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Company Announcements Office
Australian Securities Exchange
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20 Bond Street
SYDNEY NSW 2000

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Dear Sir

Corporate Update: Internal Restructure Completed - Demerger of Carbon Business to be voted on Thursday, 20 December 2018

Further to the information outlined in the corporate update dated 14 November 2018 and the Notice of Meeting (**NoM**) dated 19 November 2018, Alterra Ltd (**Alterra** or **Company**) is pleased to provide the following corporate update in relation to its proposed internal re-structure and demerger of its carbon business (**Demerger**) (**Carbon Business**).

Internal Restructure Completed

The Company confirms that all agreements with key customers have been executed and all internal transfers of assets from Alterra to its wholly owned subsidiary Carbon Conscious Investments Ltd (**CCIL**) have been completed.

Demerger Relief Confirmed

As outlined in the NoM, for the Demerger to proceed, the Company requires confirmation from the Australian Taxation Office, to the satisfaction of the Board, that demerger relief is likely to be granted. The Company is pleased to advise that it has received confirmation that demerger relief is likely, and as such this condition has been satisfied.

Shareholder Approval Required

The final action required for the Demerger of the Carbon Business to proceed is shareholder approval at the upcoming Extraordinary General Meeting to be held on 20 December 2018.

The Demerger is proposed to occur via the in-specie distribution of 85% of shares held by Alterra in CCIL to Alterra shareholders, with Alterra retaining 15% of CCIL in its own right.

Post the Demerger, Alterra will continue to manage the Carbon Business under a service agreement, which maintains all contractual obligations to customers of the Carbon Business and provides all necessary tenancy and administrative support.

The Demerger has been proposed by the Company for the following reasons:

- Due to political uncertainty in relation to carbon markets and carbon pricing, there have been no new significant opportunities for growth for the Company since 2012.
- Based on the continuation of existing contracts, the Carbon Business is expected to generate revenue of approximately \$21 million between 1 January 2019 and 30 September 2027, however, the Board believes that the value of the Carbon Business is not reflected in Alterra's current market capitalisation.
- The Demerger separates the Carbon Business from risk associated with new agricultural ventures undertaken by Alterra.
- The Demerger would provide shareholders with the opportunity to retain exposure to the cash-flows associated with the Carbon Business, while maintaining their investment exposure to Alterra and any new agribusiness growth opportunities it may undertake.
- The Demerger maintains Alterra's contractual obligations to its Carbon Business customers and retains Alterra's management experience and expertise in the carbon space.
- CCIL will be managed conservatively with an emphasis on keeping costs down and maximising cash-flow and has a stated dividend policy to distribute 90% of its net profit after tax to shareholders.

The Board encourages all shareholders to vote in favour of the proposed Demerger and should shareholders have a question about the proposed Demerger they are invited to contact me directly on +61 8 9204 8400 or via email at amcbain@alterra.com.au.

Yours faithfully



Andrew McBain
Managing Director