



ACN 129 035 221

NOTICE OF GENERAL MEETING

The General Meeting of the Company will be held at
Level 9, 150 St Georges Terrace, Perth WA 6000,
Western Australia on 28 June 2024 at 10am (WST).

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

The Independent Expert has concluded that the Disposal the subject of Resolution 1 of the Meeting is not fair but reasonable to non-associated Shareholders.

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

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

NOTICE OF GENERAL MEETING

Notice is hereby given that the general meeting of Shareholders of Alterra Limited (**Company**) will be held at Level 9, 150 St Georges Terrace, Perth, Western Australia on 28 June 2024 at 10am (WST) (**Meeting**).

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

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company at 10am (WST) on 26 June 2024.

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

AGENDA

1. Resolution 1 - Disposal of CCIL Shares

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

“That, under and for the purposes of ASX Listing Rules 10.1 and for all other purposes, approval is given for the disposal by the Company of 100% of its interest in Carbon Conscious Investments Limited to Sandon Capital Investments Limited, on the terms and conditions set out in the Explanatory Statement.”

A voting prohibition statement and voting exclusion statement apply to this Resolution. Please see below.

Short Explanation:

Sandon Capital Investments Limited (ACN 107 772 467) (ASX:SNC) (**Sandon**) and Carbon Conscious Investments Ltd (ACN 629 272 037) (**CCIL**) have entered into a Merger Implementation Deed (**MID**) for a recommended conditional off-market takeover offer pursuant to which Sandon will offer to acquire all the issued and outstanding ordinary shares of CCIL (each a **CCIL Share**) not owned by Sandon and Sandon Capital Activist Fund (another fund managed by Sandon Capital Pty Ltd) for \$0.0667 in cash for every CCIL Share held (**Offers**).

In connection with the Offers, the CCIL Board established an Independent Board Committee (**IBC**) comprising Mr Andrew McBain and Mr Jonathan Trollip to assess Sandon’s proposal. The Company notes that as Mr Paul Jensen and Mr Greg Harvey are Directors of both the Company and CCIL, both Mr Jensen and Mr Harvey recused themselves from the process.

The Company holds 15% of CCIL Shares. Sandon holds 26.1% of the Shares in the Company.

The Company has acknowledged that the CCIL Shares held by the Company constitute a ‘substantial asset’ for the purposes of ASX Listing Rule 10.2, as the value of the Company’s CCIL Shares is greater than 5% of the Company’s equity interests as set out in the Company’s Annual Report for the financial year ended 30 September 2023 (valued at \$1,151,046).

Pursuant to Listing Rule 10.1, the Company intends to accept the Offer in the absence of a superior offer, and to dispose of its 15% interest in CCIL to Sandon (**Disposal**). The disposal of the Company’s CCIL Shares is therefore subject to approval by Shareholders in accordance with Listing Rule 10.1.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report included at Annexure A of this Notice of Meeting, prepared by the Independent Expert for the purposes of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the Disposal the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert has determined that the Disposal is not fair but reasonable to the non-associated Shareholders.

Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the resolutions set out below by or on behalf of Sandon (or any of its associates), Mr Paul Jensen, Mr Greg Harvey or any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

2. Resolution 2 - Removal of the Company from the Official List of the ASX

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

“That, for the purposes of Listing Rule 17.11, and for all other purposes, the Company be removed from the Official List on a date to be decided by the ASX and the Directors be authorised to do all things reasonably necessary to give effect to the removal of the Company from the Official List.”

BY ORDER OF THE BOARD

Mr Steve Ledger
Company Secretary

Dated: 30 May 2024

EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Level 9, 150 St George Terrace, Perth, Western Australia on 28 June 2024 at 10.00am (WST).

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

All votes taken at the Meeting will be taken on a poll.

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

2. Action to be taken by Shareholders

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

2.1 Voting in person

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

2.2 Voting by corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. Written proof of the representative's appointment (including any authority under which it is signed) must be lodged with, or presented to the Company before the Meeting.

2.3 Proxies

(a) Voting by proxy

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

Please note that:

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

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

(b) Proxy vote if appointment specifies way to vote

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

- (i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (ii) if the proxy has two or more appointments that specify different ways to vote on the resolution - the proxy must not vote on a show of hands;
- (iii) if the proxy is the Chairman of the Meeting at which the resolution is voted on - the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (iv) if the proxy is not the Chairman - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

(c) Transfer of non-Chairman proxy to Chairman proxy in certain circumstances

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

- (i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a Meeting of the Company's members;
- (ii) the appointed proxy is not the Chairman of the Meeting;
- (iii) at the Meeting, a poll is duly demanded on the resolution; and
- (iv) either the proxy is not recorded as attending the Meeting or the proxy does not vote on the resolution,

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

(d) Chairman's voting intentions

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

3. RESOLUTION 1 - DISPOSAL OF CCIL SHARES

3.1 Background

As announced by the Company on 15 April 2024, Sandon Capital Investments Limited (ACN 107 772 467) (ASX:SNC) (**Sandon**) and Carbon Conscious Investments Ltd (ACN 629 272 037) (**CCIL**) have entered into a Merger Implementation Deed (**MID**) for a recommended conditional off-market takeover offer pursuant to which Sandon will offer to acquire all the issued and outstanding ordinary shares of CCIL (each a **CCIL Share**) not owned by Sandon and Sandon Capital Activist Fund (another fund

managed by Sandon Capital Pty Ltd) for \$0.0667 in cash for every CCIL Share held (**Offers**).

CCIL is an unlisted public company that holds carbon property rights with respect to 30 farms in the Western Australian wheatbelt covering nearly 17,000 hectares of land. CCIL manages large scale projects registered with the Clean Energy Regulator that generate Australian Carbon Credit Units.

As an unlisted public company, CCIL shareholders are not able to sell their CCIL shares on ASX or any other securities exchange. The Offers presents an opportunity for CCIL shareholders to dispose of their CCIL shares.

The Company holds 15% of CCIL Shares.

Sandon is a substantial holder of the Company and is a registered holder of 26.1% of the Shares in the Company.

Pursuant to Listing Rule 10.1, the Company intends to accept the Offer in the absence of a superior offer, and to dispose of its 15% interest in CCIL to Sandon (**Disposal**).

The Company has acknowledged that the CCIL Shares held by the Company constitute a ‘substantial asset’, as the value of the Company’s CCIL Shares is greater than 5% of the Company’s equity interests as set out in the Company’s Annual Report for the financial year ended 30 September 2023 (valued at \$1,151,046). The disposal of the Company’s CCIL Shares is therefore subject to approval by Shareholders in accordance with Listing Rule 10.1.

The material terms of the MID as agreed between Sandon and CCIL are set out below:

| | |
|---------------------------|--|
| Transaction | Transaction means the proposed acquisition by Sandon of CCIL Shares under the off-market bid (Bid) by Sandon, as constituted by the Offers. |
| Exclusivity Period | Exclusivity Period means the period commencing on the date of the MID and ending on the first to occur of: <ul style="list-style-type: none"> a) the date on which the MID is terminated; b) the date the offer closes; c) the date on which the Offers are withdrawn by Sandon in accordance with Section 652B of the Corporations Act; and d) 30 June 2024 (End Date). |
| Offer Conditions | During the Exclusivity Period, Sandon and CCIL agree that: <ul style="list-style-type: none"> a) if they become aware of the occurrence of any fact or circumstance which, either individually or together with other facts or circumstances of which they are aware, will cause any of the Offer Conditions to be breached or not satisfied or to become incapable of satisfaction (Relevant Circumstance), they will promptly give the other party written notice including details of the Relevant Circumstance; b) they will use best endeavours to ensure that the Offer Conditions are satisfied as soon as |

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| | <p>practicable and none of the Offer Conditions are breached or not satisfied or become incapable of satisfaction; and</p> <p>c) they will not do or omit to do, or cause to be done or not done, anything which will or is likely to result in any of the Offer Conditions being breached or not satisfied or becoming incapable of satisfaction.</p> <p>CCIL must ensure that:</p> <p>a) at all times during the offer period, the aggregate cash balances in CCIL's bank accounts remains above \$750,000; and</p> <p>b) during the period commencing on the date that Sandon delivers the notice under section 630(3) of the Corporations Act, and ending on the closing date of the Offer, the aggregate cash balance(s) in CCIL's bank account(s) remain a minimum of \$900,000.</p> |
| <p>Change to CCIL Board</p> | <p>CCIL must use its best endeavours to procure that, as soon as practical upon both Sandon having a relevant interest of at least 50.1% of CCIL's Shares and the Offers becoming unconditional (Relevant Conditions):</p> <p>a) it appoints nominees of Sandon to the CCIL Board so that Sandon nominees represent a majority of the CCIL board of directors;</p> <p>b) all CCIL directors but Mr Paul Jensen and Mr Andrew McBain resign as directors of CCIL; and they each confirm in their written resignations that they have no outstanding claims against CCIL (subject to any existing entitlements or benefits payable on termination or retirement and any such claims arising between the date of the MID and the date on which Sandon requests that they resign, and for the avoidance of doubt, without prejudice to their rights under existing deeds of access and indemnity and director's and officer's insurance policies); and</p> <p>c) each CCIL director does everything reasonably within their power to give effect to the reconstitution of the CCIL board of directors in accordance with Sandon's reasonable wishes and applicable laws and subject to such persons signing consents to act as a director of the relevant entity and providing those consents to CCIL.</p> |
| <p>No-shop restriction</p> | <p>During the Exclusivity Period, CCIL must not, and must ensure that none of its representatives:</p> <p>a) solicit, invite, directly or indirectly, enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a competing proposal; or</p> <p>b) communicate to any person an intention to do any of the things referred to in (a) above.</p> |

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| <p>No-talk restriction</p> | <p>During the Exclusivity Period, CCIL must not, and must ensure that none of its representatives:</p> <ul style="list-style-type: none"> a) directly or indirectly participates in or continues any discussions or negotiations with a third party; b) provides or makes available any information to a third party (including by way of providing information and access to perform due diligence); c) enters into any agreement, arrangement or understanding with a third party; or d) communicates to a third party any intention to do any of these things, <p>in relation to, or which:</p> <ul style="list-style-type: none"> e) may reasonably be expected to lead to, a competing proposal; or f) may reasonably be expected to otherwise lead to the Transaction not being implemented. <p>CCIL and its representatives may undertake any action that would otherwise be prohibited by the MID in relation to an actual or reasonably expected to be bona fide competing proposal which was not solicited by it and was not otherwise brought about as a result of any breach by it of its obligations under the MID where the IBC, acting in good faith, determines after having taken advice from CCIL’s legal and financial advisers, that not undertaking that act would be likely to involve a breach of the fiduciary duties owed by any CCIL director or would otherwise be unlawful and the competing proposal is more favourable to CCIL shareholders than the Transaction, taking into account all the terms and conditions of the competing proposal including whether it is capable of being valued and completed on a timely basis and including having regard to legal, regulatory and financial matters, including any conditions precedent.</p> |
| <p>Termination</p> | <p>The obligations of CCIL and Sandon under the MID terminate on the earlier of:</p> <ul style="list-style-type: none"> a) end of the Exclusivity Period; and b) the date the CCIL board of directors has withdrawn the recommendation in the circumstances contemplated in the MID. <p>Either CCIL or Sandon may terminate this MID by written notice to the other party at any time before the end of the Exclusivity Period if:</p> <ul style="list-style-type: none"> a) the other party is in material breach of any provision of the MID, the party wishing to terminate has given written notice to the other party setting out the relevant circumstances and stating an intention to terminate, and the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 5.00pm on the day before the end of the Exclusivity Period) from the time the notice is given; |

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| | <ul style="list-style-type: none"> b) a Court or Regulatory Body has taken any action permanently restraining or otherwise prohibiting the Transaction, and the action or refusal has become final and cannot be appealed; or c) the Offer lapses without the Offer Conditions being fulfilled, satisfied or waived. |
| Sandon termination rights | <p>Sandon may terminate the MID by written notice with immediate effect to CCIL if:</p> <ul style="list-style-type: none"> a) during the Exclusivity Period, a competing proposal is recommended, endorsed or otherwise supported by the IBC or CCIL Board; b) other than in circumstances where ASIC or a Court makes a decision that any CCIL director is unable to make the recommendation, any CCIL director: <ul style="list-style-type: none"> (i) publicly withdraws or adversely changes in any way; or (ii) makes any public statement inconsistent with, the recommendation c) a person other than Sandon or any of its subsidiaries or associates holds 20% or more voting power in CCIL and does not accept the Offer before the termination of the MID; or d) an Offer Condition: <ul style="list-style-type: none"> (i) is not satisfied or waived by the date specified for its satisfaction; or (ii) becomes incapable of being satisfied by the date specified for its satisfaction and is not waived. e) during the Exclusivity Period, a CCIL shareholder increases its relevant interest in CCIL Shares above 10% |
| CCIL termination rights | <p>CCIL may terminate the MID by written notice with immediate effect to Sandon if during the Exclusivity Period:</p> <ul style="list-style-type: none"> a) a superior proposal is recommended or endorsed by the IBC; b) the independent expert appointed by CCIL concludes that the Bid is not fair and not reasonable; or c) Sandon withdraws the Bid or applies to ASIC for consent to withdraw unaccepted Offers under the Corporations Act. |

Resolution 1 seeks Shareholder approval for the disposal of the Company's CCIL Shares in accordance with Listing Rule 10.1.

3.2 Consideration

Sandon has agreed to pay \$0.0667 per CCIL Share held by the Company. The Company currently holds 26,085,403 CCIL Shares. The sale proceeds will be \$1,739,896.38 (Sale Proceeds).

As disclosed to the market on 22 April 2024 the Company increased its loan facility with NAB by \$500,000 (**Loan Facility**). The Company intends to apply a portion of the Sale Proceeds towards the Loan Facility and the remainder towards general working capital expenses.

3.3 Commercial Reasoning for the Disposal

The Company considers that the CCIL Shares held by the Company are non core assets.

Following the termination of the asset management contract on 19 October 2022 the Company is not actively involved with CCIL, other than as a shareholder and performance guarantor.

The Company's focus is very much on developing the Carpenters assets and the sale of non core assets allows for liquidity to further develop the Carpenters asset which is in line with the Company's strategy.

3.4 Independent Expert's Report

Listing Rule 10.5.10 requires a notice of meeting containing a resolution to approve a transaction under Listing Rule 10.1 to include a report on the Disposal from an independent expert.

The Independent Expert's Report prepared by Grant Thornton Corporate Finance (**Independent Expert**) (a copy of which is attached as Annexure A to this Notice) sets out a detailed independent examination of the Disposal to enable non-associated Shareholders to assess the merits and decide whether to approve Resolution 1. The Independent Expert has concluded that the Disposal the subject of Resolution 1 is **not fair but reasonable** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

3.5 Indicative timetable

The Company anticipates the Disposal will be implemented in accordance with the following timetable:

| Event | Date |
|---------------------------------------|---------------|
| ASX announcement of the Disposal | 15 April 2024 |
| Dispatch of Notice of General Meeting | 30 May 2024 |
| Date of General Meeting | 28 June 2024 |
| Completion of Disposal | 1 July 2024 |

The above dates are indicative only and are subject to change at the Board's discretion in accordance with the Corporations Act and ASX Listing Rules.

3.6 Advantages

The Directors consider that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Disposal:

- (a) **Alterra's business strategy and requirement for funding**

The sale of the CCIL Investment to Sandon under the Transaction presents an opportunity to realise a non core asset in return for cash.

The Company has and continues to face difficulties in raising funds to carry out its strategy for its core activities.

The Company requires funding to meet its ongoing operational and working requirements and to fund project development and other activities associated with the Carpenters Project. The cash proceeds from the sale of the Company's CCIL Shares represents a source of funds that can be redeployed to provide liquidity, aiding in Alterra's financial recovery and growth.

(b) Uncertainties on future ACCU prices

CCIL's near to medium term revenue is primarily derived from its contractual offtake agreements. However, these contracts 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 Offer represents an opportunity for CCIL Shareholders to resolve the underlying uncertainty over the future prices of CCIL Shares arising from a number of confounding factors.

(c) The Offer is a binding offer, representing a full sale process undertaken

The Transaction is the only binding offer that CCIL has received over the last 24 months which is capable to provide liquidity to the CCIL Shareholders and an exit opportunity.

(d) CCIL shares are not listed, reducing liquidity

CCIL Shares are not publicly quoted on the ASX or any other public market. Hence, opportunities for the Company to readily sell their shares or buy additional shares in CCIL are limited in the absence of the Transaction or alternative transactions. The Offer represents an opportunity for liquidity for the Company's CCIL Shares.

(e) The offer price includes a controlling element which may not be available if shares were sold for a non controlling interest

The sale of the Company's CCIL Shares under the terms of Transaction provides Alterra not only the opportunity for liquidity, but also an opportunity to obtain a controlling price for its minority parcel of shares that it would most likely not obtain from a sale in the absence of the Offer or any superior one.

(f) The risk of CCIL becoming a controlled entity of Sandon, making minority shareholders more illiquid

The advantage of approving the disposal of the Company's CCIL Shares in the Transaction is the avoidance of the risk that the Company becomes a locked-in minority in CCIL.

(g) CCIL has reduced fundraising ability due to its unlisted status

CCIL's status as an unlisted public company also limits its 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.

(h) **There is a risk of potential slow-down of Australian economy that could adversely affect CCIL**

The overall slowing economy could cause an adverse impact on all sectors including the carbon farming industry.

(i) **No brokerage or stamp duty costs**

Alterra will be able to realise its CCIL Shares without incurring any brokerage or stamp duty costs.

3.7 Disadvantages

The Directors consider that the following may be relevant to a Shareholder's decision on how to vote on the Disposal.

(a) **ESG Investment Opportunity**

If the Transaction proceeds, the Company will forego the opportunity to participate in any future upside of CCIL.

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 Offer, should Shareholders approve the disposal of the Company's CCIL Shares, Alterra will miss out on one of the key, market-tested, ESG investment opportunities.

4. RESOLUTION 2 - REMOVAL OF THE COMPANY FROM THE OFFICIAL LIST OF THE ASX

4.1 Background

As announced on 22 May 2024, the Company has applied to ASX to be removed from the Official List pursuant to Listing Rule 17.11 (**Delisting**).

As is its usual practice, ASX has imposed a requirement under Listing Rule 17.11 and Guidance Note 33 *Removal of Entities from the ASX Official List*, that the Delisting be approved by a special resolution of Shareholders (**Delisting Approval**).

Resolution 2 seeks Shareholder approval by way of special resolution for the Delisting under and for the purposes of the Listing Rules.

For note, a special resolution is a resolution requiring at least 75% of votes cast by shareholders present and eligible to vote at the meeting in favour of the resolution.

4.2 Delisting Conditions

ASX has advised the Company that its removal from the Official List is also subject to compliance with the following conditions:

- (a) the Company seeking approval from its shareholders for the purpose of ASX Listing Rules 10.1 for the Disposal (sought pursuant to Resolution 1) before the resolution in relation to removal of the Company from the Official List of ASX is put to its shareholders (being this Resolution 2);
- (b) this Notice must include:
 - (i) the time and date at which the Company will be removed from ASX if that approval is given;
 - (ii) a statement to the effect that the Delisting will take place no earlier than one month after Delisting Approval is granted;
 - (iii) a statement to the effect that if shareholders wish to sell their securities on ASX, they will need to do so before the Company is removed from the Official List of ASX, and if they do not, details of the processes that will exist after the Delisting to allow holders to dispose of their holdings and how they can access those processes; and
 - (iv) include, to ASX's satisfaction, the information prescribed in section 2.11 of Guidance Note 33;
- (c) the Delisting must not take place any earlier than one month after security holder approval has been obtained so that security holders have at least that period to sell their securities on ASX should they wish to do so;
- (d) the Company applying for its securities to be suspended from quotation at least two (2) business days before its proposed removal date; and
- (e) the Company releasing the full terms of ASX's decision to the market immediately (as noted above the Company released an announcement in relation to the Delisting on 22 May 2024),

(together with the Delisting Approval, the **Delisting Conditions**).

The Board considers that it is in the best interests of the Company and Shareholders for the Company to be removed from the Official List of ASX for the reasons set out in Section 3.4 of this Explanatory Statement.

In accordance with condition (a) above, the Company seeks approval for the Delisting on a date to be decided by the ASX and advises that the removal will take place no earlier than one month after Resolution 2 is passed. The Company has satisfied condition (d) above by releasing the full terms of ASX's decision in the announcement made to the ASX on 22 May 2024.

Subject to satisfaction of the above conditions, the Company expects to be removed from the Official List after market closes on 29 July 2024 (**Removal Date**).

4.3 Listing Rule 17.11

Listing Rule 17.11 provides that the ASX may at any time remove an entity from the Official List at the request of the entity. The ASX is not required to act on the entity's request or may require conditions to be satisfied before it will act on the request. The ASX has approved the Company's request for Delisting, subject to the satisfaction of the Delisting Conditions.

4.4 Reasons for seeking Delisting

The primary reasons the Board has decided to remove the Company from the Official List are as follows:

(a) **Fundraising difficulties**

The Company requires funding to meet its ongoing operational and working requirements and to fund project development and other activities associated with the Carpenters Project. However, since 2022, the Company has experienced significant fundraising difficulty and has not benefited from being a listed entity in this sense.

The Company has one primary project, an Avocado Orchard, located in the South West of Western Australia. The project was initially planned to be 300Ha following successful execution of a lease in excess of this area. This was subsequently reduced to 200Ha due to an inability to raise the amount of capital required to execute the development plan. At the moment, the company has only been able to secure funding to develop and maintain 100Ha. The next phase is for an additional 45Ha, followed by another 55Ha. The funding required to develop this next phase is from new investors. Based on preliminary discussions, new investors have indicated they are unlikely to fund the project in a listed environment as the corporate costs associated are not required for an investment of this type.

Because of the limited support for the Company's previous capital raisings in December 2023, June 2022 and May 2021, the Company has been required to seek funds from outside the ASX. However, this is impeded by the Company's low market capitalisation.

The Company has also been reliant on funding from directors/management and major shareholders such as Penagri Holdings Pty Ltd, Penagri Group Pty Ltd and Sandon Group.

Of a total of \$1.393m in funds raised in the previous 6 months, directors/management have been responsible for approximately \$643K with the balance being funded by three (3) major shareholders only. The funding that the Company has received from major shareholders has been integral to the Company's ability to continue to achieve its objectives. However, the Company recognises that such reliance on directors, management and major shareholders, without shareholder support for capital raisings, is unsustainable moving forward.

The Company is already experiencing difficulties associated with the lack of equity. At the Carpenters Project, for example, development of stage 4 (45Ha) has not yet commenced because a substantial injection of equity (and accompanying debt) is required prior to doing so.

(b) **Lack of Liquidity**

As at the date of this Notice, the Company has approximately four (4) members holding 704,179,708 shares of 862,146,446 total shares. There has been a significant lack of liquidity in trading in the Company's shares on ASX, as evidenced by the following statistics:

| Month | Days traded | Number of Shares Traded | Value of Shares Traded |
|------------|-------------|-------------------------|------------------------|
| April 2024 | 8 | 4,764,488 | 20,792 |

| | | | |
|----------------|----|-----------|--------|
| March 2024 | 15 | 6,961,913 | 31,648 |
| February 2024 | 7 | 1,177,031 | 7,065 |
| January 2024 | 8 | 3,297,187 | 20,898 |
| December 2023 | 10 | 4,462,285 | 28,296 |
| November 2023 | 9 | 2,041,975 | 16,335 |
| October 2023 | 11 | 1,819,717 | 12,738 |
| September 2023 | 6 | 3,542,392 | 21,254 |
| August 2023 | 9 | 9,980,174 | 79,841 |
| July 2023 | 12 | 7,356,588 | 80,922 |
| June 2023 | 9 | 2,099,007 | 23,089 |
| May 2023 | 10 | 4,688,604 | 56,263 |

Recent trading history shows notably low volume trading in the Company's shares on ASX.

(c) Disproportionate impact on price

As only small numbers of the Company's shares are being traded on ASX, this has on occasion had a disproportionate impact on the share price. A low value trade or a trade in a small number of Company shares could have a marked impact on the official ASX market price, and there is a risk that a trade of only a few Company Shares could cause the reported price to change significantly as some recent trades have proved. This potential volatility could make it difficult for investors to make an accurate assessment of the actual value of their Company Shares and increase exposure to a person effecting trades with the intention of manipulating the reported price.

(d) Listing Costs

As at the date of this Notice, the Company has cash reserves of less than \$711K. The Board estimates that costs attributable to the Company's ASX listing are approximately \$500K per annum. In addition, there are indirect costs associated with the need to devote management time attending to matters relating to the ASX listing. The Board believes that the funds used to maintain the Company's ASX listing, together the management time, could be directed toward the ongoing focus and development of the Company's projects if the Company is delisted from the ASX, in particular where the Company sees little tangible benefit from being a listed company at present.

4.5 Advantages of Delisting

As set out in Section 4.4 above, the Company requires funding to meet its ongoing operational and working requirements.

The Delisting will provide the Company flexibility to seek third party funding on more attractive terms to help the Company to continue operations on an ongoing basis in the short to medium term. Access to third party funding will also increase the Company's ability to progress to its intermediate term goals and operations, which progress is currently limited due to being underfunded.

As referred to in Section 4.4, the Delisting will also reduce the ASX listing costs associated with the Company's business, which provides opportunity for capital to be directed elsewhere in the Company.

4.6 Potential disadvantages of Delisting

The potential disadvantages of Delisting include:

(a) **Shareholders will no longer have the ability to sell their securities on ASX**

After the Company is removed from the Official List of ASX, its Shares will no longer be quoted on ASX and will no longer be traded on the ASX. Shareholders will only be able to sell the Shares via off-market private transactions in accordance with the Company's Constitution. Security holders who wish to sell their securities after the Company is delisted will need to find a buyer for their securities and complete a standard off-market transfer form and provide it to the Company's share registry for processing. After the Delisting, the Directors will continue to assess appropriate measures to enable Shareholders to realise the value of their investment in the Company.

(b) **The Company will not be able to raise capital from public listed equity capital markets**

After the Company is removed from the Official List of ASX, it will be unable to raise capital from public listed equity capital markets (assuming that the Company does not seek or achieve an alternative listing). Unlike a listed public company, an unlisted public company generally does not have the ability to raise capital from the issue of securities in reliance on a limited disclosure fundraising document because its shares are not quoted on a prescribed financial market. If the Company wishes to raise capital following its removal from the Official List of ASX, this will be by way of an offer of shares pursuant to a prospectus or a privately negotiated investment transaction and issuance of ordinary shares or other securities to the investor(s). Any placement made by the Company as an unlisted company may involve certain restrictions on selling those shares after they have been issued. However, as noted above, the Company has experienced significant and increasing difficulty raising funds on attractive terms and has not benefited from being a listed entity in this sense.

(c) **The Listing Rules will no longer apply**

The Listing Rules will no longer apply to the Company and shareholder protections contained in the Listing Rules will no longer apply, including certain restrictions on the issue of Shares by the Company, certain restrictions in relation to transactions with persons in a position of influence and the requirement to address the ASX Corporate Governance Principles and Recommendations on an annual basis.

4.7 Consequences of the Delisting

The consequences of the Delisting include the following:

(a) **Inability to trade the Company's shares on ASX**

If the Company is unlisted, Shareholders will no longer have the ability to buy and sell shares in the Company on the ASX. This means that there will no longer be a readily accessible market and mechanism to buy and sell the Company's shares. Shares will only be able to be sold by way of private transaction. There will be difficulties finding a buyer for Shares if Shareholders wish to sell them.

There are also restrictions under the Corporations Act on a potential buyer's ability to make unsolicited offers to buy Shares from a Shareholder (section 1019C and following). These requirements for example, impose an obligation on a potential purchaser in an unlisted context to provide a fair estimate of the value of the Shares and an explanation of the basis on which that estimate was made.

(b) Removal of ASX Listing Rules Protection

The ASX Listing Rules will cease to apply to the Company once delisted and Shareholders will not have the benefit of protections inherent in the ASX Listing Rules. These include restrictions relating to:

- (i) disclosures on issuing of Shares and other Securities (Listing Rule 3);
- (ii) ASX corporate governance principles (Listing Rule 4); and
- (iii) making significant changes to the nature or scale of the Company's activities (Listing Rule 11).

However, Shareholders will continue to have the protections applicable to public companies under the Corporations Act.

While the Company continues to have in excess of 100 Shareholders, the Company will be an 'unlisted disclosing entity' for the purposes of the Corporations Act, and will therefore remain subject to the continuous disclosure provisions in section 675 of the Corporations Act, which require an entity to lodge certain material information with ASIC.

The Company will also continue to be subject to obligations to prepare audited annual and half-yearly financial statements under Part 2M.3 of the Corporations Act and will be required to hold an Annual General Meeting at least once each calendar year and within five months after the end of its financial year in accordance with section 250N of the Corporations Act. Moreover, Shareholders will continue to receive the benefit of the protections under Chapter 6 of the Corporations Act (for so long as the Company has 50 shareholders or more).

(c) Restriction on Public Capital Raising

If the Company is not listed on the ASX, it will not be able to raise funds on the ASX. As set out in section 3.4 above, the Company is already experiencing difficulty in raising funds on the ASX. The Company will, however, be able to raise funds through the issue of Shares to existing or new Shareholders, subject to compliance with Chapter 6 of the Corporations Act.

4.8 Special majority Resolution

Resolution 2 is being put to Shareholders as a special majority resolution and will therefore be passed only if at least 75% of the votes cast on a poll by Shareholders at the Meeting who are entitled to vote on Resolution 2 are cast in favour of the Resolution.

4.9 Indicative timetable

If Resolution 2 is passed, the Company will be able to proceed with the Delisting and will be removed from the Official List on a date to be decided by the ASX in consultation with the Company (**Delisting Date**).

The indicative timetable for the removal of the Company from the Official List (and assuming the special resolution is passed by Shareholders at the Meeting) is:

| Date | Event |
|--------------|---|
| 28 June 2024 | Hold de-listing Meeting |
| 26 July 2024 | Apply for suspension of 1AG's shares (as required by ASX) |
| 29 July 2024 | Removal from official list of ASX |

*Dates are indicative only and subject to change by the Company or ASX

4.10 Shareholder arrangements

As announced on 24 April 2024, the Company has completed the minimum holding share buy-back of Shares announced on 6 March 2024.

The Company confirms that the Delisting will not take place any earlier than one month after Shareholder approval has been obtained so that Shareholders have at least that period to sell their securities on ASX should they wish to do so.

4.11 Shareholder remedies available

The Corporations Act provides for protections and remedies that shareholders may pursue in the event that the delisting occurs and they consider it to have been contrary to the interests of the shareholders as a whole or oppressive, unfairly prejudicial or discriminatory to a member or members. Further, the Takeovers Panel may prevent the removal if it considers it to involve "unacceptable circumstances". These remedies are described in more detail below:

(a) **Part 2F.1 - Member's rights and remedies**

If a Shareholder considers the proposed delisting to be contrary to the interests of the Shareholders as a whole or oppressive to, unfairly prejudicial to, or unfairly discriminatory against a Shareholder or Shareholders, it may apply to the court for an order under Part 2F.1 of the Corporations Act. Under section 233 of the Corporations Act, the court can make any order that it considers appropriate in relation to the Company, including an order that the Company be wound up or an order regulating the conduct of the Company's affairs in the future.

(b) **Part 6.10 Division 2 Subdivision B - Unacceptable circumstances**

If a Shareholder considers the proposed Delisting involves "unacceptable circumstances", it may apply to the Takeovers Panel for a declaration of unacceptable circumstances and other orders under Part 6.10 Division 2 Subdivision B of the Corporations Act (refer also to Guidance Note 1: Unacceptable Circumstances issued by the Takeovers Panel). Under section 657D of the Corporations Act, if the Takeovers Panel has declared circumstances to be unacceptable, it may make any order that it thinks appropriate to protect the rights or interests of any person or group of persons, where the Takeovers Panel is satisfied that those rights or interests are being affected, or will be or are likely to be affected, by the circumstances.

4.12 Technical information required by Listing Rule 14.1A

If Resolution 2 is passed, the Company will be able to proceed with the Delisting and the consequences outlined in Section 4.7 will occur.

If Resolution 2 is not passed, the Company will not be able to proceed with the Delisting and the challenges the Company is currently experiencing (as described in Section 3.4 above) will continue.

4.13 Directors' recommendation

The Directors recommend that Shareholders vote in favour of Resolution 1. The Directors advise that they intend to vote all shares controlled by them as at the date of the Meeting in favour of Resolution 2.

Schedule 1 - Definitions

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

\$ means Australian Dollars.

ASX means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors of the Company.

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

Company or Alterra means Alterra Limited ACN 129 035 221.

Constitution means the constitution of the Company as at the date of the Meeting.

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

Delisting has the meaning given in Section 3.1.

Delisting Conditions has the meaning given in Section 3.1.

Director means a director of the Company.

Equity Security has the same meaning as in the Listing Rules and **Equity Securities** has the corresponding meaning.

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

Listing Rules means the listing rules of ASX.

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

Notice means this notice of general meeting.

Official List means the Official List of the ASX.

Proxy Form means the proxy form attached to the Notice.

Removal Date has the meaning given in Section 3.2.

Resolution means a resolution referred to in the Notice.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Securities means any Equity Securities of the Company (including Shares, Options and Performance Rights).

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

Shareholder means a shareholder of the Company.

Trading Day has the same meaning as in the Listing Rules.

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

Annexure A - Independent Expert Report

Alterra Limited

Independent Expert's Report and Financial Services Guide

29 May 2024

Summary of Opinion

Grant Thornton Corporate Finance has concluded that the disposal of Alterra's CCIL Investment to Sandon as part of the Offer is NOT FAIR BUT REASONABLE to the Non-Associated Alterra Shareholders.



Grant Thornton

An instinct for growth™

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Australia

29 May 2024

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Dear Independent Directors

Introduction

Alterra Limited (“Alterra” or “the Company”) is an ASX-listed Australian company focussed on agricultural land and water assets in Western Australia. Alterra primarily focuses on its flagship, project, The Carpenter’s Project, a c. 200-hectare avocado orchard that, once developed, will be one of the biggest standalone avocado projects in Australia. In January 2019, Alterra demerged the carbon sequestration business into Carbon Conscious Investment limited (“CCIL”), a public unlisted company and it retained a c. 15.02% interest in CCIL (“CCIL Investment”) equivalent to 26.09 million ordinary shares.

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. CCIL’s core business is to generate Australian Carbon Credit Units (“ACCUs”) from established reforestation projects registered with the Emission Reduction Fund (“ERF”). 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” or “the Bidder¹”), with funds under management (“FUM”) of A\$146.7 million², is a listed investment company which directly holds 17.0% of CCIL and a 26.1% interest in Alterra, as at 15 April 2024.

¹ Including its associates.

² As at 31 March 2024

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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 the Bidder will offer to acquire all the issued and outstanding ordinary shares of CCIL (“CCIL Shares”) it does not already own for a cash consideration of 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 a number of conditions including the Bidder having a relevant interest of at least 50.1% (by number) of the CCIL Shares.

Subject to approval by its members in a general meeting, Alterra announced on 15 April 2024 that it intends to accept the Offer in relation to its CCIL Investment in the absence of a superior proposal.

The Directors of Alterra (“Directors”) unanimously recommend Alterra shareholders to vote in favour of the resolution to approve the Offer, subject to the positive recommendation of an Independent Expert.

Purpose of the report

The Directors of Alterra have requested Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”, “Grant Thornton”, or “GTCF”) to prepare an independent expert’s report (“IER” or “Report”) stating whether the disposal of its CCIL Investment to Sandon as part of the Offer is fair and reasonable to the Alterra shareholders whose votes in favour of the transaction will not be disregarded under ASX Listing Rule 14.11 (“Non-Associated Alterra Shareholders”) for the purposes of Chapter 10 of the ASX Listing Rules.

ASX Listing Rule 10.1, Transactions with related parties (“ASX LR 10.1”), is relevant because the Bidder is a substantial security holder of Alterra (i.e. one having 10.0% or more of the issued capital at the time of accepting the Offer), and the Consideration represents more than 5.0% of the equity interests of Alterra.

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”). The IER also includes other information and disclosures as required by ASIC.

For the avoidance of the doubt, this IER is not prepared for the purpose of the resolutions in the Notice of Meeting or the Information Memorandum other than resolution 2 for the disposal of CCIL shares. Grant Thornton Corporate Finance has not been engaged by Alterra to form an opinion on any other resolutions, including the delisting of Alterra from the ASX.

Grant Thornton Corporate Finance has been separately engaged by CCIL to prepare an IER in connection with the Takeover to accompany CCIL’s Target Statement in accordance with Section 640 of the Corporations Act (“CCIL IER”). CCIL has provided written authorisation to Grant Thornton Corporate Finance to use the information it provided to us for that purpose for also preparing this IER.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the disposal of Alterra's CCIL Investment to Sandon as part of the Offer is NOT FAIR BUT REASONABLE to the Non-Associated Alterra Shareholders in the absence of a superior proposal.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the disposal of Alterra's CCIL Investment is fair and reasonable to the Non-Associated Alterra 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 disposal of CCIL Investment to Sandon as part of the Offer, Grant Thornton Corporate Finance has compared the fair market value per share of Alterra's interest in the CCIL on a control basis with the Consideration of A\$0.0667 per CCIL share. Whilst the shares held by Alterra in CCIL do not represent a controlling interest, they are to be sold as part of a change of control transaction of CCIL, so we are of the opinion that it is appropriate to consider Alterra's CCIL Investment to form part of that change in control.

The following table summarises our fairness assessment:

| DCF Method - valuation summary A\$ '000 | Section Reference | Low | High |
|---|----------------------|-----------------|----------------|
| Value per share (control basis) assessed by GTCF (A\$ per share) | 6 | 0.0782 | 0.0861 |
| Number of CCIL outstanding shares held by Alterra ('000s) | | 26,047 | 26,047 |
| Fair market value of Alterra's Interest in CCIL assessed by GTCF [A] | | 2,036.3 | 2,243.7 |
| Offer value per share for CCIL (A\$ per share) | 1 | 0.0667 | 0.0667 |
| Number of CCIL outstanding shares held by Alterra ('000s) | | 26,047 | 26,047 |
| Offer value for CCIL Investment [B] | | 1,737.3 | 1,737.3 |
| Premium/(discount) (%) [(B-A)/A] | | (14.7%) | (22.6%) |
| FAIRNESS ASSESSMENT | | NOT FAIR | |

Source: GTCF analysis

The Consideration for Alterra's CCIL Investment falls below our assessed valuation range of the CCIL Investment on a control basis. Accordingly, we conclude that the disposal of the CCIL Investment to Sandon as part of the Offer is **NOT FAIR** to the Non-Associated Alterra Shareholders.

The value per share of CCIL adopted for the fair market value of Alterra's CCIL Investment on a control basis is the same value per share of CCIL that Grant Thornton Corporate Finance has assessed in the CCIL IER. Our valuation assessment of CCIL is based on 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).

Valuation assessment of CCIL – DCF Method

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 discrete forecast periods. 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 for CCIL are in relation to ACCU prices, risk of

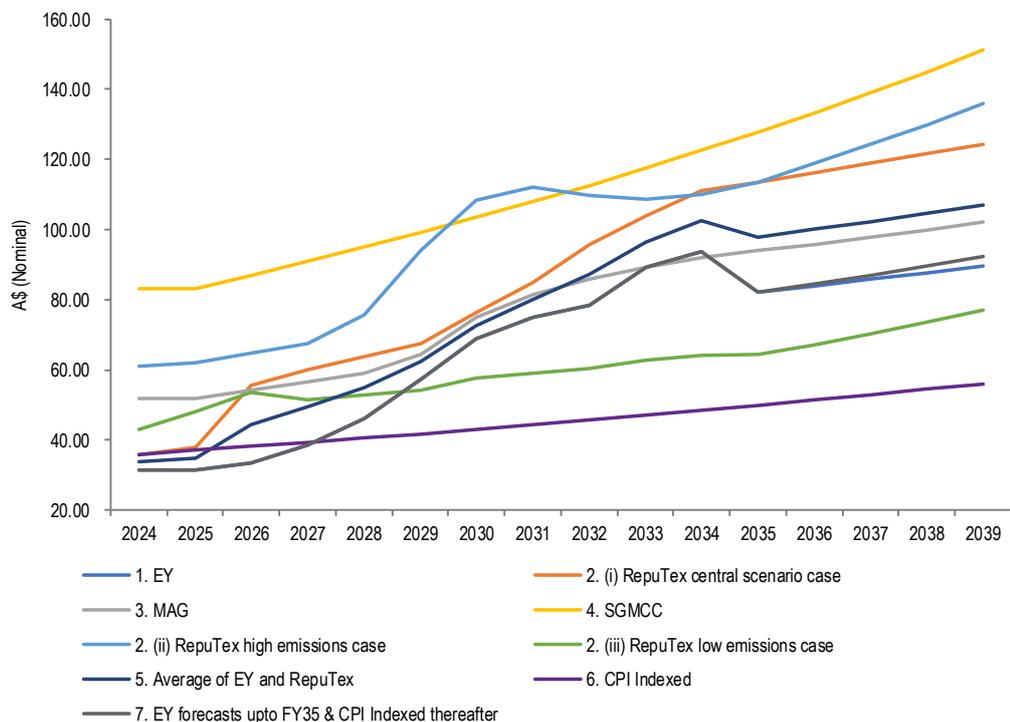
regulatory changes and business interruption. Whilst there is consensus among market participants and analysts that ACCU prices will increase from the current level, there are wide range of predictions. Given the uncertainties in relation to future prices, in our valuation assessment, we have considered a number of scenarios based on different prices 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 Mechansim 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

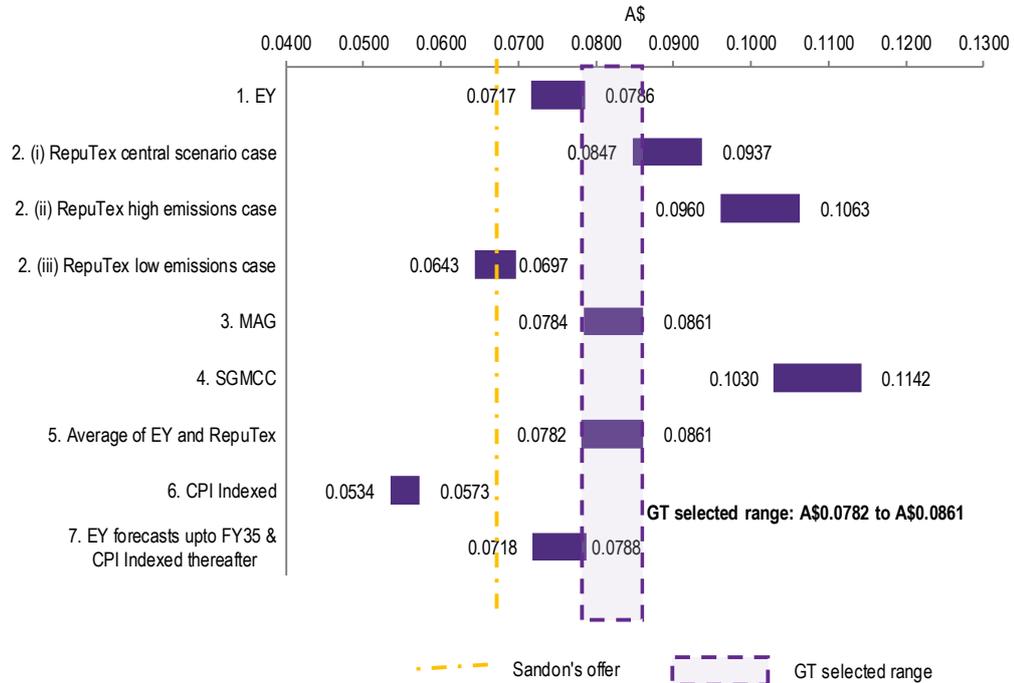


Source: EY, RepuTex, MAG, Management, DCCEEW.

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 prices 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 sale of the CCIL Investment to Sandon as part of the Offer, we have assessed the following advantages, disadvantages and other factors.

Advantages

Alterra's business strategy and requirement for funding

The sale of the CCIL Investment to Sandon under the Takeover presents an opportunity to realise a non-core asset in return for cash. This is particularly relevant for Alterra as it requires funding to meet its ongoing operational and working requirements and to fund project development and other activities associated with the Carpenters Project. As set out in the Notice of Meeting and Explanatory Memorandum, whilst Alterra has pursued capital raisings in May 2021, June 2022, and December 2023, the pace of development of the Carpenters Project has been slowed down to attenuate the up-front funding requirements whilst market conditions are subdued. The disposal of the CCIL Investment to Sandon is expected to generate cash proceeds of c. A\$1.7 million (before transaction costs and tax – if any) which is equivalent to c. 50.0% of the market capitalisation of A\$3.4 million³. If Alterra was required to raise the same amount of cash on the share market, assuming it was capable of doing so, it is likely that would be highly dilutive for Alterra Shareholders.

We also note that Alterra has significant external debt of A\$3.7 million⁴ with National Australia Bank Limited ("NAB") which is fully drawn. The cash proceeds from the sale of the CCIL Investment represents a source of funds that can be redeployed to provide liquidity or assist with the servicing of the debt facility.

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 ACCUs 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 ACCUs 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

⁴ Effective from 19 April 2024, the existing NAB loan facility of A\$3.7 million has been temporarily increased for 60 days by A\$0.5 million.

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

CCIL 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%⁵ and 19.9%⁶ respectively of CCIL's issued share capital priced at A\$0.02⁷ and A\$0.03⁸ per share respectively. These unsolicited offers were considered to significantly undervalue the CCIL's fully paid ordinary shares and they were materially below the Offer.

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

The Takeover is the only binding offer that CCIL 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 is significant and binary for CCIL Shareholders, including Alterra. 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 CCIL's projects derive ACCUs. The risk of further regulatory and policy changes is amplified for Alterra Shareholders because CCIL's Project 1 and Project 2 have finite lives. The combination of these factors presents potentially binary outcomes for Non-Associated Alterra 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.

⁵ CCIL public announcement dated February 2024

⁶ CCIL public announcement dated November 2021

⁷ Ibid.

⁸ Ibid.

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 of CCIL shares

CCIL Shares are not publicly quoted on the ASX or any other public market. Hence, opportunities for Alterra 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 Alterra's CCIL Investment.

Controlling price for CCIL shares

The sale of Alterra's CCIL Investment under the terms of Sandon's Offer provides Alterra not only the opportunity for liquidity, but also an opportunity to obtain a controlling price for its minority parcel of shares that it would most likely not obtain from a sale in the absence of the Offer or any superior one.

The risk of CCIL becoming a controlled entity of the Bidder

If the Offer becomes unconditional, any dissenting 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 CCIL to be able to pass ordinary resolutions of CCIL 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.

The advantage of approving the disposal of Alterra's CCIL Investment in the Takeover is the avoidance of the risk that Alterra becomes a locked-in minority in CCIL.

Fundraising capacity

CCIL's status as an unlisted public company also limits its 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 2023⁹. The overall slowing economy could cause an adverse impact on all sectors including the carbon farming industry.

⁹ Statement on Monetary policy, published by RBA date February 2024

No brokerage or stamp duty costs

Alterra will be able to realise its CCIL Investment without incurring any brokerage or stamp duty costs.

Disadvantages

Subject to the Takeover being declared unconditional and Non-Associated Alterra Shareholders approving the disposal of Alterra's CCIL Investment, Alterra will forego the opportunity to participate in any future upside of CCIL 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 Offer, should Non-Associated Alterra Shareholders approve the disposal of its CCIL Investment, Alterra 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 GBP64.90¹⁰ 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

The sale of Alterra's CCIL Investment is at an arm's length price

As set out in our fairness assessment above, in our opinion, the sale of Alterra's CCIL Investment is not fair because the consideration is less than our assessment of the fair market value of the CCIL shares on a controlling basis and represents a discount to our assessed fair market value. The existence of the discount is, however, not unique to Alterra's CCIL Investment and is a feature of the consideration offered to all CCIL Shareholders and is therefore on the same basis irrespective of any association between the Bidder and Alterra. Accordingly, in our view, the fairness of the sale of Alterra's CCIL Investment is not a matter of itself that carries with it any related party risk and can be viewed as a market price in its own right. As noted elsewhere, a transaction may still be reasonable even if it is not fair due to the balance of advantages over disadvantages of accepting it which we discuss above.

¹⁰ UK Department for Energy Security & Net Zero 2024 penalty price is based on average market trading prices

Implications if the Offer does not become unconditional or the disposal is not approved

If the Offer does not become unconditional or the sale of the CCIL Investment is not approved by Non-Associated Alterra Shareholders, it would be the current Directors' intention to continue operating Alterra in line with its stated strategy and objectives and continue to seek opportunities to dispose of Alterra's interest in CCIL.

Directors' recommendations

The Directors unanimously recommend the Non-Associated Alterra Shareholders to vote in favour of the resolution to approve the Offer, subject to the positive recommendation of an Independent Expert.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion, on balance, that the disposal of the CCIL Investment to Sandon as part of the Offer is **REASONABLE** to Non-Associated Alterra Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded the disposal of the CCIL Investment to Sandon as part of the Offer is **NOT FAIR BUT REASONABLE** to the Non-Associated Alterra 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 Alterra 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 BUTTERFIELD
DIRECTOR

Financial Services Guide

1 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 Alterra to provide general financial product advice in the form of an independent expert's report in relation to the sale of CCIL Investment to Sandon as part of the Offer in accordance with ASX Listing Rules. This report is included in the notice of meeting and explanatory memorandum of Alterra.

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 the Report, Grant Thornton Corporate Finance will receive from Alterra 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 Alterra 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 Alterra (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Offer, other than the preparation of this report.

Grant Thornton Corporate Finance has been separately engaged by CCIL to prepare an IER in connection with the Takeover to accompany CCIL’s Target Statement in accordance with Section 640 of the Corporations Act (“CCIL IER”). CCIL has authorised Grant Thornton Corporate Finance to use the information it provided to us for that purpose for also preparing this IER.

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 Transaction. 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 General Meeting 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 Offer

1.1. Overview of the Offer

On 12 April 2024, CCIL and Sandon announced that they had entered into a MID under which Sandon would acquire all remaining shares in CCIL by way of a takeover bid for a cash consideration of A\$11.6 million, equivalent to A\$0.0667 per share.

Subject to obtaining the requisite approvals and subject to the Offer becoming unconditional, Alterra intends to sell its CCIL Investment to Sandon under the Offer.

1.2. Conditions and key terms of the Offer

The Offer 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 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 date 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

Chapter 10 of the ASX Listing Rules

This Independent Expert Report is to accompany a notice of general meeting and explanatory memorandum to be sent to Non-Associated Alterra Shareholders in relation to the acquisition of CCIL shares from a Substantial Shareholder to comply with the requirements of ASX Listing Rule 10 *Transactions with Related Parties*.

ASX Listing Rule 10.1 regulates the purchase or acquisition of substantial assets from, among other groups, related parties and substantial shareholders and requires the entity to obtain approval from non-associated shareholders before the entity can purchase or acquire substantial assets from related parties or substantial shareholders. ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5.0% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX ("Substantial Asset"). Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest or had a relevant interest at any time in the six months before the Offer, in at least 10.0% of the voting power of the company.

Sandon owns c. 26.1% interest in Alterra and therefore meets the definition of a substantial securityholder for the purposes of the ASX Listing Rule 10.2.

Under the terms of Sandon's takeover offer of \$0.0667 per CCIL share, the sale consideration for Alterra's CCIL Investment would amount to c. A\$1.74 million. This exceeds 5% of the equity interest as set out in the latest accounts given to the ASX and the CCIL shares owned by Alterra therefore are a substantial asset of Alterra for the purposes of the ASX Listing Rule 10.2.

Under ASX Listing Rule 10.5.10, the notice of meeting for non-associated shareholders to approve a transaction regulated under 10.1 must include a report on the transaction by an independent expert which states the expert's opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes in favour of the transaction are not to be disregarded under listing rule 14.11, which we describe as the non-associated shareholders.

Accordingly, Alterra has requested Grant Thornton Corporate Finance to prepare an independent expert's report stating, whether in its opinion the sale of Alterra's CCIL Investment to Sandon, under its offer to all CCIL Shareholders, is fair and reasonable to the Non-Associated Alterra Shareholders.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting to approve the related party transaction must display prominently an expert's opinion as to whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded.

2.2. Basis of assessment

Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of independent experts reports and RG76 in relation to related party transactions. RG76 largely refers to RG111 in relation to the approach to related party transactions.

RG 111 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" in the context of a takeover offer. RG 111 also regulates IERs prepared for related party transactions in clauses 52 to 63. RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG111 clause 56 states the following:

RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions (RG 76) at RG 76.106–RG 76.111 for further details).

Accordingly, in the consideration of the disposal of Alterra's CCIL Investment, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages for the Non-Associated Securityholders.

RG 111 notes that a related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
- Reasonable, if it is fair, or, despite not being fair, after considering other significant factors, Securityholders should vote in favour of the disposal of Alterra's CCIL Investment.

We have assessed the fairness of the disposal of Alterra's CCIL Investment by comparing our opinion of the fair market value of Alterra's interest in CCIL with the fair market value of the consideration that Alterra will receive should the disposal of Alterra's CCIL Investment be approved.

In considering whether the disposal of Alterra's CCIL Investment is reasonable to the Non-Associated Alterra Shareholders, we have considered a number of factors, including:

- Whether the disposal of Alterra's CCIL Investment is fair.
- The implications to Non-Associated Alterra Shareholders if the disposal of Alterra's CCIL Investment is not approved.
- Other likely advantages and disadvantages associated with the disposal of Alterra's CCIL Investment as required by RG111.
- Other costs and risks associated with the disposal of Alterra's CCIL Investment that could potentially affect Non-Associated Securityholders.

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 disposal of Alterra's CCIL Investment with reference to RG 112 issued by ASIC.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the disposal of Alterra's CCIL Investment 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 CCIL to prepare an IER in relation to the Takeover by Sandon, who is Alterra's largest shareholder holding 26.1%, for inclusion in CCIL's Target Statement to be sent to all CCIL Shareholders.

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 disposal of Alterra's CCIL Investment.

In our opinion, Grant Thornton Corporate Finance is independent of CCIL and its Directors, and all other relevant parties of the disposal of Alterra's CCIL Investment.

2.4. Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting dated on or around May 2024 in which this report is included and prepared for the exclusive purpose of assisting the Non-Associated Securityholders in their consideration of the disposal of Alterra's CCIL Investment. 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 Notice of Meeting.

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

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

In making our assessment for the sale of Alterra's CCIL Investment, we note the following features of the carbon offset industry in which CCIL operates.

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 Mt¹¹ in the quarter ending September 2023 since the June 2005 Quarter¹², 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 ACCUs¹³.

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 market¹⁴.

The calculation of carbon abatement is based on the Full Carbon Accounting Model ("FullCAM")¹⁵, which is a commonly used method that provides fully integrated estimates of carbon pools in forest and agricultural

¹¹ Metric tons

¹² Quarterly Update of Australia's National Greenhouse Gas Inventory: September 2023.

¹³ Greening Australia website

¹⁴ The Clean Energy Regulator of Australian Government

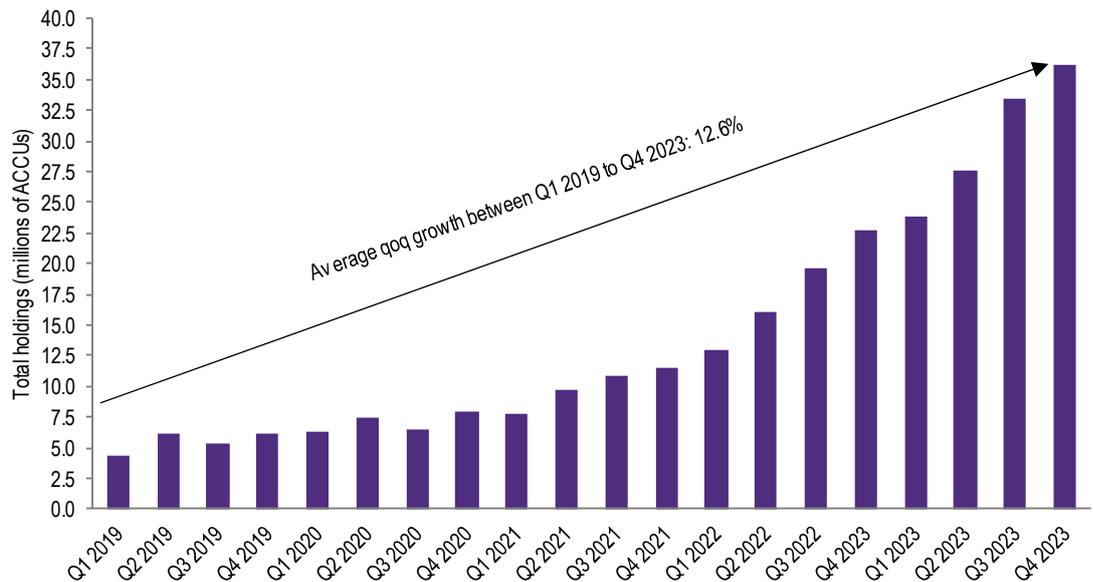
¹⁵ Carbon Credits (Carbon Farming Initiative) (Native Forest from Managed Regrowth) Methodology Determination 2013

systems for land sector reporting purposes. It also accounts for human-induced changes in emission and sequestration of major greenhouse gases.

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 2023¹⁶, 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.

ACCUs holdings in the past five years



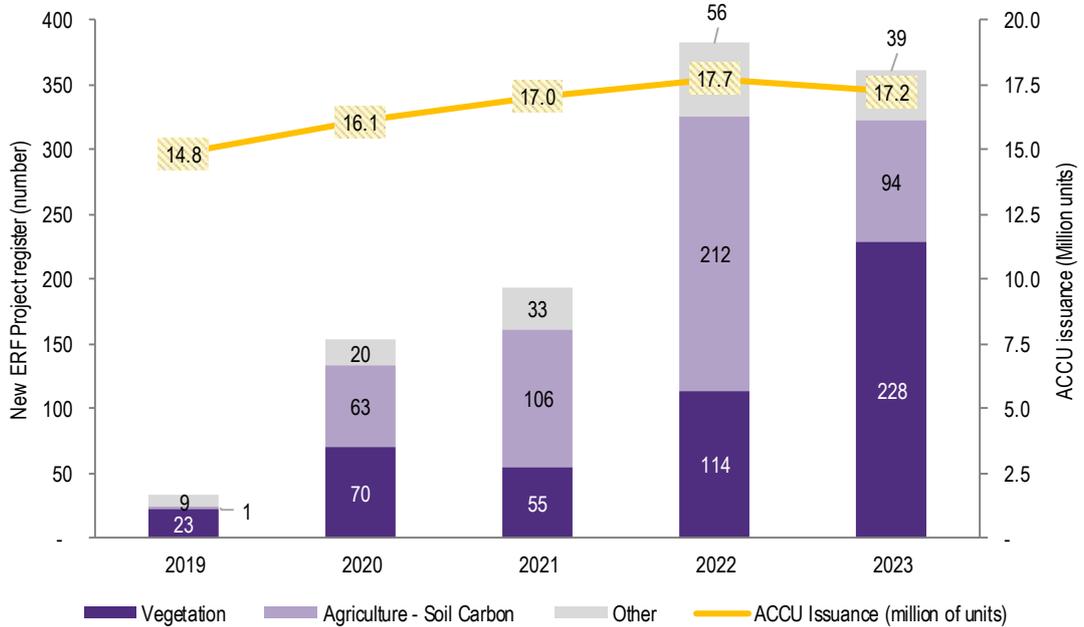
Source: Quarterly Carbon Market Report published by Clean Energy Regulator, dated December 2023

ACCUs 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.

¹⁶ Australian Government the Clean Energy Regulator

Number of new registered ERF projects and unit of ACCU supply

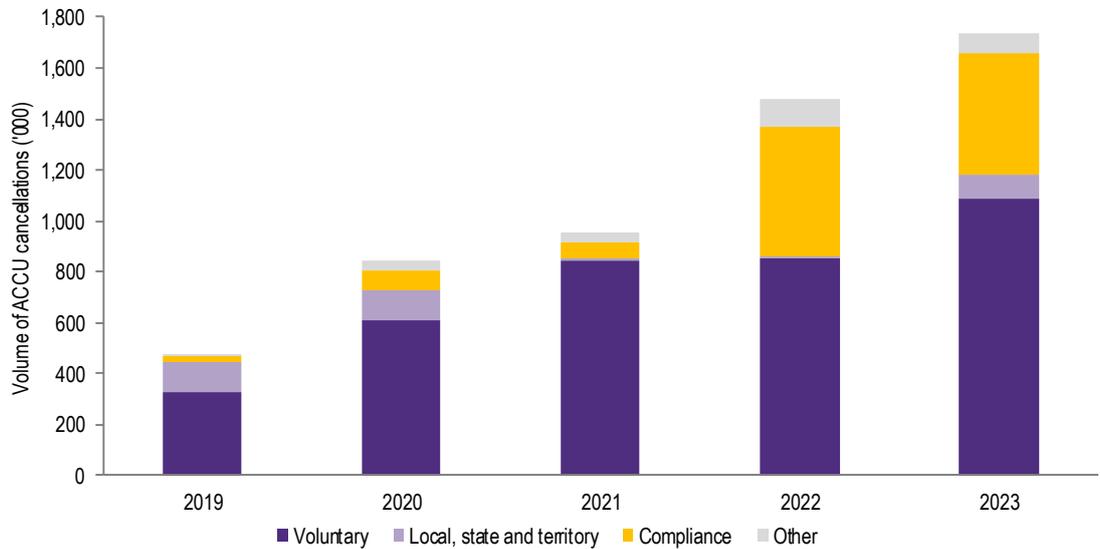


Source: Quarterly Carbon Market Report published by Clean Energy Regulator, dated December 2023

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 ACCU's 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%¹⁷ 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:

¹⁷ Carbon Market Institute. June 2023. Considerations for Future ACCU Supply & Demand Market Brief.

Non-Commonwealth ACCU cancellation by demand source



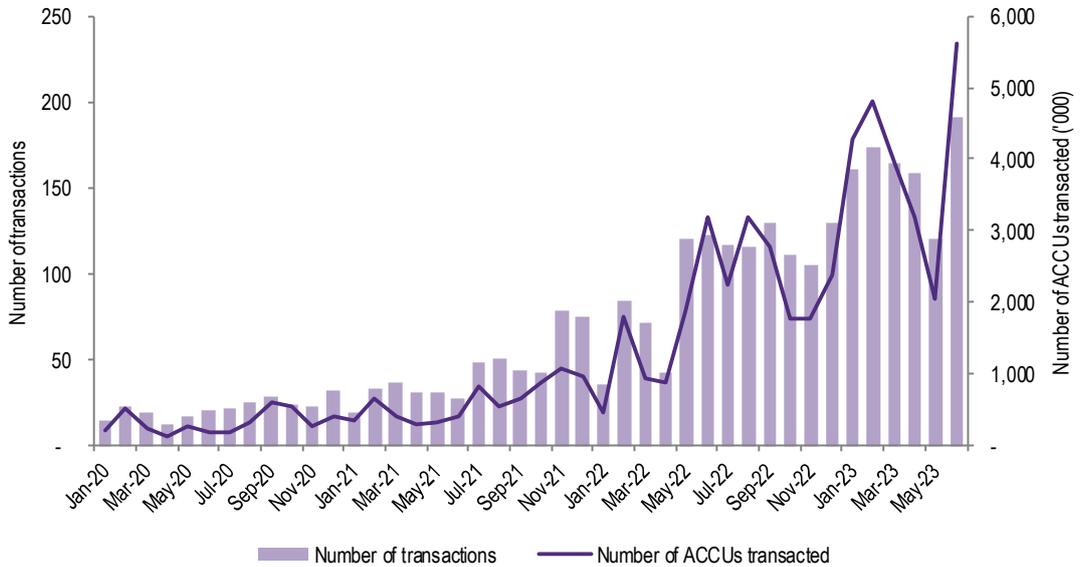
Source: Quarterly Carbon Market Report published by Clean Energy Regulator, dated December 2023

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

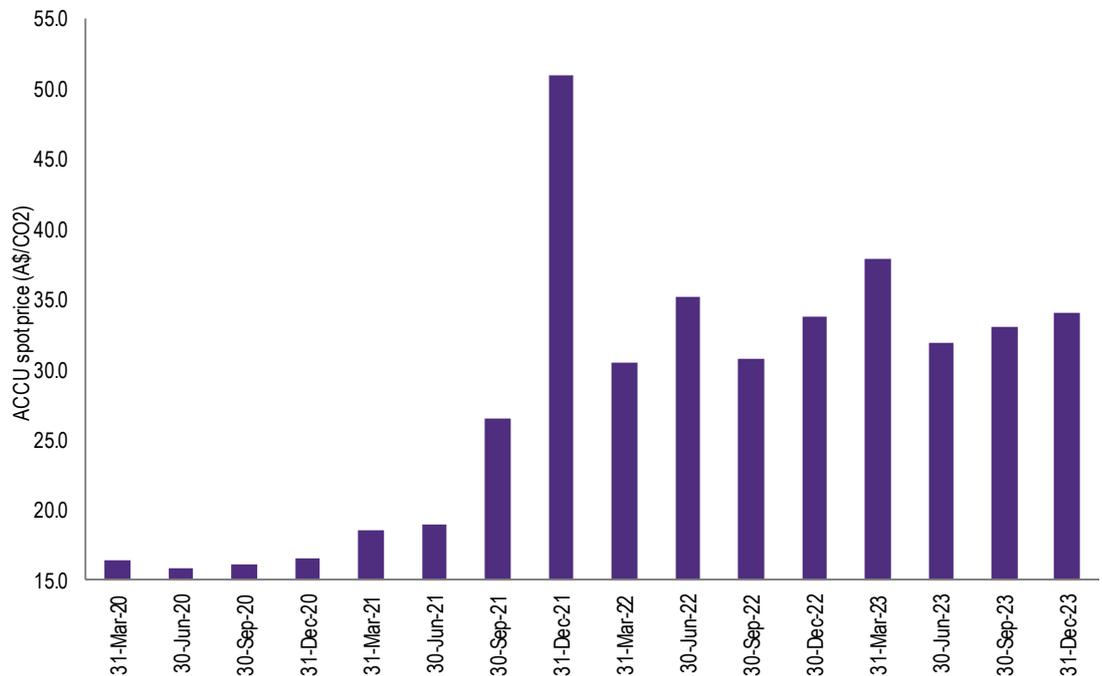
Note: (1) Data on number of transactions and ACCUs transacted for Q3 and Q4 of 2023 is unavailable and excluded from the graph.

There has been a significant increase in market activity since the start of 2022, as a result of increased ACCU liquidity and stabilised unit price¹⁸. 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 by 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.

¹⁸ 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/CO₂ during 2020, then significantly increased to more than A\$50.0/CO₂ 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.¹⁹ 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 analysts²⁰ 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 analysts²¹, 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.

¹⁹ Jarden Australia

²⁰ Market Advisory Group, March 2024. Carbon Monthly

²¹ 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 action²². 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 sources²³.

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%²⁴ 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

²² Climate active official website.

²³ Department of Climate Change, Energy, the Environment and Water.

²⁴ 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%²⁵ over the next seven years towards achieving its target to cut carbon emissions by 43.0%²⁶ 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 million²⁷, 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 million²⁸ 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%²⁹.
- **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,

²⁵ Australian Financial Review article 'Labour to Offer Big Emitters Help with Carbon Price', dated 11 January 2023

²⁶ Ibid.

²⁷ Department of Agriculture, Fisheries and Forestry. November 2022. Technology helping farmers store carbon boosted by Albanese Government.

²⁸ Department of Climate Change, Energy, the Environment and Water. December 2023. Final Grants awarded under national Soil Carbon innovation Challenge.

²⁹ 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 include³⁰:

- 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 2023³¹, 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 analyst³², 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 projects³³.

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.

³⁰ CCIL Corporate update March 22

³¹ Clean Energy Regulator. Executive summary – 2023 in review and outlook for 2024

³² RepuTex Energy – provider of modelling and forecasting services for the Australian renewable energy, electricity and carbon markets.

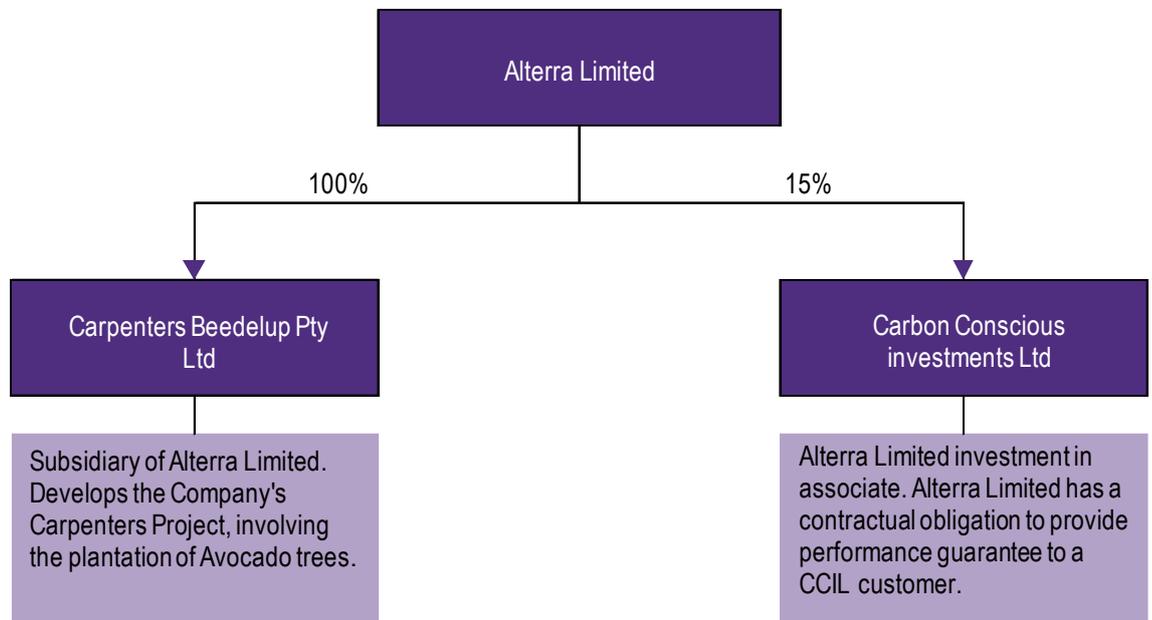
³³ RepuTex Energy. August 2023. Final report for Climate Change Authority

4. Profile of Alterra

4.1. Alterra Corporate Structure and Overview

Alterra is a listed company that is responsible for the development of agricultural land and water assets based in Western Australia. The Company's business is to reposition undervalued farmland into investment-grade agricultural assets by building substantial onsite water infrastructure where properties have existing water rights, but insufficient infrastructure. The Company currently invests in two key operations, which consist of the Carpenter's Avocado Project and agroforestry projects under CCIL, in which Alterra has retained 15.0% equity interest. The Company's strategy is to build on relationships with capital markets that have mandates to invest in projects that contribute to climate change mitigation and leave a positive, social, environmental and economic legacy.

In the following chart of Alterra's corporate structure, we identify Alterra's interest in CCIL.



Source: Alterra Annual Report 2023.

Alterra, previously known as Carbon Conscious Limited, was initially contracted to establish carbon forest estates for carbon sequestration. Between 2008 and 2013, Alterra successfully developed its carbon business, planting 19,000 hectares of agroforestry projects established to generate ACCUs and voluntary carbon offsets for customers. The carbon business generated quarterly revenue for the ongoing management of the carbon forest estates on behalf of customer. However, due to political uncertainty in relation to carbon markets and carbon pricing, no new significant agro-forestry projects for carbon sequestration were established by the Company since 2012³⁴. In 2015, the Company refocused on building and identifying new agribusiness opportunities, and in March 2016 changed from Carbon Conscious Limited to Alterra Limited.

In December 2018, following shareholder approval, the Company completed the internal restructure and demerger of its carbon business to form a new entity, now known as CCIL. As part of the demerger, Alterra shareholders received one CCIL share for each Alterra share held at record date, with Alterra retaining a

³⁴ Alterra Corporate Update 2018.

15.0% equity interest in CCIL. Post-demerger, Alterra retained the asset management services contract for the carbon business to provide the skills and expertise to manage the carbon business on behalf of CCIL. However, in October 2022 the Company announced the termination of the management services agreement, and CCIL is now considered a passive asset for Alterra, enabling Alterra to focus on other agribusiness projects.

Alterra's current focus is on the development of the multistage Carpenters Project, wherein the Company is developing circa 200ha of avocados. While this currently consists of circa 100ha of Haas avocados and more than 500,000 trees and supporting irrigation and infrastructure, a further stage of development is expected to result in a total of approximately 200ha of planted avocados. The Company aims to structure the project as a sustainable agribusiness operation of scale and lower the cost of production through modern fertigation techniques. In FY24, stage one of avocado plantings began to yield fruits which generated the initial revenue from the Carpenters Project. Further, the Company completed stage three of the planting program at the Carpenters Project in March 2023 and is in the process of transitioning from the project development stage to production, through the harvesting of each stage. The harvesting of each stage will allow the Company to establish logistics avenues and proof of management processes which are necessary for Alterra to achieve quality certification. The quality certification is critical for the Company to achieve premium market pricing. We note that projects such as the Carpenters Project, while having completed stage three, require significant resources and time to become fully operational and profitable. Therefore, the Company's business of repositioning undervalued farmland into investment-grade agricultural assets can involve significant upfront costs and may take time to generate substantial revenue. Notwithstanding that the Carpenters Project has started generating initial revenue, Management expects revenue to build over the future, albeit off a smaller financial base.

4.2. Financial Information of Alterra

4.2.1. 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 | 329,681 | 122,934 |
| Other income | 1,126,508 | 212,066 |
| Gain/(Loss) on sale of property, plant and equipment | (7,677) | 136 |
| Operating expenses | (847,409) | (3,742) |
| Administrative expenses | (233,377) | (198,143) |
| Consultant and legal fees | (551,059) | (458,094) |
| Accounting, audit and tax fees | (202,097) | (243,071) |
| Marketing expenses | - | (14,798) |
| Business development expenses | (11,481) | (1,502) |
| Employee benefits expense | (795,592) | (1,129,157) |
| Occupancy expense | (54,716) | (19,464) |
| Financing expense | (26,150) | (233,480) |
| Depreciation and amortisation | (129,369) | (222,717) |
| Share-based payments | (92,297) | (54,434) |
| Net profit before tax | (1,495,035) | (2,243,466) |
| Tax expense | - | - |
| Net profit / (loss) | (1,495,035) | (2,243,466) |
| <i>Net profit margin</i> | <i>(453.5%)</i> | <i>(1,824.9%)</i> |

Source: Alterra Limited FY23 Annual Report

In relation to the above, we note the following:

- Revenue decreased by A\$0.2 million due to a reduction in asset management fees, following the termination of the management services agreement with CCIL which was effective from April 2022.
- Other income decreased by A\$0.9 million due to the Company receiving A\$0.9 million in FY22 for a successful Research and Development claim with AusIndustry and the Australian Taxation Office, for the implementation of the innovative avocado growing methodology at the Carpenters project during FY21.
- Financing expenses increased by A\$0.21 million from FY22 to FY23 due to the Company entering into a secured debt facility for up A\$3.7 million with NAB, to further advance the development of the Carpenters Project. The facility is repayable on an interest only basis for an initial two-year term.

4.2.2. 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 | As at | 30-Sep-22 | 30-Sep-23 |
|---|-------|-------------------|-------------------|
| A\$ unless otherwise stated | | Audited | Audited |
| Assets | | | |
| Cash and cash equivalents | | 2,345,832 | 1,141,927 |
| Trade and other receivables | | 1,213,213 | 48,362 |
| Other assets | | 284,861 | 482,958 |
| Total current assets | | 3,843,906 | 1,673,247 |
| Intangible assets | | 101,125 | 93,259 |
| Property, plant and equipment | | 10,139,043 | 14,725,730 |
| Investments in associates | | 1,218,044 | 1,151,046 |
| Rights-of-use-assets | | 12,613,006 | 12,156,722 |
| Other assets | | 9,315 | 9,315 |
| Total non-current assets | | 24,080,533 | 28,136,072 |
| Total assets | | 27,924,439 | 29,809,319 |
| Liabilities | | | |
| Trade and other payables | | 431,089 | 637,793 |
| Lease liabilities | | 340,293 | 457,061 |
| Other financial liabilities | | 160,906 | 188,753 |
| Total current liabilities | | 932,288 | 1,283,607 |
| Lease liabilities | | 14,048,425 | 14,023,190 |
| Borrowings | | - | 3,700,000 |
| Other financial liabilities | | 410,329 | 459,532 |
| Total non-current liabilities | | 14,458,754 | 18,182,722 |
| Total liabilities | | 15,391,042 | 19,466,329 |
| Net assets | | 12,533,397 | 10,342,990 |

Source: Alterra Limited FY23 Annual Report

In relation to the above, we note the following:

- NAB has a first ranking security over the assets of the Company for the A\$3.7 million secured debt facility and the facility has a financial covenant based upon a maximum 30.0% debt/equity ratio and is subject to annual reporting obligations.
- Investments in associates includes Alterra's 15.0% ownership interest in Carbon Conscious Investments Ltd. The Offer consideration of A\$1.74 million³⁵ represents more than 5.0% of Alterra's equity interests at the most recent balance date.

4.2.3. Cash flow

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

³⁵ Alterra's 15.0% interest in the total Offer consideration of A\$11.6 million for CCIL is A\$1.74 million.

| Consolidated statements of cash flow | FY22 | FY23 |
|--|--------------------|--------------------|
| A\$ unless otherwise stated | Audited | Audited |
| Cash flows from operating activities | | |
| Receipts from customers and government subsidies | 522,745 | 1,032,632 |
| Payments to suppliers and employees | (3,222,455) | (1,562,193) |
| Interest received | - | 13,393 |
| Interest paid | (20,950) | (231,381) |
| Net cash inflow from operating activities | (2,720,660) | (747,549) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (2,828,085) | (894,242) |
| Proceeds from the sale of plant and equipment | 214 | - |
| Payments for developments assets | (2,502,630) | (2,931,932) |
| Dividends received | 127,558 | 263,202 |
| Net cash outflow from investing activities | (5,202,943) | (3,562,972) |
| Cash flow from financing activities | | |
| Proceeds from the issue of shares (net of capital raising costs) | 5,834,868 | (1,375) |
| Receipt of loans from related parties | 35 | - |
| Bank loan draw downs and borrowings | 231,004 | 3,700,000 |
| Debt service repayments held on deposit | - | (352,240) |
| Repayments of finance leases | (143,299) | (239,769) |
| Net cash (outflow)/inflow from financing activities | 5,922,608 | 3,106,616 |
| Net increase / (decrease) in cash and cash equivalents | (2,000,995) | (1,203,905) |
| Cash and cash equivalents at the beginning of the financial year | 4,346,827 | 2,345,832 |
| Cash and cash equivalents at year end | 2,345,832 | 1,141,927 |

Source: Alterra Limited FY23 Annual Report

In relation to the above, we note the following:

- The full amount of the A\$3.7 million in debt financing from NAB, was drawn down during the FY23 period.

4.2.4. Number of shares outstanding

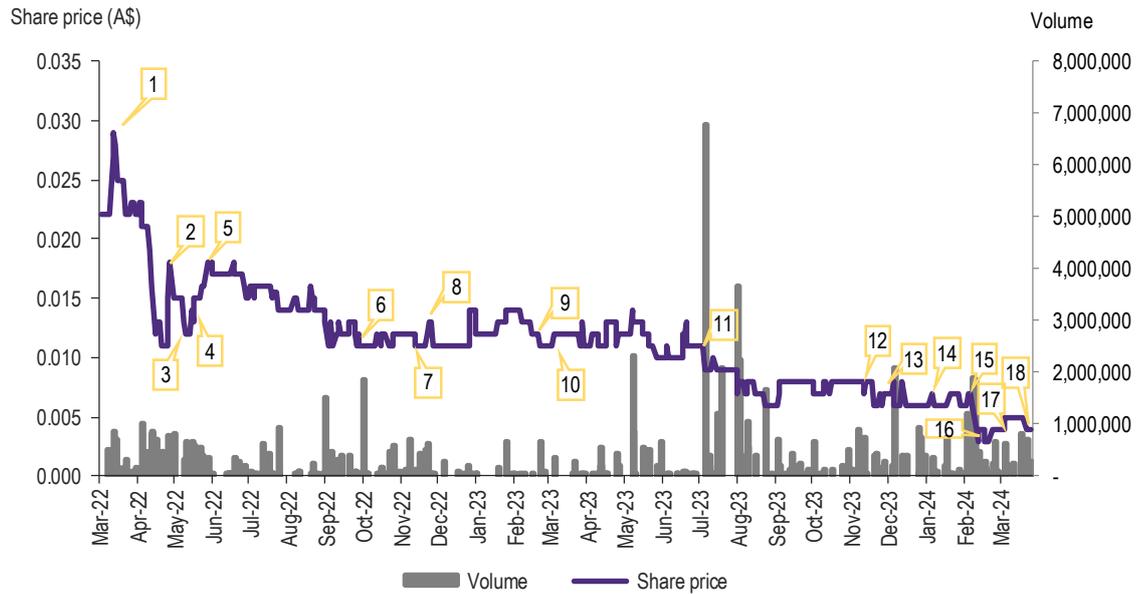
As at the date of this Report, there are 862,146,446 ordinary shares on issue.

4.3. Capital Structure

4.3.1. Share price and market analysis

Although CCIL is not listed, we have analysed the price of Alterra shares for the information of Non-Associated Shareholders. Our analysis of the daily movements in Alterra's trading price and volume for the period from April 2022 to April 2024 is set out below.

Alterra – Historical share trading price and volumes



Source: ASX announcements, GTCF analysis

The following table describes the key events which may have impacted the share price and volume movements shown above.

| Event | Date | Comments |
|-------|-----------|--|
| 1 | 25-Mar-22 | The Company issued 6,000,000 unlisted A\$0.05 options to Chairman, Mark Clements and an additional 5,000,000 under the Company's Employee Long Term Incentive Plan. |
| 2 | 9-May-22 | The Company announced the Completion of their review of the financial feasibility modelling completed in 2021 on the 100.0% owned Carpenters avocado Project. The updated financial feasibility modelling underscored strong and robust economics of the Carpenters Project, despite inflationary pressures experienced within the industry. The model forecasted production of greater than 45,000t avocados over a 20-year life and projected and EBITDA margin exceeding 36%. |
| 3 | 31-May-22 | The Company announced its H1 FY22 results, as summarised below: <ul style="list-style-type: none"> - Revenue from ordinary operations was down 16.7% from H1 FY21 to A\$353,000. - EBITDA decreased by 24.9% from H1 FY21 to (A\$1.3 million). - Loss from all operations was A\$1.4 million compared to A\$2.07 million in FY21. The loss reflected costs associated with further development of the Company's 100.0% owned flagship avocado project. - Capitalised work in progress costs of the Carpenters Project increased during the period by A\$1.7 million to A\$4.2 million. |
| 4 | 7-Jun-22 | The Company announced a capital raising of up to A\$5.9 million cornerstoned by substantial shareholders, PenAgri Group, Sandon Capital and Emanuel Exports to fund the next stage of the Carpenters avocado project. The capital raising comprised a placement at A\$0.014 per Share to raise approximately A\$1.0million and a 1-for-1 pro-rata non-renounceable entitlement offer, at the same price as subscribers to the placement raise up to approximately A\$5.9 million. The issue price represented a 15.6% discount to Alterra's 30-day volume average weighted share price. |
| 5 | 19-Jul-22 | The Company announced it successfully raised A\$4.9 million under its non-renounceable pro-rata entitlement offer, following the successful placement completed on 15 June 2022, which raised approximately A\$1.0 million from substantial shareholders. The Company issued 69,000,00 shares under the placement and 346,776,274 under the entitlement offer. |
| 6 | 19-Oct-22 | The Company announced that CCIL and Alterra have mutually agreed to terminate the services agreement between the two parties as Alterra focusses upon the development schedule for the Carpenters project. However, Alterra's contractual obligation to provide a performance guarantee to a CCIL customer remain unchanged |
| 7 | 30-Nov-22 | The Company announced its FY22 results, as summarised below: <ul style="list-style-type: none"> - Loss from all operations was A\$1.50 million compared to A\$2.22 million in FY22, which reflected the significant increase in development activities on the Carpenters project. - The net assets of the Company increased to A\$12.53 million from A\$8.18 million in FY21. - Cash outflows on development costs were in excess of A\$2.50 million excluding employee costs. |

| Event | Date | Comments |
|-------|-----------|---|
| 8 | 20-Dec-22 | The Company announced the achievement of a planting milestone for the Carpenters project. The Company reached and surpassed 20,000 trees in the ground at the Company's 100.0% owned Carpenters Project. The Company also announced there had been significant progress with the installation of key infrastructure on site. |
| 9 | 9-Mar-23 | The Company announced it had entered into a secured debt facility for up to A\$3.7 million with National Australia Bank Limited (NAB), to further advance the development of the Company's 100% owned Carpenters Project and support the delivery of Stage 3. |
| 10 | 29-May-23 | The Company announced its H1 FY23 results, as summarised below: - Revenue from ordinary activities was down 53.3% from A\$353,000 to A\$165,000 - EBITDA was (A\$0.8 million) compared to (A\$1.34 million) in H1 FY22. - Loss after tax attributable to members was (A\$1.04 million) compared to (A\$1.41 million) in H1 FY22. |
| 11 | 25-Jul-23 | The Company announced that Mr Ben Norrish, Chief Operating Officer of Alterra has resigned from the Company, with the end of his role being effective at the end of August 2023. The Company also announced his departure coincides with the Company's focus on optimising the cost structure of the Carpenters Project, as the Company commences the stage 4 development. |
| 12 | 8-Dec-23 | The Company announced it is seeking to raise up to approximately A\$1.4 million through a pro rata accelerated non-renounceable entitlement offer, in which the entitlement offer will be conducted through an accelerated institutional entitlement offer to eligible institutional shareholders and retail entitlement component for eligible retail shareholders. Under the entitlement offer c. 174,138,137 shares will be issued. The Company also announced that once the entitlement offer has been completed, the Company intends to apply for removal from the official list of the ASX. |
| 13 | 12-Dec-23 | The Company announced it raised A\$1.08 million under the institutional entitlement offer. |
| 14 | 27-Feb-24 | The Company announced it raised A\$308,343 under the retail offer component of its entitlement offer. The Company accepted valid offers for shortfall received from retail shareholders and valid offers from Institutional Investors, accordingly the full amount of the entitlement offer was raised. |
| 15 | 1-Mar-24 | The Company announced that it has made a formal application to the ASX to be removed from the official list of the ASX for the following reasons as summarised below: <ul style="list-style-type: none"> - As set out in the Notice of Meeting and Explanatory Memorandum, whilst Alterra has pursued capital raisings in May 2021, June 2022, and December 2023, the pace of development of the Carpenters Project has been slowed down to attenuate the up-front funding requirements whilst market conditions are subdued. - There has been a significant lack of liquidity in trading in the Company's shares on ASX. - Due to the fact only a small number of shares are being traded on ASX, there has on occasion been a disproportionate impact on the share price. - The Company has cash reserves of less than A\$1.03 million and may struggle to meet listing costs. |
| 16 | 11-Mar-24 | The Company announced that ASX provided its formal approval of the Delisting, subject to the conditions set out in the formal decisions of the ASX that was issued to the Company (Formal Decision). |
| 17 | 3-Apr-24 | The Company announced that after the delisting process had commenced and advising the ASX that it may be in a position to sell its 15.0% shareholding in CCIL, the ASX formally revoked the Formal Decision, in accordance with Listing Rule 18.3 due to this new information and the potential application of Listing Rule 10.1 to this potential transaction, which is currently incomplete, discussion-level stage. |
| 18 | 15-Apr-24 | The Company announced that it intends to sell its 15.0% equity stake in CCIL to Sardon under their offer to acquire all issues shares in Carbon Conscious, which is to be implemented as an off-market takeover bid, in the absence of a superior offer. The Company will seek shareholder approval to accept the offer at an upcoming shareholder meeting. |

Source: ASX announcements, GTCF analysis

The monthly share price performance since March 2023 and the weekly share price performance for Alterra over the last 16 weeks is summarised below:

| Alterra Limited | Share Price | | | Average |
|--------------------|-------------|-----------|-------------|-----------------------|
| | High \$ | Low \$ | Close \$ | weekly volume 000' |
| Month ended | | | | |
| Mar 2023 | 0.013 | 0.011 | 0.012 | 263 |
| Apr 2023 | 0.013 | 0.011 | 0.012 | 114 |
| May 2023 | 0.014 | 0.011 | 0.013 | 1,019 |
| Jun 2023 | 0.013 | 0.010 | 0.010 | 477 |
| Jul 2023 | 0.013 | 0.009 | 0.009 | 1,752 |
| Aug 2023 | 0.010 | 0.007 | 0.007 | 2,399 |
| Sep 2023 | 0.008 | 0.006 | 0.008 | 843 |
| Oct 2023 | 0.008 | 0.006 | 0.007 | 414 |
| Nov 2023 | 0.008 | 0.007 | 0.008 | 464 |
| Dec 2023 | 0.008 | 0.006 | 0.006 | 1,062 |
| Jan 2024 | 0.008 | 0.006 | 0.006 | 749 |
| Feb 2024 | 0.007 | 0.006 | 0.007 | 828 |
| Mar 2024 | 0.006 | 0.003 | 0.005 | 1,658 |
| Week ended | | | | |
| 29 Dec 2023 | 0.008 | 0.006 | 0.006 | 2,287 |
| 5 Jan 2024 | 0.008 | 0.008 | 0.008 | 380 |
| 12 Jan 2024 | 0.007 | 0.006 | 0.006 | 380 |
| 19 Jan 2024 | 0.006 | 0.006 | 0.006 | 1,699 |
| 26 Jan 2024 | 0.006 | 0.006 | 0.006 | 413 |
| 2 Feb 2024 | 0.007 | 0.006 | 0.006 | 506 |
| 9 Feb 2024 | 0.006 | 0.006 | 0.006 | 964 |
| 16 Feb 2024 | 0.007 | 0.007 | 0.007 | 3 |
| 23 Feb 2024 | 0.007 | 0.006 | 0.006 | 129 |
| 1 Mar 2024 | 0.007 | 0.006 | 0.006 | 4,199 |
| 8 Mar 2024 | 0.006 | 0.003 | 0.004 | 2,650 |
| 15 Mar 2024 | 0.004 | 0.003 | 0.003 | 445 |
| 22 Mar 2024 | 0.004 | 0.003 | 0.004 | 1,069 |
| 29 Mar 2024 | 0.005 | 0.004 | 0.005 | 899 |
| 5 Apr 2024 | 0.005 | 0.005 | 0.005 | 260 |
| 12 Apr 2024 | 0.005 | 0.005 | 0.005 | 840 |

Source: S&P Global, GTCF analysis

4.3.2. Substantial Shareholders

We have set out below the substantial shareholders of Alterra as at 26 April 2024.

| Top 5 shareholders in Alterra as at 26 April 2022 | | |
|---|----------------------|---------------|
| Shareholders | Number of Securities | Holding |
| Pengari Group Pty Ltd | 250,389,919 | 29.0% |
| One Managed Inv't Funds Ltd | 137,650,388 | 16.0% |
| Pengari Holding Pty Ltd | 99,480,027 | 11.5% |
| One Fund Services Ltd | 89,303,311 | 10.4% |
| Emmanuel Exports Pty Ltd | 51,620,554 | 6.0% |
| Top 5 shareholders | 628,444,199 | 72.9% |
| Remaining shareholders | 233,702,247 | 27.1% |
| Total shares on issue | 862,146,446 | 100.0% |

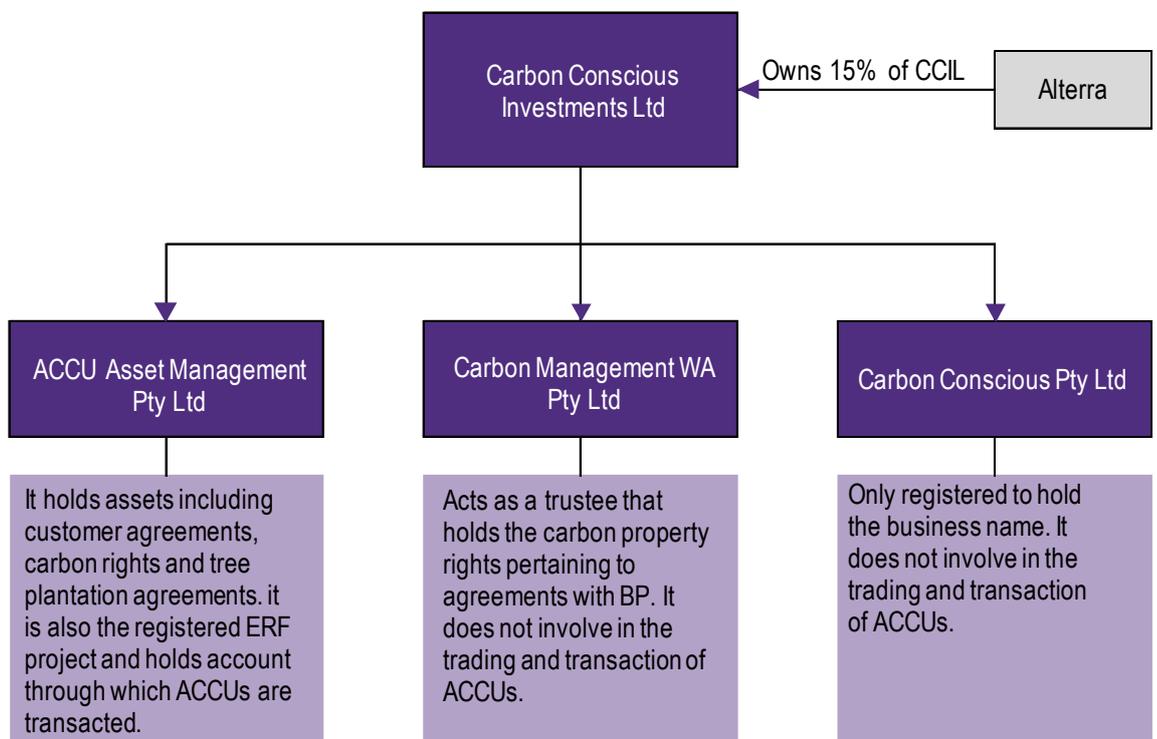
Source: S&P Global, GTCF analysis

5. Profile of CCIL

5.1. 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 CCIL submits annual offset reports to the CER which in turn issues ACCUs to CCIL’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 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 CCIL's own account and will be the basis of ACCU sales revenue through to December 2039. We understand from 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 CCIL'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.

5.2. Profile of CCIL's key projects and agreements

5.2.1. Key Projects

As stated earlier in this Report, we note that CCIL 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 calibrations³⁶. 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.

5.2.2. 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.

5.2.3. 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")

³⁶ 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.

5.2.3.1. 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).

5.2.3.2. 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.

5.3. Financial information

5.3.1. Financial Performance

The table below illustrates CCIL'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.

5.3.2. Financial Position

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

| Consolidated statements of financial position | As at | 30-Sep-22 | 30-Sep-23 |
|---|-------|------------------|------------------|
| A\$ unless otherwise stated | | Audited | Audited |
| Assets | | | |
| Cash and cash equivalents | | 2,444,967 | 1,938,900 |
| Trade and other receivables | | 664,660 | 689,420 |
| Prepayments | | 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.

5.3.3. Cash flow

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

| Consolidated statements of cash flow | FY22 | FY23 |
|--|------------------|--------------------|
| A\$ unless otherwise stated | Audited | 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

5.3.4. Number of shares outstanding

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

6. Valuation methodologies

6.1.1. 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 Alterra's interest in 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.

6.1.2. 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.

6.1.3. 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 CCIL 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%³⁷ and 19.9%³⁸ respectively of CCIL's issued share capital priced at

³⁷ CCIL public announcement dated February 2024

³⁸ CCIL public announcement dated November 2021

A\$0.02³⁹ and A\$0.03⁴⁰ 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.

³⁹ Ibid.

⁴⁰ Ibid.

7. Valuation Assessment of CCIL Shares

7.1.1. GT Model

In our valuation assessment of CCIL, we have built the GT Model based on CCIL Management's Internal Projections up to FY39. 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")⁴¹. 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.

7.1.2. 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.

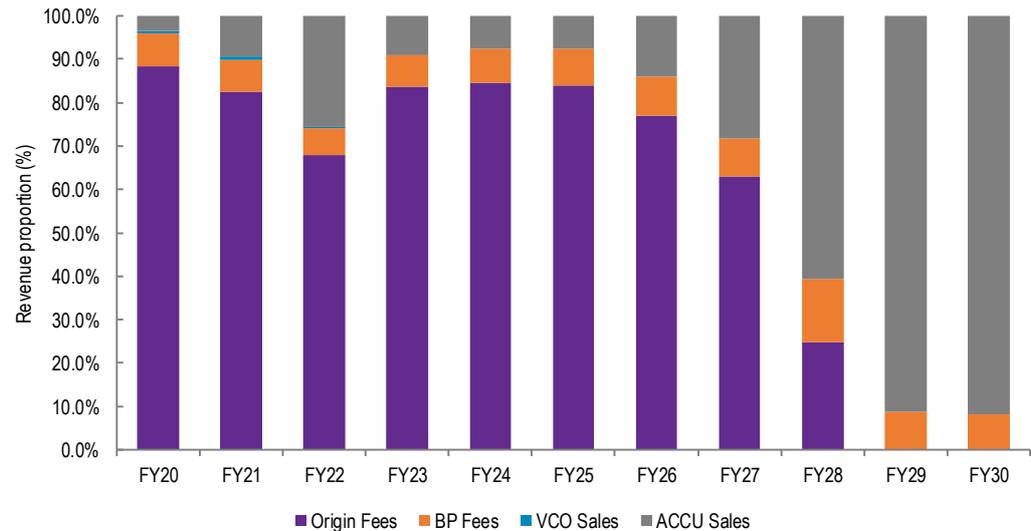
We note the following in relation to our key assumptions:

- **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.
- **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

⁴¹ 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.

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 is 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

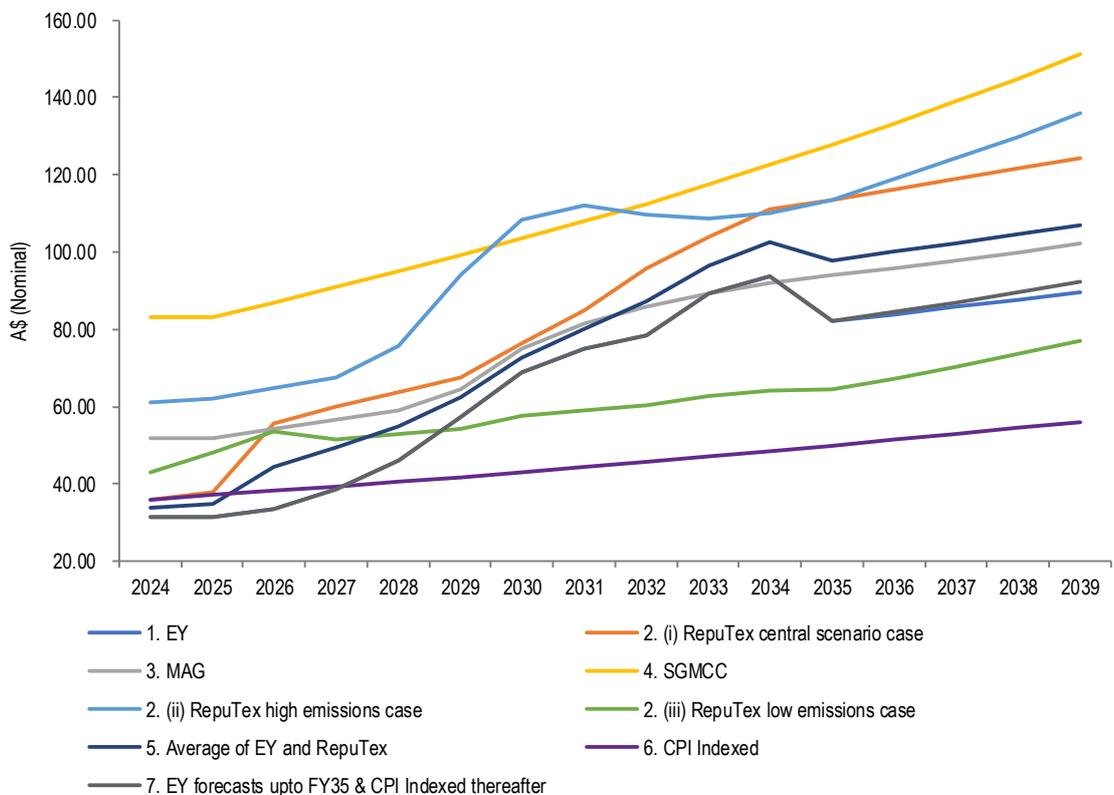
- ACCU prices:** As discussed previously, the market has witnessed significant legislative changes, with more changes expected to come in the near term, which have created volatility in historical prices and uncertainties in relation to the future. Whilst there is consensus among market participants 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%⁴² 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



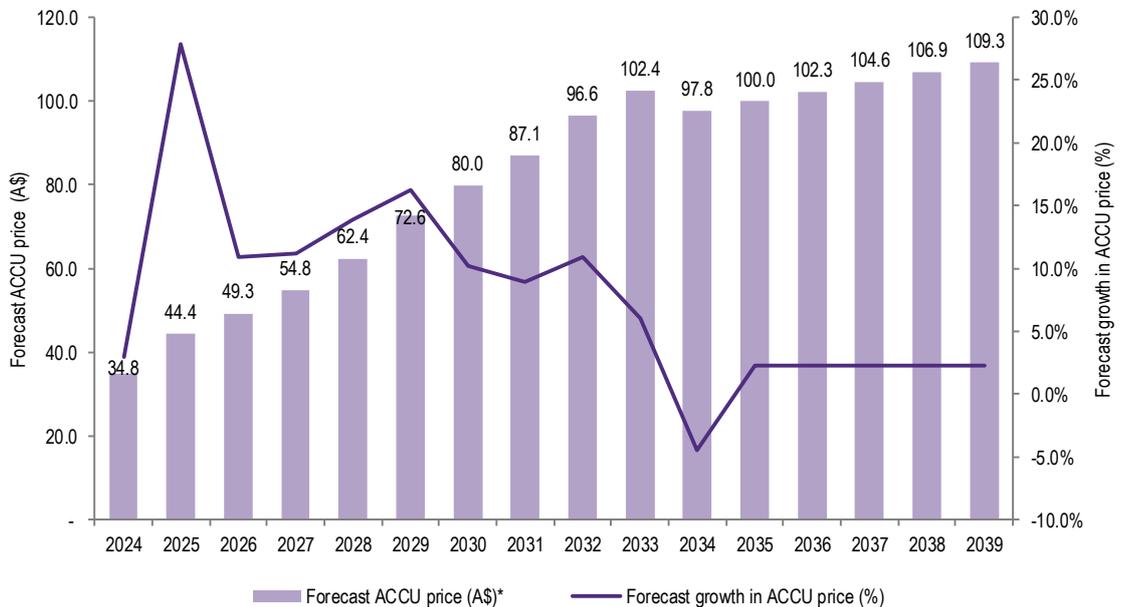
Source: EY, RepuTex, MAG, Management, DCCEEW.

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.

⁴² EY: Changing Gears: Australia's Carbon Market Outlook 2023 dated September 2023

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 Damodaran⁴³ 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.

⁴³ Damodaran, NYU Stern. Datasets dated January 2024.

7.1.3. 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 of CCIL 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 of CCIL (control basis) | | 13,575.1 | 14,957.9 |
| Equity value of Alterra's Interest in CCIL (15.0% control basis) | | 2,036.3 | 2,243.7 |
| Number of CCIL outstanding shares held by Alterra ('000s) | 4.3.4 | 26,047.1 | 26,047.1 |
| Value per share of Alterra's Interest in CCIL (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.

8. Sources of information, disclaimer and consents

8.1. Sources of information

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

- Executed MID.
- Draft NOM and EM
- 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 Alterra and Management of CCIL.

8.2. 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, CCIL, 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 and CCIL 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 or CCIL.

This report has been prepared to provide an independent opinion as to whether the disposal of Alterra's CCIL Investment is fair and reasonable to the Non-Associated Alterra 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 disposal of Alterra's CCIL Investment is fair and reasonable to the Non-Associated Alterra Shareholders.

Alterra 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.

8.3. Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting to be sent to Alterra 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 CCIL, 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 CCIL. 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 (Re) is estimated as follows:

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

Where:

- Rf = risk free rate
- β_e = expected equity beta of the investment
- (Rm – Rf) = 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 to 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 re-gearing 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 | 0.33 |
| DGB Group N.V. | Netherlands | 5.8 | 0.46 | 0.02 | 111.1% | 0.25 | 0.25 |
| Carbon Done Right Developments Inc. | Canada | 5.2 | 0.63 | 0.02 | 35.6% | 0.50 | 0.50 |
| Ostrom Climate Solutions Inc. | Canada | 8.8 | 4.20 | 0.10 | 10.5% | 3.90 | nm |
| LGI Limited | Australia | 233.3 | 0.44 | 0.08 | 2.6% | 0.43 | 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 05 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% of 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:

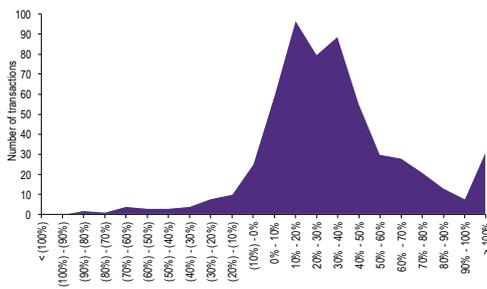
| WACC calculation | Low | High |
|--------------------------------|--------------|--------------|
| Cost of equity | | |
| Risk free rate | 4.4% | 4.4% |
| Beta | 0.60 | 0.80 |
| Market risk premium | 6.0% | 6.0% |
| Specific risk premium | 2.0% | 2.5% |
| Cost of equity | 10.0% | 11.7% |
| Cost of 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% |
| | 100% | 100% |
| WACC (post tax) | 10.0% | 11.7% |

Source: S&P Global, GTCF analysis

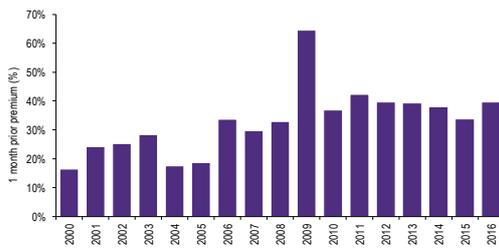
Appendix D – Premium for control study

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.

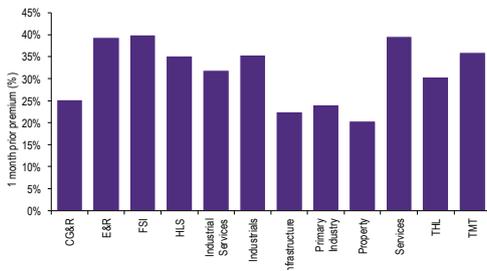
1 Month Prior Control Premium



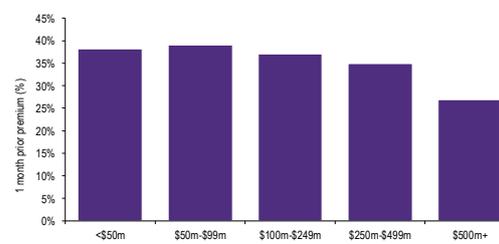
Control premium per completion date



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 or the Company | 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 | 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 |
| CY | Calendar Year |
| 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 |

Your proxy voting instruction must be received by **10.00am (AWST) on Wednesday, 26 June 2024**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

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

YOUR NAME AND ADDRESS

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

STEP 1 – APPOINT A PROXY

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

DEFAULT TO THE CHAIR OF THE MEETING

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

STEP 2 - VOTES ON ITEMS OF BUSINESS

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

APPOINTMENT OF SECOND PROXY

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

SIGNING INSTRUCTIONS

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

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

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

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

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

CORPORATE REPRESENTATIVES

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

Lodging your Proxy Voting Form:

Online

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/loginsah> or scan the QR code below using your smartphone

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



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