

Alterra Secures 300ha Avocado Project in Pemberton with Top Tier WA Producer

Highlights

- Up to 50-year lease agreement in Pemberton, Western Australia for a 300 hectare avocado project
- Institutional scale investment and significant development in Australian avocado industry
- Targeting domestic and export markets to meet growing global demand
- Cornerstone project for Alterra to launch new business model in Western Australia

Alterra Ltd (ASX:1AG) (**Alterra or the Company**) is pleased to announce its first large-scale avocado project “Carpenters Project” based in the premium growing region of Pemberton, Western Australia.

A special purpose vehicle, Carpenters Beedelup Pty Ltd (**SPV**) has been established to develop the Carpenters Project and in due course will seek to raise capital from a development capital syndicate, following which Alterra intends to maintain a direct equity interest. At present the SPV is a wholly owned subsidiary of Alterra.

The SPV has secured a 30-year lease with a further 10 year plus 10 year option to build, own and operate a 300 hectare avocado orchard, which when developed will be one of the largest single avocado projects in Australia.

The SPV will act as the holding company for the Carpenters Project, with plans for development capital to be sourced from specialist industry investors and family offices to fund the establishment of the orchard and supporting infrastructure.

Based on current industry production benchmarks for the region (sourced from proprietary data received from Alterra's technical partner the French's Group and confirmed by independent agronomist and avocado specialist Pablo Liguori Consulting), at maturity (tree age 9), an avocado orchard in Pemberton has the potential to produce between 20 to 30 tonnes of avocados per hectare per annum.

Avocado demand in Australia has continued to rise with estimated farm-gate prices paid to farmers in Pemberton from the most recent harvest (September 2019 to January 2020) ranging from \$5.44 –\$9.38 per kilogram (sourced from data provided by French's Group).

Alterra notes these are prices from the recent harvest only and are not indicative of the future price of avocados. Further, development of the Carpenters Project is subject to completion of detailed engineering studies, confirmation of plantable hectares, financial due diligence and the availability of development capital. Whilst Alterra is confident, based on the studies undertaken to date, that the SPV will pursue development of the Carpenters Project, investors are cautioned there is no guarantee that the Carpenters Project will proceed.

“With approximately 2,500 hectares of current avocado production in Western Australia, this single development has the potential to represent about 10 per cent of WA's planted hectares, with positive pre-feasibility results providing Alterra with a basis to pursue development,” said Alterra Managing Director Oliver Barnes.



“The Carpenters Project site is exceptional with the region highly regarded for its favourable climate, reliable rainfall, excellent soil types and quality water, which makes this site a high-value asset for Alterra. The Carpenters Project is a significant opportunity to launch Alterra’s new business model with an outstanding asset supported by quality management.”

“Alterra operates in an asset class known to hedge inflation with limited correlation to economic cycles that typically impact other asset classes. There has been strong demand at an institutional level, with billions of dollars invested into Australian agricultural assets over the past 12 months,” said Mr Barnes.

“This is the first of several planned projects for Alterra and I am pleased to say the Company’s opportunity pipeline is strong.

“The Australian market for developed assets of this quality is currently dominated by international funds but we believe that they will see a strong increase in competition from Australian funds, including industry super funds.”

“Over the coming months, we will conduct detailed engineering studies, soil testing and financial due diligence, in combination with arranging the development capital required to bring the full project to fruition,” said Mr Barnes.

Alterra will shortly enter into an agreement to act as the asset manager to oversee the development and day-to-day management of the operations. Under that agreement and subject to the Carpenters Project attracting development capital, the Company will be paid a per hectare management fee in addition to an annual crop performance fee and an investment performance fee from the commencement of the development.

The land and water resources for the Carpenters Project have been leased by the SPV from Red Moon Property Holdings Pty Ltd (**Red Moon**), an entity related to the Casotti Group, WA’s largest privately-owned fruit grower, packer and wholesaler.

“My family has been landowners and orchard operators in Pemberton for decades. Carpenters adjoins our renowned “Casuarina” property and is a large contiguous development site, in a premium growing region, with access to significant high quality water and nutrient rich Karri soils perfect for avocado production. We are pleased to work with Alterra to realise our dream of developing Carpenters and are confident in Alterra’s capacity as project developer and manager to successfully deliver this unique opportunity” said Casotti Group Director and General Manager Mario Casotti.

As part of the lease, Red Moon will be responsible for the works associated with land clearance and construction of the dam sites. Casotti Group has guaranteed to provide the Carpenters Project with 500 megalitres of water per annum from their adjoining property “Casuarina”, which will be used to support avocado plantings while a dam is constructed, which subject to feasibility, is expected to hold approximately 3.0 gigalitres of water.

In addition to the on-farm dam sites, the proposed Southern Forests Irrigation Scheme (<https://www.agric.wa.gov.au/waterforfood/southern-forests-irrigation-scheme>) has plans to run a pipeline along the eastern border of the Carpenters Project.

Alterra has already secured exclusive rights to local avocado genetics and production data from Pemberton avocado grower, packer, and exporter French’s Group (see ASX Announcement 382 <https://www.asx.com.au/asxpdf/20191106/pdf/44b9krjgvgkjgf.pdf>).

“French’s Group has seen increased international demand for premium Pemberton avocados with an excellent shelf life which supports a significant export opportunity for the industry and Alterra. The region is recognised within Australia for high-quality product, and we believe the Carpenters Project will help drive global demand for avocados from the region,” said French’s Group Founder William French.

Having executed the lease agreement, the SPV will now progress with finalising a bankable feasibility study and will seek to raise development capital in FY21.

While Alterra has not provided a parent company guarantee for the SPV’s obligations under the lease, Alterra is committing an initial \$350,000 to the SPV for working capital purposes including; first two years lease payments and ongoing feasibility costs.

Visit Alterra’s website for a [video](#) on the Carpenters Project.

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About Alterra Limited

Alterra is a developer, manager and investor in fast growing, in-demand agricultural assets with a focus on ‘land use change’ opportunities in Australia, developing underutilised land and water into the next generation of agricultural assets capable of supplying premium whole foods. Alterra drives sustainable growth to leave a positive social, environmental and economic legacy to unlock investment-grade.



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Appendix 1 – Summary of Carpenters Project Lease

Lessee	Carpenters Beedelup Pty Ltd (ACN 639 237 639) (presently wholly owned subsidiary of Alterra Ltd) (Lessee)
Lessor	Red Moon Property Holdings Pty Ltd (ACN 154 744 831)
Term	30 years with two 10-year options.
Business	A commercial avocado (or such other permanent tree crop) agribusiness to be carried out by Lessee in accordance with the Project.
Alterra's Commitment	<p>Alterra has committed \$350,000 (via an intercompany loan) for working capital purposes including the first two years rent and various feasibility costs.</p> <p>The lease can be terminated by the Lessee at any time prior to the construction of a dam with 6 months' notice.</p> <p>The ongoing rent and outgoings are the responsibility of the SPV, Alterra is not obliged to proceed with the Carpenters Project and has not provided a guarantee.</p>
Project	<p>Lessee to manage and undertake the Project, being:</p> <ul style="list-style-type: none">(a) carrying out the feasibility study;(b) the development and planting of avocado plantings;(c) the development of the infrastructure including dams and irrigation;(d) ongoing operation and commercialisation of the plantings;(e) ancillary works; and(f) potential sale of the business, development infrastructure, the leasehold interest and water entitlements.
Funding	<p>Subject to market conditions, Lessee will undertake a capital raising and commence the Carpenters Project as soon as practicable after the satisfaction of the feasibility activities. Alterra intends to maintain a direct equity interest in the SPV. The size of the interest Alterra intends to maintain is not known at this stage and is dependent on the outcome of the feasibility study, availability of development capital and market conditions. Alterra will keep the market informed of its direct interest should the Project proceed after completion of the feasibility study.</p> <p>Lessee can use debt or equity funding at their absolute discretion in carrying out the Carpenters Project.</p> <p>If Lessee requires dams to be constructed, the construction and commissioning will be at the Lessor's cost with the Lessee funding the Lessor by way of a loan. The loan will be repaid by</p>



	the Lessor as a setoff to rent whereby the Lessee deducts an amount from each rent instalment.
Management of the Project	<p>Lessee has control of the Carpenters Project, with the Lease being a ground lease, whereby the Lessor has limited control.</p> <p>Lessee to appoint Alterra to be development and project manager (agreement to be executed shortly).</p>
Water Entitlements	Lessee is entitled to use all water entitlements pertaining to the property, and may sub-licence water rights with consent of Lessor (which cannot be unreasonably withheld).
Default	Limited default provisions apply (which is usual in a ground lease of this type). Long notice provisions apply to allow for the Lessee to remedy any default.
Termination	<p>The Lessee may, at any time before it gives the Lessor a notice to construct a dam, elect to terminate the Lease by giving the Lessor not less than 6 months' written notice.</p> <p>Termination for default is included, but as noted above, Lessee has long periods to remedy any default.</p>