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Dear Sir or Madam

## **Corporate Presentation – Expansion into Western Australia Dairy Industry**

Carbon Conscious Ltd (ASX:CCF) is pleased to provide a Corporate Presentation regarding its expansion into the Western Australia Dairy industry.

**Yours faithfully**



**Andrew McBain**  
**Executive Director**

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# Expansion into WA Dairy

**Carbon Conscious (ASX:CCF)**



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# Company Summary

- Changing name to Alterra Ltd (AGM February)
- Agri forestry expanding into dairy in WA
- Board & management - extensive agribusiness experience
- Existing agri- forestry business has projects in WA & NZ
- 18,000 ha's (22 million trees) successfully established
- \$32M of contracted revenue from now till 2027 from WA
- NZ land & forestry assets ~ NZ\$4m - investigating sale
- Board & management hold 31% of issued capital





# Directors

## Mr Trevor Stoney (70) – Chairman & Non Exec Director

Mr Stoney brings cumulative knowledge, acumen & relationships from more than 50 years in agriculture. From 1962 until a sale in 2009, he owned & managed numerous farming enterprises across Western Australia & Victoria. His last sale was the 14,500 hectares “The Grange” to Wellard for ~\$50m. Mr Stoney is regarded as one of the most astute agricultural land acquirers in Western Australia & in addition to the Company, continues to have an active interest in farming via his two sons.

## Mr Neil McBain (70) – Non Exec Director

Mr McBain has had a long business career in the business to business industrial services sector, during which he has established a solid history of business development & profitable growth. More recently Mr McBain headed up a private equity consortium which built the Loscam Pallet business into a major competitor to Chep in Australia & to market dominance in South & North Asia. Loscam was sold to Chinese logistics group CML Ltd in July 2010 for ~\$600m. Mr McBain has significant experience in Mergers & Acquisitions including operational integration & prides himself on a reputation for an intense focus on customers & creating value for shareholders.

## Mr Andrew McBain (41) – Executive Director

Mr McBain is the founder of Carbon Conscious, having successfully developed & managed a number of start-up businesses over the past 10 years involved in agriculture, agri forestry & mineral exploration. The capital raised for these ventures since 2005 exceeds \$100 million. Mr McBain is passionate about agribusiness & the potential Australia has to be the supplier of premium food to premium markets. Mr McBain has experience in management, business development, ASX listings, capital raisings, investor relations & corporate compliance. Other directorships include ASX entity Rumble Resources Ltd.

# Management

## Mr Anthony Fitzgerald (55) – Commercial Manager & Co Sec

Mr Fitzgerald has over 30 years' experience in operational & financial management of agribusinesses that span large scale animal production, land conservation projects, farmer networks & grain marketing pools (A\$280M). At Carbon Conscious his responsibilities include managing compliance with the Carbon Farming Initiative ACT, generation of Australian Carbon Credits Units & driving a commercial focus into the management of properties (21M trees on 18,000 Ha). He holds a Bachelor of Agribusiness (Hons) & Post Graduate Diploma in Financial Services.

## Mr Andrew ten Seldam (40) – Investment Manager

Mr ten Seldam has over 16 years' experience in business analysis in London & Australia across industries including the agriculture, health, merchant banking & engineering sectors. Mr ten Seldam is an innovative problem solver with financial modelling, business strategy & M&A skills. Presented business cases to boards & senior management including for the A\$110M international merger of Mamba Minerals (ASX:MAB) with Champion Iron Mines (TSX:CHM) & the acquisition of the US\$105m Ram River metallurgical coal project. Mr ten Seldam has built complex financial models identifying key profit levers & optimisation opportunities, including for the C\$3b Fire Lake iron ore mine & rail development, the £1.3b Birmingham New Street station & the \$200m Heytesbury cattle operation.

## Mr Peter Evans – Dairy Adviser

Mr Evans is an award winning dairy farmer with more than 45 years experience (Westpac WA Dairy of the Year 2010 & 2011 for highest financial performance). Mr Evans was formerly a director & chairman of Western Dairy (2004-2007), President of WA Farmers dairy section (2007-2012), director of Australian Dairy Farmers (2007-2014) & director of the Australian Dairy Industry Council (2011-2014).

# Company Snapshot

Capital Structure	
ASX Code	CCF
Ordinary shares	137.60m
Unlisted Options (Employees & Directors)	11.25m
Cash & Receivables	A\$1.0m
Debt <small>(expires 2019)</small>	A\$1.3m
Market Cap (@ \$0.145) as at 15/01/16	A\$19.9m
Net Assets	\$12.0m
Contracted Cash-flow excl. Dairy	
Gross contracted cash-flow – now to 2027	A\$31.5m
NPV8 gross contracted cash-flow – now to 2027	A\$20.5m
Major Shareholders	
Directors & Management	31%
Top 20 (incl Directors & Management)	46%

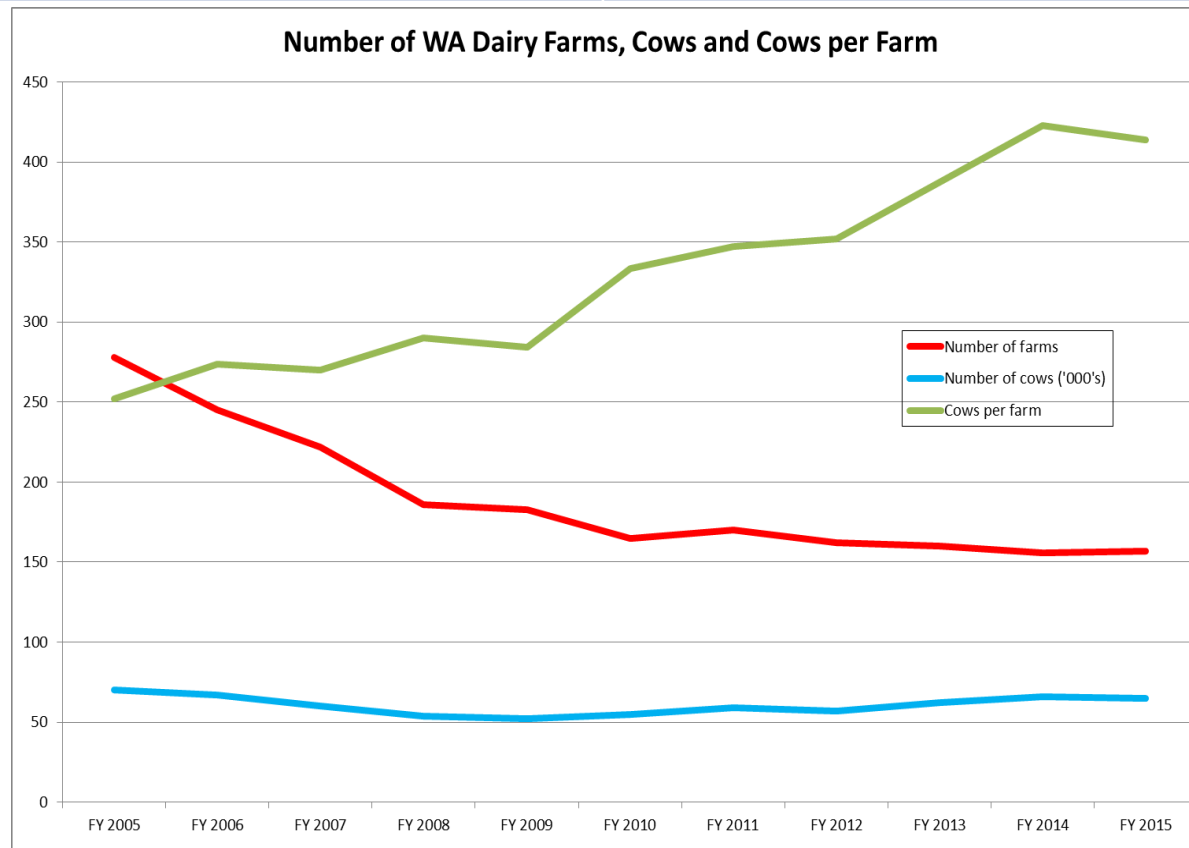
# WA Dairy Industry - Current

## Reducing farm numbers & increasing cows per farm due to:

- Succession issues
- Rising land values
- Inefficient operators leaving industry
- Capital requirements

## Traditional farm sizes limited by:

- Walking distance for cows
- Capital requirements
- Desire to manage staff
- Expertise to change systems



Source: Dairy Australia



# WA Dairy Opportunity



## Market & Brand

Increasing domestic & international demand for dairy  
Time & cost freight advantage for fresh milk into SE Asia  
WA clean green brand



## Modernisation

Applying large scale operating systems & processes based on US model  
Increased operating & capital efficiency



## Processing

WA has a dairy deficit  
3 Processors at ~50% plant capacity (Harvey Fresh-Parmalat, Lion-Kirin, Brownes-Archer)



## Industry & Supply

WA industry approx. ~160 family farmers utilising mainly pasture based system  
Limited capacity to take advantage of future demand opportunities under current system

## AIM

To be “go to” company for development of long term supply for domestic & export

# WA – Tight Supply

- WA only ~ 4% of national production ~350 MI of milk p.a.
- WA imports ~ 300MI of dairy due to shortfall of milk supply – cheese, yogurt etc.
- WA population of 2.6 Million forecast to grow to 3.6 Million by 2030
- Costs associated with importing fresh milk (estimated at 20c/L) – natural barrier
- Processors have ~50% spare processing capacity
- Currently only a modest exportable surplus ~50 MI p.a.
- More consistent supply & volume required to chase export potential



Source: Dairy Australia

# Numerous Export Opportunities

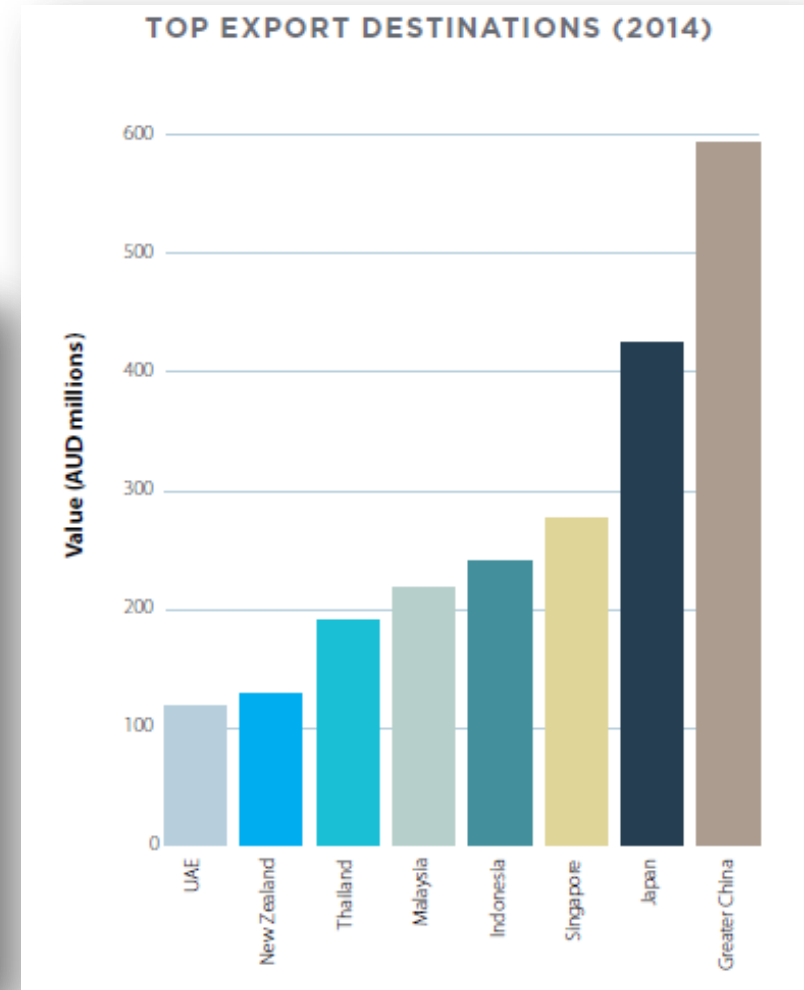
Export contract requirements:

- Large volumes in excess of domestic demand
- Long term certainty of supply
- Consistent supply every month



Source: ANZ

Australian Dairy Exports



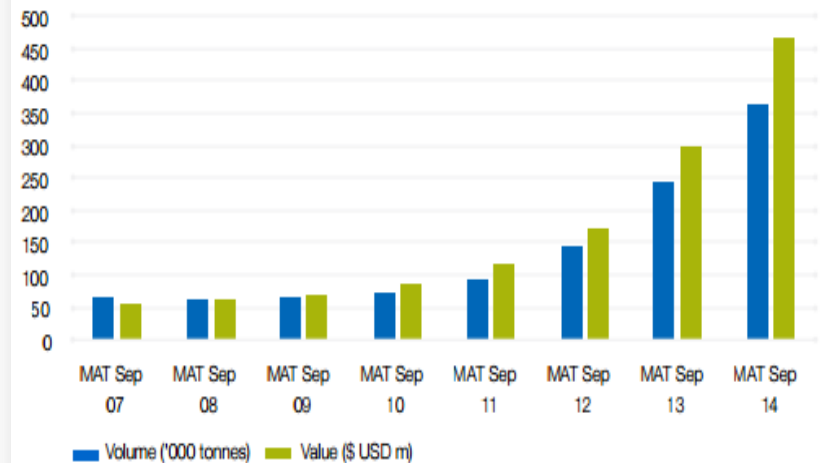
# Rapidly Growing Export Market Potential

- World's population expected to increase to over 9 billion in 2050
- Food & protein consumption increasing – 74% more dairy needed by 2050
- Increasing disposable wealth from a growing middle class in Asia – 600 million to 3 billion within the next 35 years
- Subsequent demand for more fresh dairy products
  - China 2012 dairy consumption: 46 billion litres
  - 2030 projection: 74 billion litres
- Australian fresh milk currently retails from A\$8-10 per litre in Chinese supermarkets
- Farming issues in China in relation to arable land, water & access to feed
- Huge export potential for fresh milk many times the size of WA market

Source: ANZ, GTS & OECD



Figure 23: China liquid milk imports (from all origins volume and value)



Source: GTIS

# System 5 – Dairy Industry Transformation

- All feed “cut & carried” to the cows
  - Significantly reduces walking distances
  - Allows for use of higher production crops
  - Variety of rations balanced to cows requirements
  - Feed & water consistently available
- Cows sheltered from the elements – improved animal health & welfare
- Production consistent throughout the year
- Advanced waste management protects the environment & generates valuable by-products
- All water is recycled & re-used
- Potential for large scale solar PV & battery



## **BENEFITS**

- *Enables significant scale up capabilities*
- *Enables development of export markets*
- *Enables development of upstream processing into higher value products*

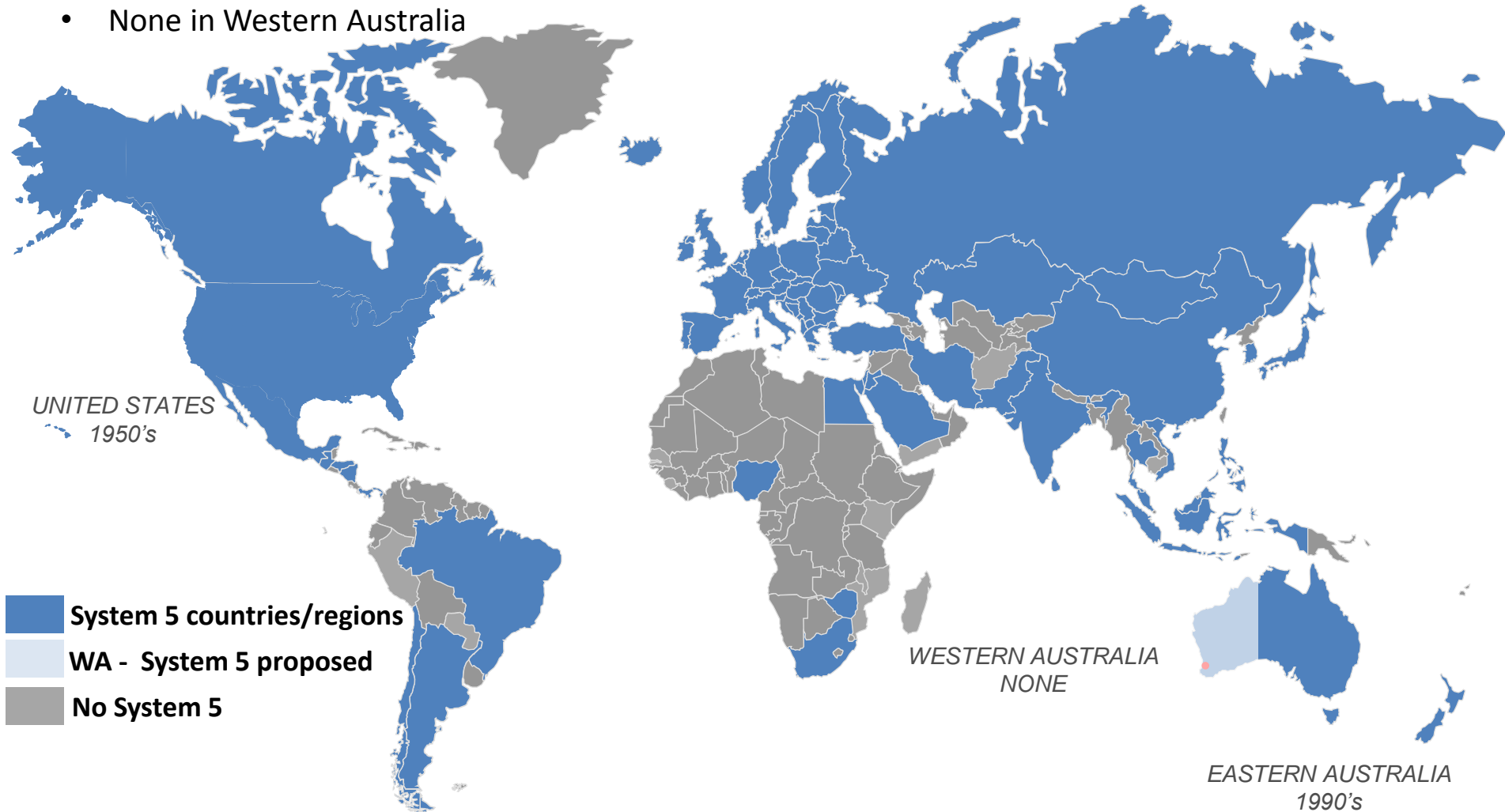
# System 5 Dairies - The World Standard

## System 5 dairy farming operations the proven method in operation;

- 50 years in the US
- Decades in Europe
- 17 years in Australia (east coast)
- None in Western Australia

## System 5 dairy in Australia

- Moxey Farms NSW 3,500 & plans to rapidly expand
- Est. \$80M investment by Freedom Foods in 2015
- Coomboona - 2,000 cows going to 6,000 cows
- Est. \$40M investment by Harvey Norman in 2015



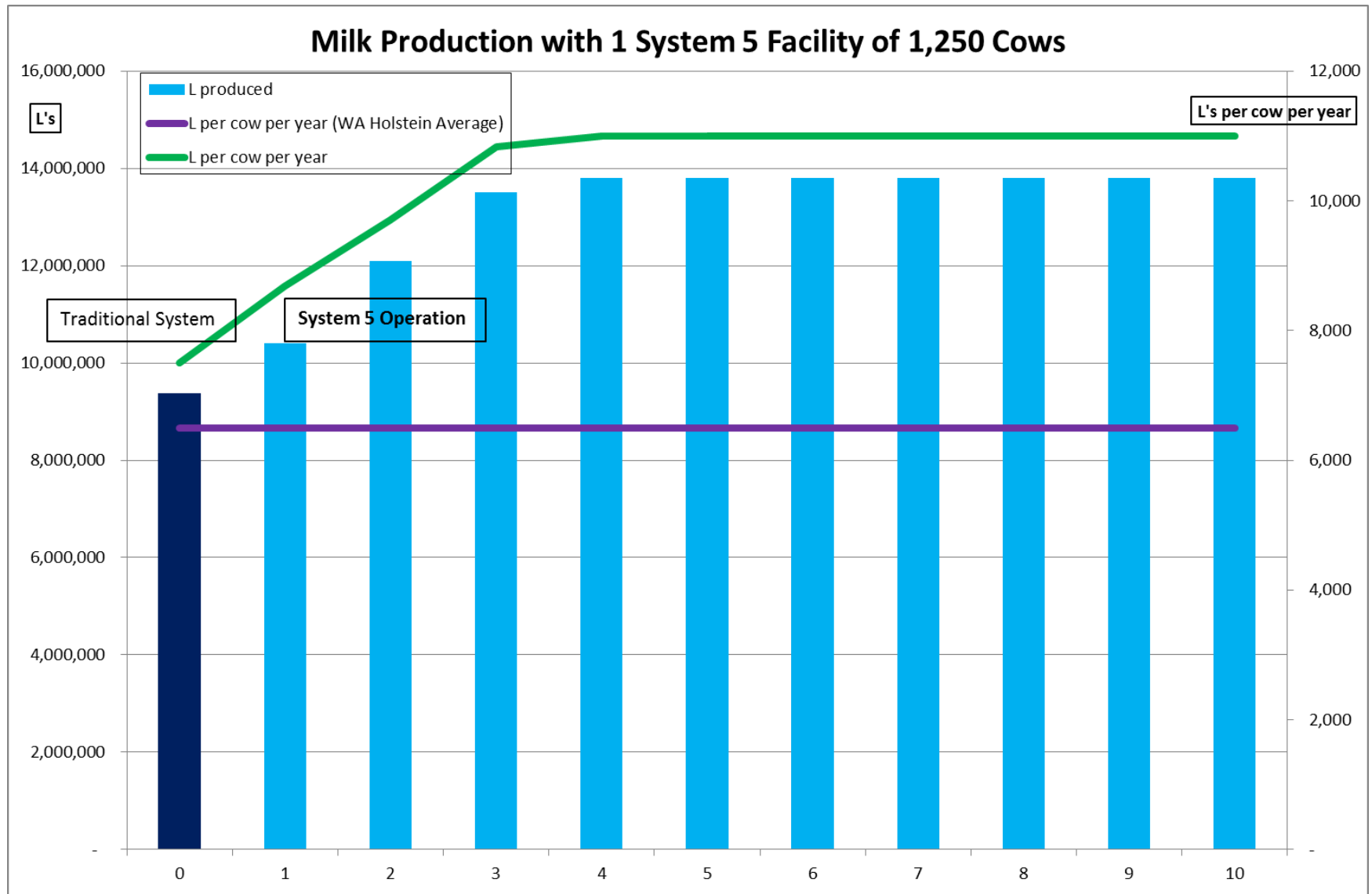


# System 5 Advantages

	System 5	Traditional	Advantage
Milk per cow (L p.a.)	10,000 plus	Av. 6,500	50%-100% production increase
Hours utilising rotary dairy	20 hours per day	Between 6 to 12 hours	More capital efficient
Heat stress	Climate controlled	Exposed to extreme elements	100+ days of heat stress removed
Milking	3-4 times a day	2 times a day	Improved udder health & 15%-25% more milk per cow
Walking distance per day	0.5-2 km	5-10 km	Reduced lameness & more time for lying down & rumination
Health	Constant monitoring	Variable	Health issues identified earlier for more effective treatment
Nutrition	Balanced & measurable	Variable & difficult to measure	50% increase in kg's milk produced per kg feed consumed
Feed Losses	Minimised & measurable	Can be substantial	3%-5% in System 5 compared to 15%-30% losses under traditional
Access to fresh, clean water	Constantly available	Can be limited	Improved rumination & health

# Milk Production with System 5

1,250 Milking Cows @ 11,000L+ per cow per year ~14M L per year



# Risk Management

Risk	Management Strategy
Milk Price	Guaranteed minimum price at farm gate Locked in for 5 – 10 years
Counterparty Sales	Domestic milk sales - must be to existing processor Export milk sales – back to back via processor
Land tenor	Lease & own land. Leased land:20 year lease – registered
Water	Rolling 10 year water licence with water Dept. from aquifers - reliable long term source
Silage Production	Will manage in-house to manage quality Irrigation utilised to expand cropping mix & protect against weather / climate risk
Grain production	Will not be growing grain – buy from farmers as WA has a large exportable surplus
Grain Prices	WA a major exporter, prices more stable than East Coast Hedging can be utilised – extensive in house experience in grain markets Exchangeability of feed sources
Management	Head hunt top System 5 operator from US or other country Utilise leading advisors in System 5 from around the world
Staff	Location to be near large pool of suitable labour Training to be provided by experts
Cows & Infrastructure	Insurance to cover replacement & business disruption
Public Perception	Defer to the large body of science supporting the system around the world Successful operations exist in Australia
Electricity	Plan to utilise solar PV & battery in addition to existing network

# Capel Farm – Low Risk Entry Point

- Lease agreement completed for 330ha dairy property 'Capel Farm'
  - Initial lease period of 12 months (DD period) with option to extend to 20 years
  - No CAPEX required to purchase or build: land, rotary dairy or water – all existing
- Herd purchase agreement completed
  - 400+ cows with plans to increase progressively in 2016
  - Plans to increase Company's herd to targeted 2,500 cows to produce 25 million+ litres of milk p.a.
- Appointed key managers & taken over operational control & management
- First milk produced & delivered to processor
- Appointment of Mr Peter Evans as consultant to oversee farm operations:
  - Award winning dairy farmer with more than 45 years experience (Westpac WA Dairy of the Year 2010 & 2011 for highest financial performance)



# Green Lake MOU

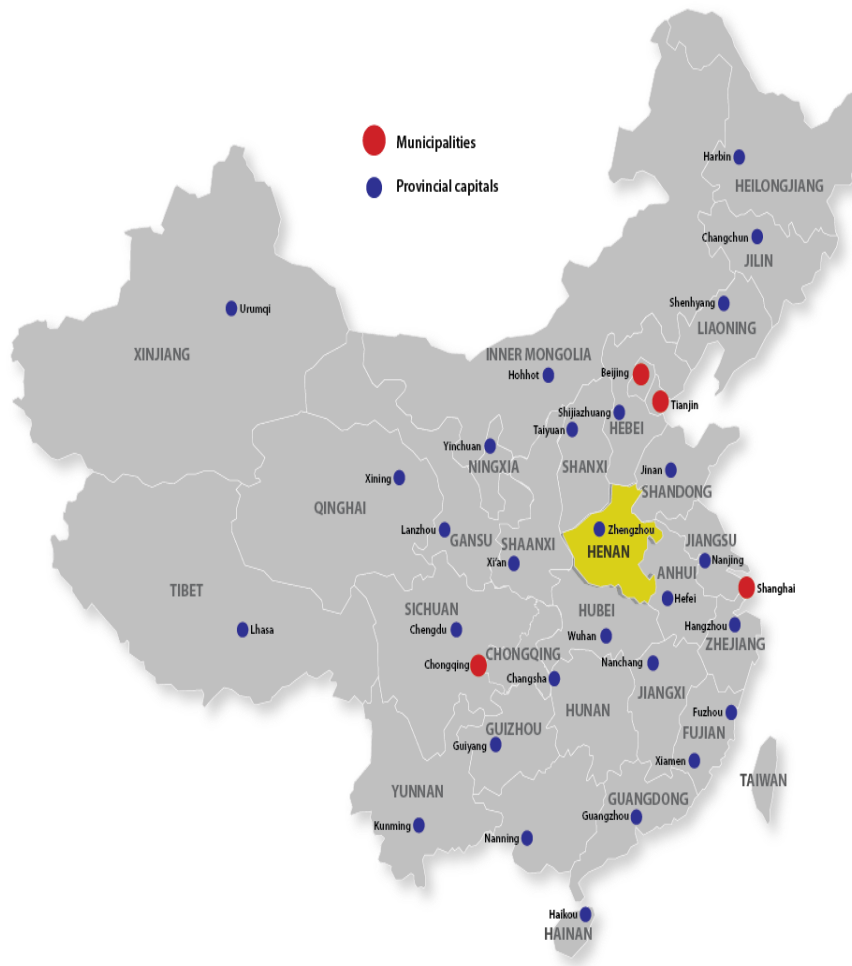
- Execution of MoU with Green Lake for long-term off-take agreement of WA fresh milk into China
- Australian & Chinese-backed Green Lake has access to 150 mini-marts in China's Henan province
- First “Capel Farm” branded store opened in Zhengzhou – expansion plan of 300 stores under franchise & owned model
- Green Lake has import licences for fresh milk into China & commenced shipments
- Negotiations ongoing for profit share arrangement that provides export upside potential
- Expected completion of binding agreement within Q1 CY2016





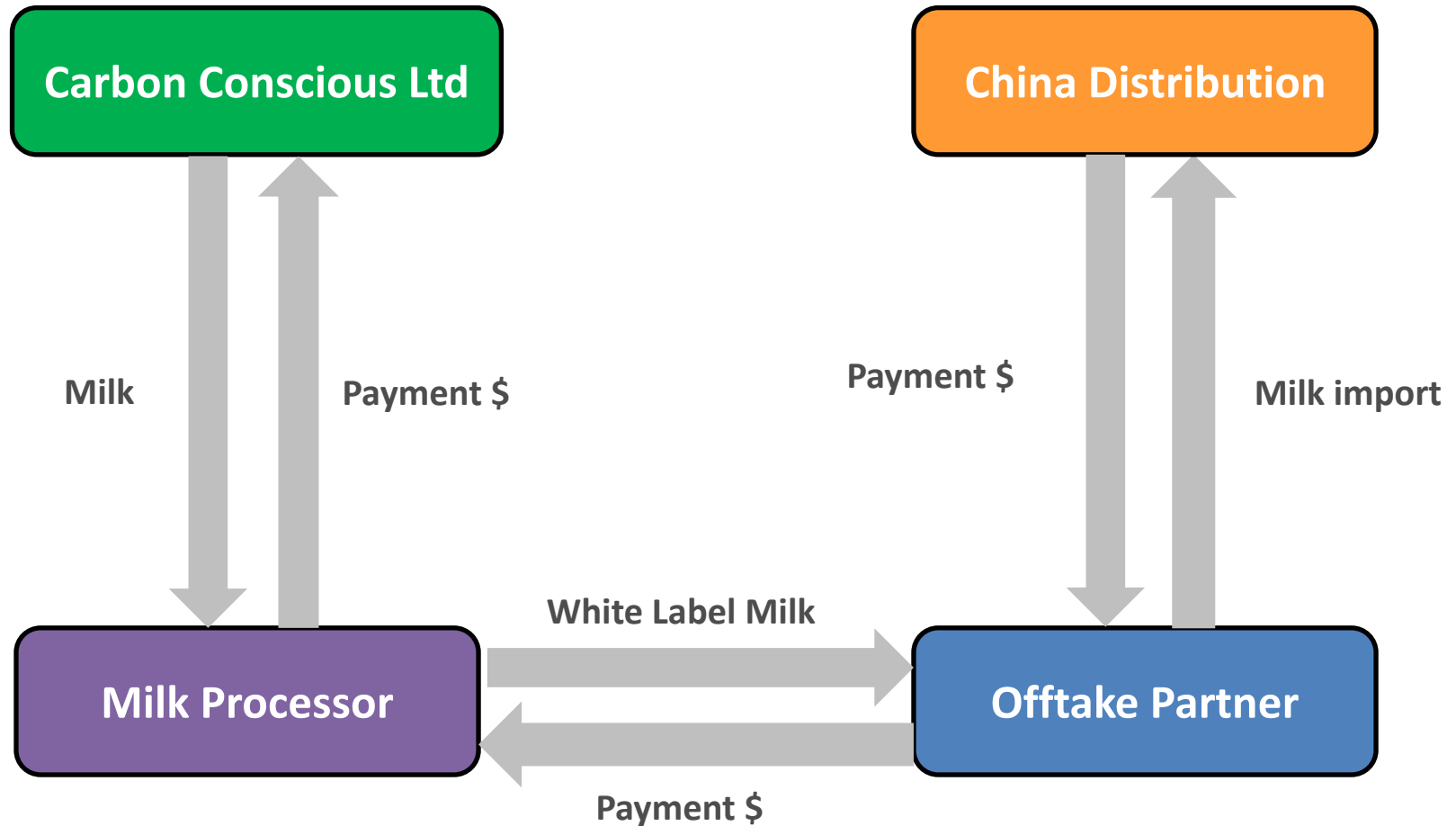
# Why start from Zhengzhou City?

- 100 million people in Henan Province
- 30% of China's population & GDP within 500km radius
- 1<sup>st</sup> Air Harbour Economic Region
- Not a focus of major milk companies





# Premium Export Opportunity



# Strategy

- Expansion into WA dairy – creating diversified agribusiness - complimentary cash-flow
- Implement internationally proven systems into WA
- Be “capital light” i.e. invest in generating cash-flow versus hard assets
- Achieve investment grade returns at domestic market level
- Be the “go to” company for long term domestic & export demand from WA
- Participate in returns beyond the farm gate via strategic partnerships

# Summary

- Experienced management team incentivised to perform
- Existing business generates \$1.5m p.a. free cash-flow until 2027
- Strong supply / demand fundamentals for WA dairy
- WA ideally located to take advantage of expanding Asian premium export markets
- Introducing internationally proven System 5 with improved production & capital efficiency
- System 5 supports the development of long term domestic & premium export markets
- First farm under lease with 20 year option
- MoU executed with first export partner – Green Lake
- Market Cap reflects existing business with only a small premium for dairy potential



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