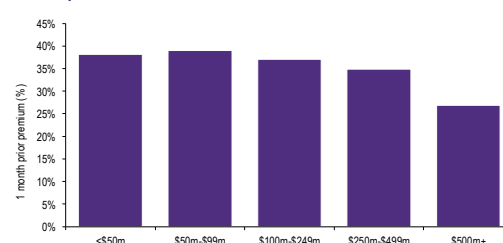
Control premium per completion date



Control premium per industry



Control premium and size



	Control premium
Average	34.33%
Median	29.34%

Source: GTCF analysis.

Appendix E – Glossary

A\$	Australian Dollar
ACCU	Australian Carbon Credit Units
ACCUAM	ACCU Asset Management Pty Ltd.
Alterra	Alterra Limited
ANREU	Australian National Registry of Emission Units
APES	Accounting Professional & Ethical Standards
APES 225	Professional Standard APES 225 Valuation Services
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Bidder	Sandon Capital Investments Limited
Board	The Directors of CCIL
BP	BP Technology Ventures Limited
Capex	Capital Expenditure
CAPM	Capital Asset Pricing Model
CFI Projects	Carbon Farming Initiative projects
Consideration	A\$0.0667 per CCIL Share
CO ₂	Carbon Dioxide
Corporations Act	Corporations Act, 2001
CCIL or the Company	Carbon Conscious Investments Limited
CCIL Forecast	The long-term cash flow projections prepared by the Management of CCIL
CCIL Shareholder or Shareholder	CCIL non-associated shareholders
CCIL Shares	Outstanding ordinary shares of CCIL
CER	The Clean Energy Regulator. CER is responsible for administering legislation that will reduce carbon emissions and increase the use of clean energy.
CPA	Carbon Plantation Agreement
CPI	Consumer Price Index
DCF	Discounted Cash Flow
DCF Method	Discounted Cash Flow and the estimated realisable value of any surplus assets
EBITDA	Earnings before, interest, tax, depreciation and amortisation
ERF	Emissions Reduction Fund
ESG	Environmental, Social and Governance
FME Method	Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets
FSG	Financial Services Guide
FullCAM	Full Carbon Accounting Model
FUM	Funds under management
FYxx	12-month financial year ended 30 September 20xx
GDP	Gross Domestic Product
GST	Goods and Services Tax
GT Model	Financial model prepared by GTCF, projecting the post-tax free cash flows of CCIL based on the CCIL Forecast.
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
HIR	Human-induced regeneration
IBC	Independent Board Committee
IER or Report	Independent Expert Report

IAR	Investigating Accountant Report
MAG	Market Advisory Group
Management	Senior management and directors of CCIL
MID	Merger Implementation Deed
NA	Not Available
NAV Method	Amount available for distribution to security holders on an orderly realisation of assets
NM	Not Meaningful
NSW	New South Wales
NWC	Net Working Capital
Origin	Origin Energy Electricity Limited
p.a.	Per annum
Project 1	Carbon Conscious Carbon Capture Project 1
Project 2	Carbon Conscious Carbon Capture Project 2
Takeover or Offer	Takeover bid in which Sandon would acquire all the issued and outstanding ordinary shares of CCIL not owned by Sandon and Sandon Capital for A\$0.0667 per share.
Quoted Security Price Method	Quoted price for listed securities when there is a liquid and active market
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
Sandon	Sandon Capital Investments Limited
Sandon Capital	Sandon Capital Pty Ltd
SCAF	Sandon Capital Activist Fund
Valuation date	23 April 2024
VCO	Voluntary Carbon Offset
WACC	Weighted Average Cost of Capital