Alterra™

ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016

ABN 20 129 035 221

Alterra Limited and Controlled Entities (Formerly Carbon Conscious Limited)
Annual Report
for the year ended 30 September 2016

2016

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CORPORATE INFORMATION

ABN 20 129 035 221

Directors

Mr ANDREW MCBAIN, Executive Director
Mr TREVOR STONEY, Chairman & Non-Executive Director
Mr NEIL MCBAIN, Non-Executive Director

Company Secretary

Mr ANTHONY FITZGERALD

Principal & Registered Office

SUITE 1
25 WALTERS DRIVE
OSBORNE PARK WA 6017
TELEPHONE: (08) 9204 8400

Auditors

HLB MANN JUDD
LEVEL 4, 130 STIRLING STREET
PERTH WA 6000

Share Registry

ADVANCED SHARE REGISTRY SERVICES
110 STIRLING HIGHWAY
NEDLANDS WA 6009
TELEPHONE: (08) 9389 8033

Solicitors

BELLANHOUSE LEGAL
GROUND FLOOR, 11 VENTNOR AVENUE
WEST PERTH WA 6005

Bankers

COMMONWEALTH BANK OF AUSTRALIA
150 ST GEORGES TERRACE
PERTH WA 6000

Securities Exchange

AUSTRALIAN SECURITIES EXCHANGE
EXCHANGE CENTRE
20 BRIDGE STREET
SYDNEY NSW 2000
(ASX: 1AG)

EXECUTIVE DIRECTOR REVIEW OF OPERATIONS

Dear Shareholder,

The year to September 2016 saw the Company embark on some significant changes within the business whilst continuing to manage its core agri-forestry operations in Australia including:

- Continuation of Carbon Farming Initiative ("CFI") projects in Australia
- Change of name to Alterra Limited
- Sale of New Zealand assets for NZ$3.6 million (AU$3.2million)
- Closure of New Zealand business
- Repayment of remaining debt
- Commencement of Dairy Project in Western Australia

<u>Ongoing Agri-forestry Project Management</u>

Alterra continues to manage approximately 18,000 hectares of agri-forestry projects in Western Australia to generate Australian Carbon Credit Units (ACCUs), and Voluntary Carbon Offsets. The Company have existing contracts for ACCUs out until 2027 which generate management fees of circa $2.7 million per annum.

Field work which included tree measurements and plantation monitoring and FullCAM modelling, informed the Company's ongoing development of growth models, and supported Offset Reports to the Clean Energy Regulator. ACCUs were generated by both CFI projects with some delivered against an Emissions Reduction Fund Carbon Abatement Contract and others transferred to a client.

<u>Change of Name</u>

At the AGM of the Company held on 29 February 2016, shareholders overwhelmingly supported the change of name to Alterra Limited, to better reflect the Company's long term ambitions in agribusiness. Alterra began trading under the new code 1AG from 29 March 2016.

<u>Sale of New Zealand Assets</u>

As announced by the Company on 4 April 2016, Alterra's New Zealand assets consisting of land, plantations, forestry rights and NZU's were sold for NZ$3.6 million(AU$3.2million). Settlement occurred on 1 April 2016 and the majority of funds were repatriated back to Australia. The Company no longer has any active business in New Zealand.

<u>Repayment of Debt</u>

As announced by the Company on 14 April 2016, Alterra repaid its remaining bank debt on 13 April 2016 – 3 years ahead of schedule. The Company is debt free with at the date of this report circa $2.4 million in cash and receivables as well as continuing contracted revenue in Australia out till 2027.

<u>Dairy Project</u>

During January-April 2016, various works were undertaken at the Capel Farm site to assess its potential under System-5 dairy. International System-5 dairy management and engineering consultants were teamed with local construction and environmental engineering consultants to conduct extensive site assessments and develop high level designs. The Capel Farm site was ultimately unsuitable for the Company's objectives and Alterra decided to exit its position and focus on conducting feasibility studies on a number of green field sites. The Company is now primarily focussed on one site and is in discussions with various stakeholders including landholders, government agencies and potential customers while conducting the next stage of feasibility.

During 2016, international and Eastern Australian dairy markets deteriorated in response to an oversupply of milk. In Western Australia, there has been some negative sentiment resulting from several farmers not having their contracts renewed by local processors. However, with a different market pricing structure (fixed price multi-year contracts), WA farmers were largely sheltered from the international downturn in 2016.

Alterra's base case strategy is to develop a large scale System-5 farming operation to supply milk to local processors and the WA market. It is the Company's view that over the medium to long term, the supply side will come under pressure in WA as some farmers continue to exit the industry due to various issues including but not limited to; uncompetitive cost structures, requirements for CAPEX investment to replace aging infrastructure, competition for land and increased land prices, the age of farmers and in many cases, limited succession opportunities. In addition, the Company believes there will continue to be growing demand from Asia to compete for access to production. In relation to the Green Lake MOU, with the rapid change in the international dairy markets, including China, no material progress has been made. It is our intention to bring the discussions to a head in early 2017.

The Company is of the view that that there are productivity and market advantages to be gained from System-5 farming because it enables the efficient production of relatively high volume and consistent quality milk to be produced in consistent monthly volumes throughout the year. Given the structure of the WA market and the characteristics of System-5 production, the initial key agreement to be reached, from Alterra's perspective, is an off-take agreement with a local processor. An agreement for offtake will not be finalised until a site has been selected by the Company.

Development of a selected site will not occur until an off-take agreement is finalised. By that we mean that we intend to know where our product is going to be sold and the price it will be sold for, before we commit resources to develop infrastructure.

Alterra understands that a majority of existing Western Australian dairy farmers will undertake contract renewal discussions during 2017, and with a potential positive movement of the international and Eastern Australian dairy markets on the horizon, opportunities may present to secure long term off-take agreements.

The mega-trend of increased demand for Australian dairy into Asia continues to excite us and the Company remains focussed on the objective of developing a cost and quality leading dairy project that supports long term domestic and export opportunities.

There are a number of areas to work through before a final investment decision can be made. Key activity and decision milestones for 2017 will include Board consideration of a reviewed detailed business case and of a potential site. Should the outcome of the Board review be positive, then the Company will seek finalisation of land and water access requirements, environmental management requirements, arrangements for power development, and development of facility designs and engineering plans with the intention to complete a finalised bankable feasibility study by the end of 2017. A large component of this work has already been commenced by the Company over the last few months and a more detailed outline of project timeframes will be made public once a decision has been made as to committing resources to the next stage as outlined above.

Andrew McBain
Executive Director
Alterra Limited

Your directors submit the annual financial report of the Company and the entities it controlled (hereafter referred to as "The Group") for the year ended 30 September 2016. In order to comply with the provisions of the Corporations Act 2001, the directors' report is as follows:

Change of Company Name

Following shareholder approval at the 2015 Annual General Meeting, the Company changed its name from Carbon Conscious Limited to Alterra Limited on 17 March 2016 to better reflect its business activities.

Directors

The names of directors who held office during or since the end of the financial year and until the date of this report are as follows. Directors were in office for this entire period unless stated below.

ANDREW MCBAIN (Executive Director)
TREVOR STONEY (Non-Executive Director)
NEIL MCBAIN (Non-Executive Director)

Information on Directors

TREVOR STONEY, 71 (Chairman & Non-Executive Director)

Mr Stoney brings cumulative knowledge, acumen and relationships from more than 50 years in agribusiness. From 1962 until a sale in 2009, he managed numerous large scale family owned mixed farming enterprises across the Western Australian and Victorian agricultural zones. Mr Stoney is also a founding director of an innovative renewable energy business based in Perth, Western Australia and continues to have an active interest in agriculture via his two sons and private livestock interests. He has had no other directorships of ASX listed companies in the last 3 years.

ANDREW MCBAIN, 42 (Executive Director)

Mr McBain is the founder of Alterra - Carbon Conscious, and over the past 15 years has successfully developed a number of start-up businesses involved in agriculture, carbon and mineral exploration. The capital sourced and raised for these ventures since 2005 exceeds $100 million. Mr McBain has experience in management, business development, ASX listings including IPO's and RTO's, capital raisings and corporate compliance. Previous directorships include ASX entities Rumble Resources Ltd, AACL Holdings Ltd and Scimitar Resources Ltd.

NEIL MCBAIN, 72 (Non-Executive 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 and 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 and to market dominance in South and North Asia. Loscam was sold to Chinese logistics group CML Ltd for $600 million in 2010. Mr McBain has significant experience in Mergers and Acquisitions including operational integration and prides himself on a reputation for an intense focus on customers and creating value for shareholders. He has had no other directorships of ASX listed companies in the last 3 years.

Information on Company Secretary

ANTHONY FITZGERALD, 56 (Commercial Manager & Company Secretary)

Mr Fitzgerald has over 30 years' experience in operational and financial management of agribusinesses that span large-scale extensive animal production, land conservation projects, farmer networks and grain marketing pools. At Alterra his responsibilities include managing compliance with the Carbon Farming Initiative ACT, generation of Australian Carbon Credits Units and driving a commercial focus into the management of properties. He holds a Bachelor of Agribusiness (Hons) and Post Graduate Diploma in Financial Services.

Interests in the Shares and Options of the Company

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report.

Directors	Number of fully paid ordinary shares	Number of options
Trevor Stoney	19,417,361	1,500,000
Andrew McBain	7,410,306	5,000,000
Neil McBain	7,100,000	1,500,000

Interests in the Shares and Options of the Company (continued)

During the financial year, the following options were issued to one director on 13 May 2016 as part of the Company's Employee Share Option Plan. The value of these options together with the model and assumptions used are set out in the Remuneration Report and in Note 17 in the financial statements.

Directors	Number of options over ordinary shares	Exercise Price	Expiry Date
Andrew McBain	2,000,000	$0.15	1 March 2019

Details of unissued ordinary shares under options are as follows:

Number of options	Exercise price	Expiry date
8,250,000	$0.045	31 January 2017
3,000,000	$0.06	31 January 2018
3,000,000	$0.06	31 May 2018
6,000,000	$0.15	1 March 2019
2,000,000	$0.175	1 March 2019

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

Principal Activities

The principal activities of the Group during the year were agri-forestry services being the management of established carbon forests for the purpose of sequestration of carbon from the atmosphere and the generation of carbon credits or ACCU's; and the commencement of dairy operations including the ongoing development of a feasibility study for the expansion of a System 5 dairy project in Western Australia.

There have been no significant changes in the nature of those activities during the year.

Dividends

No dividends have been paid or declared for the year ended 30 September 2016. The directors do not recommend the payment of a dividend in respect of the year ended 30 September 2016.

Review of Operations

The Group continues to review and manage its costs in a challenging carbon market whilst looking for other opportunities.

The Group has two substantial long term contracts with strong counterparties for the continued provision of services associated with agri-forestry that generate revenue out till 2027 in Australia.

The Group has also built a long term asset base which involves agricultural land that has in the majority been planted with native trees for bio-sequestration.

Operating Results for the Year

The profit of the Group for the year ended 30 September 2016 after providing for income tax amounted to $302,206 (30 September 2015: $91,210).

Financial Position

The net assets of the Group have increased by $361,005 from $12,192,218 at 30 September 2015 to $12,553,223 at 30 September 2016.

Significant Changes in the State of Affairs

The following significant changes in the state of affairs occurred during the year ended 30 September 2016:

(a) **28 October 2015** – the Company announced the completion of the Less than Marketable Parcel Share Sale Facility. A total of 1,512,988 shares have been purchased for a consideration of circa $51,442.

(b) **2 November 2015** – the Company announced that it had repaid all its outstanding convertible notes to Aroona Management Pty Ltd. The $2 million convertible notes provided by Aroona were drawn down around July 2012 by the Company for the purpose of completing the 2012 planting program and subsequent working capital requirements. The remaining debt of around $1.7 million (funded via CBA) will be reduced to $1.5 million by December 2015, and completely paid out on a business as usual scenario by September 2016.

(c) **9 November 2015** – the Company announced that its 100% owned subsidiary, Carbon Conscious New Zealand Ltd, had by mutual agreement with its New Zealand Unit offtake customer, terminated the contract. The offtake contract was a take and pay agreement which priced NZUs generated by CCNZ until 2032. The remaining gross value of expected NZU production under the contract was approximately NZ$8 million. The termination of the contract will have no material impact to the Company's balance sheet, profit or cash-flow.

(d) **9 December 2015** – the Company announced its intention to expand the business into the Western Australia dairy market by way of an execution of an exclusive non-binding Memorandum of Understanding with Green Lake Pty Ltd. This would establish a framework for providing a long term supply of fresh milk to China. A completed transaction would provide a first-step expansion of the Company's business into a larger, diversified agribusiness model, hence the proposal to change the Company's name to Alterra Limited to reflect the broader scope of agricultural ambitions.

(e) **8 January 2016** – the Company advised that it had executed a non-binding Memorandum of Understanding with Australian and Chinese-backed business, Green Lake Pty Ltd, relating to the lease of a dairy farm and infrastructure, and purchase of a dairy cow herd converted into a binding agreement. The Company had appointed key managers and have taken over the operational control and management of the dairy farm located in Capel, Western Australia. The Company was still working on its expansion strategy under an American style of "System-5" farming. The targeted production expansion under System-5 would see 2,500 milking cows for the production of 25 million litres of milk per annum. The Company was still working to finalise its conversion of the Memorandum of Understanding into a binding contract.

(f) **19 January 2016** – the Company provided a Corporate Presentation regarding its expansion into the Western Australia Dairy industry. Some of the highlights referred to the Company's plan to change its name to Alterra Limited at the upcoming Annual General Meeting, its agri-forestry expansion into dairy in Western Australia, existing agri-forestry projects in Western Australia and New Zealand, and the possibility of sale of its New Zealand land and forestry assets.

(g) **11 February 2016** – the Company advised that it had appointed 3 key advisers for its Dairy business expansion, namely USA firm JGMIII to conduct site evaluation and development of engineering designs, GHD for preparing environmental management and groundwater use plans, and Kelanco Pty Ltd to assist the Company with its site evaluation, co-ordinating between JGMIII and Australian structural engineers, management of contract tenders and overseeing the efficient co-ordination of the project during the construction phase.

(h) **29 February 2016** – the Company announced that following the results of its 2015 Annual General Meeting, shareholders had unanimously approved the change of name for the company from Carbon Conscious Limited to Alterra Limited. The name change was to better reflect the expansion of its business activities into additional agricultural operations including dairy.

(i) **2 March 2016** – the Company advised that it had entered into an unconditional sale agreement for its New Zealand assets for NZ$3.6 million. The assets sold would include freehold land, plantations, forestry rights and carbon credits or NZU's. Once the sale has been completed, the Company will no longer have any active businesses or assets in New Zealand, enabling the Company to focus on its existing business and dairy expansion in Western Australia.

(j) **8 March 2016** – the Company announced the appointment of James Walker as its Corporate Consultant to assist the Company with its dairy expansion in Western Australia.

(k) **21 March 2016** – the Company advised that its name change from Carbon Conscious Limited to Alterra Limited has been approved by the Australian Securities and Investments Commission.

(l) **29 March 2016** – the Company advised that it will commence trading under its new ASX code of 1AG effective 29 March 2016 as approved by the Australian Securities Exchange.

Significant Changes in the State of Affairs (continued)

(m) **4 April 2016** – the Company announced that it had successfully concluded the settlement of its New Zealand forestry assets. The sales proceeds of NZ$3.6 million were repatriated to Australia to pay down existing debt facilities of approximately A$1.3 million, with the balance to be utilised to assist Alterra's dairy expansion plans in Western Australia. This transaction brings an end to the Company's New Zealand operations.

(n) **14 April 2016** – the Company advised that it had repaid the balance of its debt with the Commonwealth Bank of Australia; 3 years ahead of schedule. This has placed the Company with no debt, and approximately A$2.5 million in cash and equivalents. The Company will continue to generate around A$2.8 million revenue per annum via its existing business until 2027 in Australia. In the meantime, the Company would continue to undertake an ongoing review of a number of sites in Western Australia for the purpose of conducting feasibility studies for its System-5 dairy system and to position itself as the "go to" company for large scale milk production.

(o) **12 May 2016** – the Company provided a corporate update relating to its dairy activities, including the development of a System-5 dairy in Western Australia. The Company advised that it had commenced reviewing other potential sites for the implementation of a System-5 operation after a review of the existing herd performance, ongoing operations and on taking advice from various consultants in relation to the development of a System-5 dairy, that the farm site at Capel, Western Australia is deemed inefficient and potentially a distraction from its ultimate objective. Accordingly, the Company has sold down the existing milking herd and placed the rotary dairy at Capel Farm on care and maintenance pending a decision on the suitability of the site for System-5. The production of milk from the Capel Farm has no bearing on the negotiations with Green Lake in relation to an agreement for milk off-take into stores in China.

(p) **17 May 2016** – the Company advised that it has issued unlisted options to various parties under the Company's Employee Share Option Plan, as well as options to Mr Andrew McBain as approved by shareholders at the Annual General Meeting held on 29 February 2016.

Significant Events after Balance Date

There have been no other matters or circumstances that have arisen after balance date that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments and Expected Results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

Environmental Legislation

The Group is not subject to any significant environmental legislation.

Legal Litigation

The Group is not subject to any significant legal litigation.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and other key management personnel of Alterra Limited (the "Company").

The term 'executives' is used in this remuneration report to refer to the following key management personnel. The named person held their current position for the year ended 30 September 2016:

Anthony Fitzgerald (Commercial Manager)

Remuneration Philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Committee

Two (2) members of the Board of the Company are delegated by the Board to constitute the Remuneration Committee. The Remuneration Committee makes recommendations to the full Board on appropriate levels of remuneration within the organisation.

Remuneration Structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the initial meeting of members held on 2 January 2008 when shareholders approved an aggregate maximum remuneration of $300,000 per year. The current total remuneration for non-executive directors is $136,875 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

The remuneration of non-executive directors for the year ended 30 September 2016 is detailed in Table 1.

Executives and Executive Director Remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed periodically by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component of the Company's executives is detailed in Table 1.

Variable Remuneration

The objective of the short term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentives available are set at a level so as to provide sufficient incentive to the senior management to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

There were no short term incentives during the year ended 30 September 2016, other than the bonuses paid to Mr Andrew McBain and Mr Anthony Fitzgerald.

Employment Contracts

Mr Andrew McBain (Executive Director) has a contract of employment dated 1 January 2014 with a term of three years. The contract sets out the duties and responsibilities of the Executive Director who is paid $165,000 per annum exclusive of superannuation with a performance bonus to be determined by the Company taking into consideration the key performance indicators of the Executive Director and the Company, as the Company may set from time to time, and any other matter that it deems appropriate in the Company's sole and absolute discretion.

Mr Anthony Fitzgerald is on a permanent full time contract with 3 months notice to be given be both employee and the Company.

September 2016 Remuneration of Key Management Personnel

Table 1: Key Management Personnel remuneration for the year ended 30 September 2016

	Primary benefits		Post-employment		Equity		Other	Total	%
	Salary & fees	Cash Bonuses (i)	Non-monetary benefits (ii)	Superannuation	Prescribed benefits	Options			Performance related
Directors	$	$	$	$	$	$	$	$	%
Andrew McBain	165,000	57,000	-	15,675	-	12,171	-	249,846	28%
Neil McBain	50,000	-	-	4,750	-	-	-	54,750	-
Trevor Stoney	75,000	-	-	7,125	-	-	-	82,125	-
Total	**290,000**	**57,000**	**-**	**27,550**	**-**	**12,171**	**-**	**386,721**	**18%**
Executives	$	$	$	$	$	$	$	$	%
Anthony Fitzgerald	165,000	57,000	-	15,675	-	12,171	-	249,846	28%
Total	**165,000**	**57,000**	**-**	**15,675**	**-**	**12,171**	**-**	**249,846**	**28%**

(i) The cash bonus was granted as per the terms of the employment contract. No other cash bonuses were granted during the year.

(ii) Non-monetary benefits include employee share scheme payments and fringe benefits tax payments.

Options Granted as Part of Remuneration September 2016

	Value of options granted at grant date	Value of options exercised at exercise date	Value of options lapsed at time of lapse	Total value of options granted, exercised and lapsed	Value of options lapsed during the year	Value of options included in remuneration for the year	% Remuneration consisting of options for the year
Directors	$	$	$	$	$	$	%
Andrew McBain	12,171	-	-	12,171	-	12,171	5%
Neil McBain	-	-	-	-	-	-	-
Trevor Stoney	-	-	-	-	-	-	-
Total	**12,171**	**-**	**-**	**12,171**	**-**	**12,171**	**4%**
Executives	$	$	$	$	$	$	%
Anthony Fitzgerald	12,171	-	-	12,171	-	12,171	5%
Total	**12,171**	**-**	**-**	**12,171**	**-**	**12,171**	**5%**

For details on the valuation of the options, including models and assumptions used, please refer to Note 17 to the financial report. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Shares Issued to Key Management Personnel for the year ended 30 September 2016

No shares were issued to Directors and Executives as part of the short term incentive scheme during the year ended 30 September 2016.

Option Holdings of Key Management Personnel for the year ended 30 September 2016

12 months ended 30 September 2016	Balance at beginning of reporting period	Granted as remuneration[(i)]	Options exercised	Net change Other[(ii)]	Balance at end of reporting period	Vested as at end of reporting period	
						Exercisable	Not Exercisable
Directors							
Andrew McBain	3,000,000	2,000,000	-	-	5,000,000	3,000,000	-
Trevor Stoney	1,500,000	-	-	-	1,500,000	1,500,000	-
Neil McBain	1,500,000	-	-	-	1,500,000	1,500,000	-
Executives							
Anthony Fitzgerald	3,000,000	2,000,000	-	-	5,000,000	3,000,000	-
Total	**9,000,000**	**4,000,000**	**-**	**-**	**13,000,000**	**9,000,000**	**-**

(i) Unlisted Options issued on 13 May 2016 under the Company's Employee Share Option Plan.

Shareholdings of Key Management Personnel for the year ended 30 September 2016

12 months ended 30 September 2016	Balance at beginning of reporting period	Granted as remuneration	On exercise of options	Net change Other [(i)]	Balance at end of reporting period
Directors					
Andrew McBain	7,410,306	-	-	-	7,410,306
Trevor Stoney	9,417,361	-	-	10,000,000	19,417,361
Neil McBain	7,100,000	-	-	-	7,100,000
Executives					
Anthony Fitzgerald	3,450,000	-	-	-	3,450,000
Total	**27,377,667**	**-**	**-**	**10,000,000**	**37,377,667**

(i) Shares were acquired or sold by Directors / Executives or their related entities both on and off market.

September 2015 Remuneration of Key Management Personnel

Table 1: Key Management Personnel remuneration for the year ended 30 September 2015

	Primary benefits			Post-employment		Equity	Other	Total	%
	Salary & fees	Cash Bonuses (i)	Non-monetary benefits (ii)	Superannuation	Prescribed benefits	Options			Performance related
Directors	$	$	$	$	$	$	$	$	%
Andrew McBain	165,000	57,500	-	16,625	-	15,680	-	254,805	29%
Neil McBain	50,000	-	-	4,750	-	7,175	-	61,925	12%
Trevor Stoney	106,250	-	-	5,280	-	7,175	-	118,705	6%
Total	**321,250**	**57,500**	**-**	**26,655**	**-**	**30,030**	**-**	**435,435**	**-**
Executives	$	$	$	$	$	$	$	$	%
Anthony Fitzgerald	165,000	57,500		15,675		15,680		253,855	29%
Total	**165,000**	**57,500**	**-**	**15,675**	**-**	**15,680**	**-**	**253,855**	**29%**

(i) The cash bonus was granted as per the terms of the employment contract. No other cash bonuses were granted during the year,

(ii) Non-monetary benefits include employee share scheme payments and fringe benefits tax payments.

Options Granted as Part of Remuneration September 2015

	Value of options granted at grant date	Value of options exercised at exercise date	Value of options lapsed at time of lapse	Total value of options granted, exercised and lapsed	Value of options lapsed during the year	Value of options included in remuneration for the year	% Remuneration consisting of options for the year
Directors	$	$	$	$	$	$	%
Andrew McBain	15,680	-	-	15,680	-	15,680	6%
Neil McBain	7,175	-	-	7,175	-	7,175	12%
Trevor Stoney	7,175	-	-	7,175	-	7,175	6%
Total	**30,030**	**-**	**-**	**30,030**	**-**	**30,030**	**7%**
Executives	$	$	$	$	$	$	%
Anthony Fitzgerald	15,680	-	-	15,680	-	15,680	6%
Total	**15,680**	**-**	**-**	**15,680**	**-**	**15,680**	**6%**

For details on the valuation of the options, including models and assumptions used, please refer to Note 16 to the financial report. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Shares Issued to Key Management Personnel for the year ended 30 September 2015

No shares were issued to Directors and Executives as part of the short term incentive scheme during the year ended 30 September 2015.

Option Holdings of Key Management Personnel for the year ended 30 September 2015

12 months ended 30 September 2015	Balance at beginning of reporting period	Granted as remuneration(i)	Options exercised	Net change Other(ii)	Balance at end of reporting period	Vested as at end of reporting period	
						Exercisable	Not Exercisable
Directors							
Andrew McBain	150,000	3,000,000	-	(150,000)	3,000,000	3,000,000	-
Trevor Stoney	150,000	1,500,000	-	(150,000)	1,500,000	1,500,000	-
Neil McBain	150,000	1,500,000	-	(150,000)	1,500,000	1,500,000	-
Executives							
Anthony Fitzgerald	-	3,000,000	-	-	3,000,000	3,000,000	-
Total	**450,000**	**9,000,000**	**-**	**(450,000)**	**9,000,000**	**9,000,000**	**-**

(i) Unlisted Options issued on 24 February 2015 as approved by shareholders at the Annual General Meeting 2015.

(ii) Expiry of Listed Options (CCFO) on 31 March 2015. No options were exercised.

Shareholdings of Key Management Personnel for the year ended 30 September 2015

12 months ended 30 September 2015	Balance at beginning of reporting period	Granted as remuneration	On exercise of options	Net change Other (i)	Balance at end of reporting period
Directors					
Andrew McBain	2,007,000	-	-	5,403,306	7,410,306
Trevor Stoney	5,904,553	-	-	3,512,808	9,417,361
Neil McBain	2,100,000	-	-	5,000,000	7,100,000
Executives					
Anthony Fitzgerald	950,000	-	-	2,500,000	3,450,000
Kent Hunter (ii)	365,000			-	365,000
Total	**11,326,553**	**-**	**-**	**16,416,114**	**27,742,667**

(i) Shares were acquired or sold by Directors / Executives or their related entities both on and off market.

(ii) Kent Hunter ceased to be a director on 28 August 2014 but continued as Company Secretary until 30 March 2015. His shareholding at 30 March 2015 is declared above under balance at end of reporting period.

Transactions with Key Management Personnel

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial period:

Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	$	$	$	$
12 months ended 30 September 2016				
Stoney Pastoral Co Pty Ltd	13,399	13,533	-	134
Aroona Management Ltd	-	83,046	-	-
Broadacre Land Holdings	-	-	558	-
12 months ended 30 September 2015				
Aroona Management Ltd	-	70,110	-	411,863

Stoney Pastoral Co Pty Ltd is an entity controlled by Trevor Stoney, which provided agistment services to Alterra in the year. Alterra also provided the usage of vehicles to Stoney Pastoral Co Pty Ltd within the year.

Aroona Management Pty Ltd is an entity controlled by Neil McBain, a director of Alterra Ltd. The convertible note and any outstanding interest were fully paid in the year and at 30 September 2016, there was no balance outstanding.

Broadacre Land Holdings Pty Ltd was a 100% owned subsidiary of Stoney Pastoral Co Pty Ltd.

END OF REMUNERATION REPORT

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Number of Meetings Eligible to Attend	Number of Meetings Attended
Andrew McBain	4	4
Trevor Stoney	4	4
Neil McBain	4	4

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company, for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year ended 30 September 2016.

Auditor Independence and Non-audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 24 and forms part of this directors' report for the year ended 30 September 2016.

Non-audit Services

No non-audit services were provided by the external auditors during the year ended 30 September 2016.

Signed in accordance with a resolution of the directors.

Andrew McBain
Executive Director
Alterra Limited
Perth, 21st December 2016

The Board of Alterra Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Alterra Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Directors of Alterra Limited at a meeting held on 20 July 2016 have approved the following charter formalising the functions and responsibilities of the Board (Board Charter). It supersedes any previous versions prior to 20 July 2016. The Board is ultimately responsible for all matters relating to the running of the Company.

Alterra Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations.

Alterra Limited's corporate governance practices were in place throughout the year ended 30 September 2016 and were substantially compliant with the Council's recommendations.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Roles and Responsibilities of the Board and Senior Management

The objective of the Board is to provide an acceptable rate of return to the Company's shareholders taking into account the interests of the Company's employees, customers, suppliers, lenders and the communities in which it operates. The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole.

The Board has the final responsibility for the successful operations of the Company. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

The Board is responsible for:

- Overseeing and approving the Company's strategic and operating objectives
- Reviewing and approving the Company's financial position, systems of risk management and internal compliance and control, codes of conduct and legal compliance
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestments
- Being responsible for the Company's senior management and personnel including appointing and, where appropriate, removing the Chairman
- Ratifying the appointment and, where appropriate, the removal of the Managing Director (if applicable) and the Company Secretary
- Evaluating the performance of the Executive Directors and the Executives and determining their remuneration
- Delegating appropriate powers to the Executive Directors and Executives to ensure the effective day-to-day management of the business and monitoring the exercise of these powers
- Ensuring that policies and procedures are in place, consistent with the Company's objectives, and that the Company and its officers act legally, ethically and responsibly in all matters, and
- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through the Chairman, being the key interface between the Company and its shareholders.

It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

1.2 Appropriate Checks Prior to Electing a Director

The membership of the Board, its activities and composition is subject to periodic review. Before appointing a Director or putting forward to security holders a candidate for election, the Company is to undertake appropriate checks (including checks as to the character, experience, education, criminal record and bankruptcy history of the candidate).

The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake Board's duties and responsibilities.

In the interest of ensuring a continual supply of new talent to the Board, all Directors with the exception of the Managing Director will serve for a period of three years before they are requested to stand down for re-election. The process of re-electing a director will be stated in the Company's Notice of Annual General Meeting, and will be subject to the approval of shareholders, having list out the experience and knowledge of the director to support his/her re-election. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (continued)

1.3 Written Agreement with Directors and Senior Executives

Alterra has a written agreement in place with each Director and Senior Executives. The appointment letter and agreement outline the obligations of each Director and Senior Executive to the Company and Board.

Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.4 Role of Company Secretary

The Company Secretary is charged with facilitating the Company's corporate governance processes and so holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board. The Company Secretary is appointed and dismissed by the Board and all Directors have as of right access to the Company Secretary.

1.5 Diversity Policy

The Company recognises the benefits arising from employees and the importance of benefiting from all available personnel. The Company will promote a diverse environment which is conducive to the appointment of well qualified personnel so there is appropriate diversity which will assist with maximizing the achievement of the goals of the Company.

Due to the size and nature of the company, the Board has not yet set any measurable objectives for diversity beyond the current structure.

The Group's current diversity reporting structure is as follows:

	Year ended 30 September 2016		Year ended 30 September 2015	
Gender representation	**Female (%)**	**Male (%)**	**Female (%)**	**Male (%)**
Board representation	0%	100%	0%	100%
Key management personnel representation	0%	100%	0%	100%
Group representation	14%	86%	14%	86%

1.6 Performance of the Board

Alterra Limited has a policy in place to ensure individual directors and the Board as a whole work efficiently and effectively in achieving their functions (refer to Section 25 of Alterra's Corporate Governance Statement). Accordingly, during the reporting period:

(a) The Chairperson met with each non-executive director separately to discuss individual performance and ideas for improvement.

(b) The Board as a whole discussed and analysed its own performance including suggestions for change or improvement.

1.7 Performance of Senior Executives

Alterra Limited has a policy in place to ensure that the Managing Director and key executives execute the Company's strategy through the efficient and effective implementation of its business objectives (refer to Sections 25 and 26 of Alterra's Corporate Governance Statement). Accordingly, during the reporting period:

(a) The Board has reviewed the Company's strategy.

(b) Following such a review, the Board has set the organisation performance objectives based on qualitative and quantitative measures.

(c) These objectives have been reviewed periodically to ensure they remain consistent with the Company's priorities and the changing nature of the Company's business.

(d) These objectives are the performance targets for the Managing Director / other Senior Executive (as applicable).

(e) Performance against these objectives has been reviewed annually by the Board and is reflected in the Managing Director's / other Senior Executive's (as applicable) remuneration review.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Nomination Committee

The Company is not of a sufficient size or scale to warrant the implementation of a full remuneration or nomination committee. These functions will be provided by the Board as a whole. The Company does however have procedures for the Board to follow in implementing the best practices of a remuneration and nomination committee. These are contained within the Board performance evaluation policy. This policy will be reviewed on an ongoing basis.

2.2 Board Skills Matrix

Although Alterra Limited does not have a specific Board Skills Matrix due to its size, the Company does take into consideration the type of skills and experience critical to achieve the best strategic objectives of the Company. The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is referred to in the Directors' Report (refer to page 6).

2.3 Directors Details

The names, qualifications and experience of each director is referred to in the Director's Report (refer to page 6).

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
TREVOR STONEY	5.4 years
ANDREW MCBAIN	4.9 years
NEIL MCBAIN	2.4 years

Directors of Alterra Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In the context of Director Independence, 'materiality' is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following Director of Alterra Limited is considered to be independent:

Name	Position
NEIL MCBAIN	Non-Executive Director

The Company's Corporate Governance Statement also contains information relating to the handling of conflicts of interests and related party transactions.

2.4 Majority Independent Directors

Although ASX Principle 2.4 requires a majority of the Board to be independent, the Board believes that given the size and business structure of the Company, it is not practical at this stage to have a majority of independent directors. The Board believes that the interests of shareholders are best served with its current board structure. However, the current situation will continue to be monitored, as the Company continues to grow strategically.

2.5 Independent Chairman

Although ASX Principle 2.5 requires the Chairman of the Board to be independent, the Board believes that given the size and business structure of the Company, the interests of shareholders are best served with its current board structure. The Chairman of Alterra Limited is currently a non executive director and is not the same person as the CEO of the Company. The Executive Director assumes the role of the CEO of the Company.

2.6 Inducting New Directors

Due to the size of Alterra Limited, there is no formal induction process for new directors. Instead, an induction process would be provided by way of familiarising the new director with the Company's Corporate Governance Statement, other relevant policies and procedures, and attending board meetings.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

3.1 Code of Conduct for Directors, Senior Executives and Employees

To assist the Board in carrying out its functions, the Company has developed a Code of Conduct to guide the Directors, the Managing Director, Senior Executives, and employees in the performance of their roles. The Code of Conduct addresses the maintenance of the confidence in the Company's integrity, legal obligations and expectations of shareholders, responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour.

Section 15 of the Company's Corporate Governance Statement covers the Company's Code of Conduct.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 Audit Committee

The Company does not have a formally constituted audit committee as the Board considers that the Company's size does not warrant such a committee. The Board oversees the functions normally carried out by an audit committee, including the following processes to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: (i) the Board devotes time at Board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors; and (ii) all members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.

4.2 Risk

It is the Board's policy that the Executive Director and Company Secretary make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. The Executive Director and Company Secretary have declared to the Board that the Company's management of its material business risks is effective.

4.3 Auditor to Attend Annual General Meetings

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. The external auditor of the Company will be asked to attend each annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Continuous Disclosure

The Board has adopted a continuous disclosure policy to ensure that the Company complies with the disclosure requirements of the ASX Listing Rules. The Board and Executives have designated the Managing Director, followed by the Board and the Company Secretary as the persons responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities, and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Section 24 of the Company's Corporate Governance Statement covers in detail the Company's Disclosure Strategy.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Corporate Information and Corporate Governance Statement on Website

The Company has its own website at www.alterra.com.au. The website contains information about Alterra Limited and its Corporate Governance Statement, which is available to all existing and potential shareholders.

6.2 Investors Relations Program

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals
- making it easy for shareholders to participate in general meetings of the Company, and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company encourages shareholders to visit the website and periodic reports are sent via email to shareholders.

6.3 Annual General Meetings

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. In preparing for general meetings of the Company, the Company will draft the notice of meeting and related explanatory information so that they provide all of the information that is relevant to shareholders in making decisions on matters to be voted on by them at the meeting. This information will be presented clearly and concisely so that it is easy to understand and not ambiguous.

The Company will use general meetings as a tool to effectively communicate with shareholders and allow shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting.

The external auditor of the Company will be asked to attend each annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Important issues are presented to the shareholders as single resolutions. The shareholders are also responsible for voting on the appointment of directors.

6.4 Electronic Communications

The Company engages the services of an external Share Registry for all its shareholder communication requirements. A shareholder pack is dispatched to a new shareholder with an authorisation form to be completed by the new shareholder if electronic communication is desired. This includes a copy of the Company's Notice of Annual General Meeting and Annual Report.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Risk Management

The identification and effective management of risk is viewed as an essential part of the Company's approach to creating long-term shareholder value. In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. In doing so, the Board has taken the view that it is crucial for all Board members to be a part of this process and as such has not established a separate risk management committee. Although ASX Principle 7.1 recommends that the Board should have a committee overseeing risk, the Board believes that given the size and business structure of the Company, the interests of shareholders are best served with its current Board serving in this role.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management report to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed. Currently, the Board see the key risks of the business as being financial risk, statutory risk, operating risk and key person risk. The Board has implemented steps to identify and ensure succession planning.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK (continued)

7.1 Risk Management (continued)

The Board is responsible for the oversight of the Group's risk management. Responsibility for risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for its risk management. The primary objectives of the risk management system at the Company are to ensure:

- all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately
- business decisions throughout the Company appropriately balance the risk and reward trade off
- regulatory compliance and integrity in reporting is achieved, and
- senior management, the Board and investors understand the risk profile of the Company.

In line with these objectives, the risk management system covers:

- operations risk
- financial reporting
- compliance / regulations, and
- system / IT process risk.

Arrangements put in place by the Board to monitor risk management include:

- monthly reporting to the Board in respect of operations and the financial position of the Company
- preparing quarterly rolling forecasts, and
- circulating minutes of relevant Committees to the Board and the Chairman of each respective committee and providing reports to the Board on an annual basis.

A risk management model is also being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening Alterra Limited as a whole, or specific business activities within the Company

7.2 Annual Review

The Board of Directors of Alterra Limited at a meeting held on 20 July 2016, reviewed the Corporate Governance Statement and in the process, had also reviewed the risks associated with the running of Alterra Limited. The process had formed part of the Company's Board meeting minutes.

7.3 Internal Audit Function

ASX Principle 7.3 recommends that the Company should have an internal audit function. However, given the size and business structure of the Company, the Board believes that the interests of shareholders are best served with its current Board serving in this role.

The Board is responsible for overseeing the Group's internal control framework. Responsibility for control is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for its internal control framework. The internal audit control objectives at the Company are to ensure:

- all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately
- business decisions throughout the Company appropriately balance the risk and reward trade off
- regulatory compliance and integrity in reporting is achieved, and
- senior management, the Board and investors understand the risk profile of the Company.

7.4 Managing Material Risks

The Company has two main business operations. The first involves the planting and managing of tree plantations for the purpose of offsetting carbon emissions in the environment. The second involves the managing of dairy production for export to China. The Company therefore faces inherent risks associated with its business operations, which include exposure to economic, environmental and social sustainability risks. These risks may directly affect the Company's performance in creating value for its stakeholders over the short, medium or long term period.

In recognising this, the Company has in place procedures and policies to mitigate such risks, which include:

- appropriate checks and reviews on its operations by employees, and reporting to Senior Executives and the Board on a periodic basis
- engaging the expertise from licensed consultants in a particular field of work
- arranging for appropriate insurance cover to manage risks such as public liability, directors and officers cover, workers compensation and business insurance
- periodic employee meetings and Board meetings

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration Committee

Although ASX Principle 8.1 recommends that a listed entity should have a remuneration committee, the Company is not of a sufficient size or scale to warrant the implementation of a full remuneration committee. These functions will be provided by the Board as a whole. The Company does however have procedures for the Board to follow in implementing the best practices of a remuneration committee. These are contained within the Board performance evaluation policy. This policy will be reviewed on an ongoing basis.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Directors' and officers' emoluments to the Company's financial and operational performance.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives
- attraction of high quality management to the Company, and
- performance incentives that allow executives to share the success of Alterra Limited.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives in the current period please refer to the remuneration report, which is contained within the Directors' Report.

8.2 Executive and Non-Executive Director and Senior Executive Remuneration

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Managing Director and Senior Executives.

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice should be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices. Executive Director and Executive remuneration structure is based on base salary, performance based structures and options on equity to align interests. There are no excessive termination payments as such, the termination payments are linked to protection of intellectual property.

In the case of remuneration for Non-Executive Directors, the Board determines actual payments to directors and reviews their remuneration annually, based on independent external advice with regard to market practice, relativities, and the duties and accountabilities of directors. Non-Executive Directors are entitled to options as this is an important way to preserve cash and reward Non-Executive Directors as well as aligning interests. A review of directors' remuneration is conducted annually to benchmark overall remuneration including retirement benefits. There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors. Shareholders also approve the maximum aggregate remuneration for Non-Executive Directors.

The Board recognises that Alterra Limited operates in a global environment. To prosper in this environment, we must attract, motivate and retain key executive staff.

The principles supporting our remuneration policy are that:

- Reward reflects the competitive global market in which we operate
- Individual reward is based on performance across a range of indicators that apply to delivering results across the Company
- Rewards to Executives are linked to creating value for shareholders
- Executives are rewarded for both financial and non-financial performance; and
- Remuneration arrangements are equitable and facilitate the deployment of Executives across the Company.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY (continued)

8.3 Equity-based Remuneration Scheme

Consistent with attracting and retaining talented executives, the Board endorses the use of incentive and bonus payments. Such equity-based incentives could be shares and options issued to Directors, Senior Executives and employees, for example by way of an Employee Share Option Plan.

The Board will continue to seek external advice to ensure reasonableness in remuneration scale and structure, and to compare the Company's position with the external market. The impact and high cost of replacing senior employees and the competition for talented executives requires the committee to reward key employees when they deliver consistently high performance.

The Directors' Report (pages 6-15) contains specific details of the incentive payments made to Directors and Senior Executives, including bonuses and option payments.

To ensure compliance with equity-based remuneration, share and option issues to "related parties" (as defined in the ASX Listing Rules) are subject to the approval by shareholders and are put forth in the Company's Notice of Annual General Meeting. The Employee Share Option Plan is also subject to the approval by shareholders in accordance with the requirements of the ASX Listing Rules.

The Company has in place a Share Trading policy which has procedures and policies in place to prevent Directors, Senior Executives and employees from trading the Company's shares in light of market sensitive information, which could be beneficial to the relevant personnel.

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Alterra Limited for the year ended 30 September 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
21 December 2016

M R W Ohm
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Liability limited by a scheme approved under Professional Standards Legislation

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2016

		CONSOLIDATED	
	Note	12 months ended 30 September 2016	12 months ended 30 September 2015
		$	$
Revenue	2	2,899,834	2,698,685
Operating expenses		(999,721)	(447,107)
Administrative expenses		(303,812)	(264,297)
Business development expenses		(213,084)	(65,097)
Employee benefits expense		(772,919)	(766,733)
Occupancy expense		(71,633)	(173,960)
Financing expenses		(68,150)	(229,752)
Depreciation and amortisation expense		(781,382)	(877,038)
Share-based payment expenses		(93,671)	(56,472)
Other expenses	2	121,261	343,245
(Loss) / profit before income tax benefit		**(283,277)**	**161,474**
Income tax benefit / (expense)	3	100,452	(160,444)
Loss from continued operations		**(182,825)**	**1,030**
Profit after tax from discontinued operations	5	**485,031**	**90,180**
Profit attributable to members of the parent entity		**302,206**	**91,210**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange difference on translating foreign controlled entities		(34,873)	16,981
Income tax relating to components of other comprehensive income		-	-
Other comprehensive (loss) / income for the period		**(34,873)**	**16,981**
Total comprehensive income attributable to members of the parent entity		**267,333**	**108,191**
Basic and diluted earnings per share (cents per share)	4	0.22	0.08
Basic and diluted (loss) / earnings per share (cents per share) from continuing operations	4	(0.13)	0.00
Basic and diluted earnings per share (cents per share) from discontinued operations	4	0.35	0.08

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

		CONSOLIDATED	
	Note	**30 September 2016**	**30 September 2015**
		$	**$**
Current Assets			
Cash and cash equivalents	7	1,886,519	386,831
Trade and other receivables	8	625,320	595,473
Income tax refundable	3	74,767	419,273
Investments	9	28,824	13,824
Inventories	10	108,000	-
Other assets	11	258,401	232,906
Total Current Assets		2,981,831	1,648,307
Non-Current Assets			
Intangible Assets	12	3,923,174	4,301,852
Property, plant and equipment	13	5,782,873	8,506,213
Inventories	10	294,622	299,184
Total Non-Current Assets		10,000,669	13,107,249
Total Assets		**12,982,500**	**14,755,556**
Current Liabilities			
Trade and other payables	14	160,605	469,891
Interest-bearing liabilities	15	42,888	813,963
Total Current Liabilities		203,493	1,283,854
Non-Current Liabilities			
Interest-bearing liabilities	15	81,083	1,196,580
Deferred tax liability	3	144,701	82,904
Total Non-Current Liabilities		225,784	1,279,484
Total Liabilities		429,277	2,563,338
Net Assets		**12,553,223**	**12,192,218**
Equity			
Issued capital	16	13,984,212	13,984,212
Reserves	16	1,321,433	1,262,634
Retained earnings / (accumulated losses)		(2,752,422)	(3,054,628)
Total Equity		**12,553,223**	**12,192,218**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

		CONSOLIDATED	
		Inflows/(Outflows)	Inflows/(Outflows)
	Note	12 months ended 30 September 2016	12 months ended 30 September 2015
		$	$
Cash flows from operating activities			
Receipts from customers		3,022,642	3,048,645
Payments to suppliers and employees		(3,041,975)	(1,774,449)
Income tax refunded		419,273	-
Interest received		16,302	7,352
Interest paid		(142,797)	(248,932)
Net cash provided by operating activities	21	273,445	1,032,616
Cash flows from investing activities			
Purchase of property, plant and equipment		(33,845)	-
Proceeds from sale of intangible assets		312,122	-
Proceeds from the sale of property, plant and equipment		1,932,161	334,668
Purchase of available-for-sale investments		(15,000)	-
Sale of plantations		1,000,987	-
Net cash provided by investing activities		3,197,125	334,668
Cash flows from financing activities			
Proceeds from the issue of shares		-	655,360
Costs on the issue of shares		-	(64,044)
Repayment of convertible notes		(200,000)	(1,100,000)
Repayment of bank bill facilities		(1,743,500)	(755,000)
Repayment of finance leases		(26,682)	(29,824)
Net cash used in financing activities		(1,970,182)	(1,293,508)
Net (decrease) / increase in cash and cash equivalents		1,499,688	73,776
Cash and cash equivalents at beginning of year		386,831	313,055
Cash and cash equivalents at end of year	6	1,886,519	386,831

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	CONSOLIDATED				
	Issued capital	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	$	$	$	$	$
Balance at 1 October 2014	13,392,896	899,869	289,313	(3,145,838)	11,436,240
Profit attributable to members	-	-	-	91,210	91,210
Foreign currency translation differences	-	-	16,981		16,981
Total comprehensive income for the year	-	-	16,981	91,210	108,191
Share based payments	-	56,471	-	-	56,471
Shares issued during the year	655,360	-	-	-	655,360
Transaction costs on shares issued during the year	(64,044)	-	-	-	(64,044)
Balance at 30 September 2015	**13,984,212**	**956,340**	**306,294**	**(3,054,628)**	**12,192,218**
Balance at 1 October 2015	13,984,212	956,340	306,294	(3,054,628)	12,192,218
Profit attributable to members	-	-	-	302,206	302,206
Foreign currency translation differences	-	-	(34,873)		(34,873)
Total comprehensive income for the year	-	-	(34,873)	302,206	267,333
Share based payments	-	93,672	-	-	93,672
Balance at 30 September 2016	**13,984,212**	**1,050,012**	**271,421**	**(2,752,422)**	**12,553,223**

The accompanying notes form part of these financial statements.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements and notes represent those of Alterra Limited and its controlled entities (the “Group”).

The financial statements were authorised for issue on 21 December 2016 by the directors of the Company.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report of Alterra Limited complies with Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alterra Limited as at 30 September 2016 and the results of all controlled entities for the year then ended. A controlled entity is any entity over which Alterra Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Where controlled entities have entered (left) the Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased). A list of controlled entities is contained in Note 18 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(c) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income Tax (continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The Company and its wholly-owned Australian entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Alterra Limited.

(d) Inventories

There are two main types of inventories held by Alterra Limited – tree plantations and dairy cows.

(i) Tree Plantations

Inventories consisting of trees and seeds are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

Cost comprises all production, acquisition and conversion costs. At the end of each period, inventory cost is evaluated based on the recoverable value and current market pricing to determine whether any write down is appropriate. To the extent that any impairment arises, losses are recognised in the period they occur. Additionally, the costs associated with producing inventories are charged to the statement of comprehensive income in the same period as the related revenues are recognised.

(ii) Dairy Cows

Dairy Cows are measured Initally at costs and then, at each reporting date, at fair value less costs to sell.

(e) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land is measured at cost, less any impairment losses recognised after the date of recognition.

Depreciation is calculated using the diminishing value method or straight-line basis over the estimated useful life of the assets as follows:

- Plant and equipment - 7.5% to 37.5% diminishing value
- Leasehold improvements - 6.6% to 50% straight line
- Motor vehicles - 13% to 30% diminishing value

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For land, plant and equipment, impairment losses are recognised in the statement of comprehensive income in the other expenses line item.

(ii) Revaluations

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, Plant and Equipment (continued)

(ii) Revaluations (continued)

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings / accumulated losses is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings / accumulated losses.

It is not the Company's policy to assign any revaluation increment to land assets as they are encumbered by carbon and forestry rights.

(iii) Derecognition and Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(f) Cash and Cash Equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Financial Instruments

Recognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and has either:
  - transferred substantially all the risks and rewards of the asset, or
  - neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

Recognition of financial assets and financial liabilities (continued)

(i) Financial assets (continued)

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Classification and subsequent measurement

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the year established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs - refer Note 1(l).

Finance leased assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and Other Receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 7 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(j) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Functional and Presentation Currency

The functional currency of each of the companies in the Group is measured using the currency of the primary economic environment in which that company operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Functional and Presentation Currency (continued)

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(l) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

(m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised for the major business activities of the Group as follows:

- *Sale of carbon credits* – revenue from the sale of carbon credits is recognised when the Group has transferred to the buyer the significant risks and rewards of the ownership of the carbon credits.
- *Project revenue* – where the company undertakes the development of carbon sinks for third parties, revenue is recognised in proportion to the percentage completion of the project. Management related income is recognised on an accrual basis in accordance with the substance of the relevant contract.
- *Milk sales* – revenue from the sale of milk from dairy operations is recognised when the milk has been transferred to the customer.
- *Cattle sales* – revenue from the sale of cattle is recognised when the cattle have physically been transferred to the buyer.
- *Interest revenue* is recognised as it accrues, taking into account the effective yield on the financial asset.

(n) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(q) Employee Leave Benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Share-based Payment Transactions

(i) Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). To provide these benefits, the Group currently has in place an Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined using a Black and Scholes option pricing model, further details of which are given in Note 16.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Alterra Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 4).

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Share-based Payment Transactions (continued)

(ii) Cash settled transactions

The Group also provides benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Alterra Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted (see Note 17). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

(s) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Earnings per Share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential Ordinary Shares; divided by the weighted average number of Ordinary Shares and dilutive potential Ordinary Shares, adjusted for any bonus element.

(u) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(v) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

(i) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model, using the assumptions detailed in Note 17.

(ii) Valuation of land, forestry rights and plantations

The Company reviews the value of land, forestry rights and plantations on an annual basis. A combination of external valuation processes and internal valuation models are used to assess any potential impairment of this value. The impairment testing is carried out using an estimate of future realisable values for ACCU's based on market expectations.

(iii) Tax deductibility of losses on disposal of freehold title of land

The Company claimed, as a tax deduction, losses on disposal of freehold title of land used in the establishment of plantations and subsequent generation of carbon credits. This is consistent with previous years. The company continues to be in discussions with the Australian Taxation Office on this matter.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Director and other members of the Board. Reportable segments are consistent with operating segments.

(x) Interest Bearing Loans and Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects where material.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(y) Parent Entity Financial Information

The financial information for the parent entity, Alterra Limited, disclosed in Note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Alterra Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(z) Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a systematic basis over their estimated useful lives which reflect the pattern in which the intangible asset's future economic benefits are expected to be consumed by the entity. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Forestry and carbon rights are either held together with the freehold title of the land and as such disclosed as land assets under property, plant and equipment or, where the rights are held separately, disclosed as intangible assets. On the disposal of the freehold title, the remaining forestry and carbon rights are valued at the original cost of the freehold less the sales proceeds. The forestry and carbon rights are then amortised over the life of the contracts in place, being 40% in the first year and then 4% per annum over the remaining 15 years. The forestry and carbon rights are also impairment tested on an annual basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Adoption of new and revised standards

Standards and Interpretations applicable to 30 September 2016

In the year ended 30 September 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 September 2016.

As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Group accounting policies.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 2: REVENUES AND EXPENSES

	CONSOLIDATED	
	12 months ended 30 September 2016	12 months ended 30 September 2015
	$	$
(a) Revenue		
Carbon sales	18,154	23,523
Land licence / management fees	2,374,777	2,334,976
Carbon Credit Sales[(i)]	-	268,772
Cattle Sales	293,800	-
Milk Sales	160,337	-
Interest received	15,273	7,352
Other income	37,493	64,062
	2,899,834	2,698,685
(b) Expenses		
Operating lease rental expense	46,880	123,953
(c) Other expenses		
Write down of plantation / (reversal of write-down) [(ii)]	(63,114)	(168,009)
Impairment of / (reversal of impairment of) land [(ii)]	(58,147)	(175,236)
	(121,261)	(343,245)

(i) Revenue relating to New Zealand Carbon Credit Units is included under discontinued operations (Note 5).

(ii) Plantation inventory, comprising trees at cost and seed stock, and land associated with the plantation inventory have been adjusted in the previous financial year to reflect the current economic benefit in the carbon market.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 3: INCOME TAX

	CONSOLIDATED	
	12 months ended 30 September 2016	12 months ended 30 September 2015 (restated)
Current Tax (refund) / liability		
Current Year	(167,823)	28,681
Reversal of prior year timing differences	78,926	(228,473)
Deferred tax asset recognised	(144,701)	(82,904)
Assessed loss not recognised in prior year	67,371	144,074
Over provision in prior year	(27,283)	-
Previous year refund not yet received	-	(293,366)
Income tax liability from discontinued operations	118,743	12,715
Total current tax (refund)/liability	(74,767)	(419,273)
Origination and reversal of temporary differences	(61,797)	(309,737)
Total deferred tax expenses	(61,797)	(309,737)
Income tax (benefit)/expense recognised in profit or loss	(100,452)	160,444
Total income tax (benefit) /expense recognised in profit or loss	(100,452)	160,444
Numerical reconciliation between tax-expense and pre-tax net growth		
Accounting (loss)/profit before tax from continuing operations	(283,277)	161,474
Profit before tax from a discontinued operation	574,325	103,171
Accounting profit before income tax	291,048	264,645
Income tax using the domestic tax rate of 30% (2012: 30%)	87,315	79,394
Difference in tax rate of foreign subsidiaries	(8,070)	2,579
Non-deductible expenses	(50,706)	85,606
Benefit of deferred tax assets not previously recognised	67,371	144,074
Refundable tax offsets - R&D	(79,605)	(125,907)
Under/(over) provided in prior periods	(27,283)	(12,311)
	(10,978)	173,435
Income tax benefit reported in the statement of profit or loss	(100,452)	160,444
Income tax expense for discontinued operations	89,474	12,991
	(10,978)	173,435

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 3: INCOME TAX (continued)

	CONSOLIDATED				
	Balance 30/09/2015	Previously unrecognised deferred balances	Recognised in Income	Recognised in Equity	Balance 30/09/2016
	$	$	$	$	$
Movement in deferred tax balances during the year					
Tax losses - New Zealand	101,216	-	(101,216)	-	-
Tax losses - Australia	810,690	-	(104,167)	-	706,523
Other timing difference	(994,810)	-	143,586	-	(851,224)
Net Deferred tax liability	(82,904)	-	(61,797)	-	(144,701)
Represented by:					
Deferred tax asset/(liability) - Australia	(165,549)				(144,701)
Deferred tax asset - New Zealand	82,645				-
	(82,904)				(144,701)

Alterra Limited and its wholly-owned subsidiaries in Australia are a consolidated tax group as defined under the tax consolidation legislation. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Alterra Limited.

NOTE 4: EARNINGS PER SHARE

	CONSOLIDATED	
	12 months ended 30 September 2016	12 months ended 30 September 2015
	Cents per share	Cents per share
Basic earnings per share	0.22	0.08
Basic earnings per share (Continued Operations)	(0.13)	0.00
Basic earnings per share (Discontinued Operations)	0.35	0.08
The earnings and weighted average number of Ordinary Shares used in the calculation of basic earnings per share is as follows:		
	$	$
Profit for the year	302,206	91,210
Loss/ (profit) for the year (Continued Operations)	(182,825)	1,030
Profit for the year (Discontinued Operations)	485,031	90,180
	No.	No.
Weighted average number of Ordinary Shares outstanding during the year used in calculating basic EPS	137,599,988	116,295,461
Weighted average number of Ordinary Shares (diluted) outstanding during the year used in calculating basic EPS	137,599,988	116,295,461

Diluted Earnings Per Share
The Company has options outstanding that are potential Ordinary Shares. They are not considered to be dilutive in nature as options only have a dilutive effect when the average market price of Ordinary Shares during the period exceeds the exercise price of the options.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 5: DISCONTINUED OPERATIONS

On 1 April 2016, the Group sold all of the land, forestry rights and plantations held in New Zealand. Funds were received by the Group on 4 April 2016.

CONSIDERATION RECEIVED	
	2016
	$
Total Disposal Consideration	3,240,353
Net Assets disposed of	(2,668,597)
Gain on disposal before income tax	571,756
Income tax	(96,115)
Gain on disposal after income tax	475,641

NET ASSETS SOLD AT DATE OF SALE	
	2016
	$
Property, plant and equipment	2,258,818
Foresty Rights	192,932
Plantations	20,258
Inventory	196,590
Total	2,668,597

NET CASH INFLOW ON DISPOSAL	
	2016
	$
Cash received	3,240,353

Results for Carbon Conscious New Zealand Ltd and its subsidiaries have been classified as discontinued operations for the period.

	CONSOLIDATED	
	12 months ended 30 September 2016	12 months ended 30 September 2015
	$	$
Revenue	233,453	373,594
Expenses	(230,884)	(270,423)
Profit on Sale of Assets	571,756	-
Profit before tax from discontinued operations	574,325	103,171
Income tax (expense)/benefit	(89,294)	(12,991)
Profit / (loss) after tax from discontinued operations	485,031	90,180
Cash flows from discontinued operations		
Net cash flows used in operating activities	(25,012)	299,034
Net cash flows from investing activities	(574,694)	(287,537)
Net cash flows from financing activities	662,645	-
Net cash flows from discontinued operations	62,940	11,497
Cash at beginning of year	34,074	22,577
Cash at end of year	97,014	34,074

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 6: SEGMENT REPORTING

The Group has two reportable segments, as described below, which are the Group's strategic divisions. These divisions offer different products and services, and are managed separately as they require different expertise, marketing strategies and fall under different jurisdictions. For each of the strategic divisions, the Executive Director and other directors review internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

- Plantations – Includes the planting and managing of mallee trees in low rainfall areas of the wheat-belt of Western Australia to produce carbon credits.
- Dairy – Includes the running of dairy operations in Western Australia.

Information regarding the results of each reportable segment is included below. Performance is measured on net profit/loss before taxation as detailed in the management reports presented to the Executive Director and other directors.

Discontinued Operations

The results of the Group's New Zealand plantation operations have been classified as a discontinued operation as disclosed in Note 5. The results of this discontinued operation have been excluded in the disclosure of segment results and cash flows in the tables below.

Major customers

The Group has one customer to whom it provides goods and services where the revenue from this customer was in excess of 10% of the Group's revenue for the year ended 30 September 2016. This customer generated 69.52% (30 September 2015: 72.7%) of the Group's revenue for the period.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 6: SEGMENT REPORTING (continued)

12 months ended 30 September 2016	Plantations	Dairy	Corporate	Consolidated
	$	$	$	$
Revenue				
Sales to external customers	2,392,931	454,137	-	2,847,068
Other revenues from external customers	37,493	-	-	37,493
Interest revenue	-	-	15,273	15,273
Total segment revenue	2,430,424	454,137	15,273	2,899,834
Expenses				
Cost of sales	407,038	592,682	-	999,720
Interest expense	-	-	68,150	68,150
Depreciation and amortisation	768,408	12,974	-	781,382
Other costs	(121,261)	-	1,455,120	1,333,858
Total segment expenses	1,054,185	605,656	1,523,270	3,183,111
Net profit / (loss) before tax	1,376,239	(151,519)	(1,507,997)	(283,277)
Income tax benefit / (expense)	-	-	100,452	100,452
Net profit / (loss) after tax from continuing operations	1,376,239	(151,519)	(1,407,545)	(182,825)
Segment assets				
Current assets	941,697	49,290	1,990,844	2,981,831
Non-current assets	9,613,984	386,685	-	10,000,669
Total segment assets	10,555,681	435,975	1,990,844	12,982,500
Segment liabilities				
Current liabilities	(626)	(608)	204,127	203,493
Non-current liabilities	-	-	225,784	225,784
Total segment liabilities	(626)	(608)	429,911	429,277
Net segment assets	**10,556,307**	**436,581**	**2,420,755**	**12,553,223**
Cash flow information				
Net cash flow from operating activities	2,143,830	(460,576)	(1,409,809)	273,445
Net cash flow from investing activities	(2,143,830)	460,576	4,880,379	3,197,125
Net cash flow from financing activities	-	-	(1,970,183)	(1,970,183)
Net increase in cash	-	-	1,499,688	1,499,688
Cash at beginning of year	-	-	386,831	386,831
Cash at end of year	-	-	1,886,519	1,886,519

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 6: SEGMENT REPORTING (continued)

During the current reporting period, the New Zealand operations were treated as a discontinued operation due to the sale within the year.

12 months ended 30 September 2015	Plantations	Dairy	Corporate	Consolidated
	$	$	$	$
Revenue				
Sales to external customers	2,358,499	-	-	2,358,499
Other revenues from external customers	332,834	-	-	332,834
Interest revenue	-	-	7,352	7,352
Total segment revenue	2,691,333	-	7,352	2,698,685
Expenses				
Cost of sales	447,107	-	-	447,107
Interest expense	-	-	229,752	229,752
Depreciation and amortisation	877,038	-	-	877,038
Other costs	(343,245)	37,785	1,288,774	983,314
Total segment expenses	**980,900**	**37,785**	**1,518,526**	**2,537,211**
Net profit / (loss) before tax	1,710,433	(37,785)	(1,511,174)	161,474
Income tax benefit/(expense)	-	-	(160,444)	(160,444)
Total comprehensive income	1,710,433	(37,785)	(1,671,618)	1,030
Segment assets				
Current assets	821,879		826,428	1,648,307
Non-current assets	10,408,428	113,942	2,584,879	13,107,249
Total segment assets	11,230,307	113,942	3,411,307	14,755,556
Segment liabilities				
Current liabilities	-	-	1,286,854	1,283,845
Non-current liabilities	-	-	1,279,484	1,279,484
Total segment liabilities	-	-	2,563,338	2,563,338
Net segment assets	**11,230,307**	**113,942**	**847,969**	**12,192,218**
Cash flow information				
Net cash flow from operating activities	2,244,226	(151,727)	(1,059,883)	1,032,616
Net cash flow from investing activities	(2,244,226)	151,727	2,427,167	334,668
Net cash flow from financing activities	-	-	(1,293,508)	(1,293,508)
Net increase in cash	-	-	73,776	73,776
Cash at beginning of year	-	-	313,055	313,055
Cash at end of year	-	-	386,831	386,831

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 7: CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	30 September 2016	30 September 2015
	$	$
Cash at bank and on hand	1,886,519	386,831

Cash at bank earns interest at floating rates based on daily bank deposit rates.

NOTE 8: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	30 September 2016	30 September 2015
	$	$
Current		
Trade receivables (i)	80,730	14,260
Accrued income	544,590	581,213
	625,320	595,473

(i) Trade receivables are non-interest bearing and are generally on 14 to 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised by the Company for the last three months (30 September 2015: nil).

At the 30 September, the ageing analysis of trade receivables is as follows:

0 – 30 days	80,730	3,574
31 – 60 days	-	-
61 – 90 days, past due not impaired	-	9,159
61 – 90 days, considered impaired	-	-
+ 91 days, past due not impaired (ii)	-	1,527
+ 91 days, considered impaired	-	-
Total	80,730	14,260

NOTE 9: INVESTMENTS

	CONSOLIDATED	
	30 September 2016	30 September 2015
	$	$
Investment in Rumble Resources Limited	28,824	13,824
	28,824	13,824

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 10: INVENTORIES

	CONSOLIDATED	
	30 September 2016	30 September 2015
	$	$
Current		
Cattle	108,000	-
Non-Current		
Plantations at cost	1,450,947	1,514,689
Less: Write down	(1,173,955)	(1,237,069)
	276,992	277,620
Seed stock at cost	352,608	352,608
Less: Write down	(334,978)	(334,978)
	17,630	17,630
Carbon Credits at cost	-	3,934
	294,622	299,184

NOTE 11: OTHER ASSETS

	CONSOLIDATED	
	30 September 2016	30 September 2015
	$	$
Loan to Broadacre Asset Management	6,500	6,500
Loan to Broadacre Land Holdings	558	-
Prepayments	65,343	76,406
Land Debtors	186,000	150,000
	258,401	232,906

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 12: INTANGIBLE ASSETS

	CONSOLIDATED		
	Total	Forestry Rights	Cattle Model Development
	$	$	$
Cost			
Balance at 1 October 2014	7,675,348	7,675,348	-
Reclassification on sale of freehold land title	1,359,514	1,359,514	-
Development costs	113,942	-	113,942
Foreign exchange revaluation	6,310	6,310	-
Balance at 30 September 2015	**9,155,114**	**9,041,172**	**113,942**
Balance at 1 October 2015	9,155,114	9,041,172	113,942
Reclassification on sale of freehold land title	391,901	391,901	-
Additional Development costs	175,227	-	175,227
Disposals	(367,138)	(367,138)	-
Foreign exchange revaluation	-	-	-
Balance at 30 September 2016	**9,355,104**	**9,065,935**	**289,169**
Accumulated amortisation and impairment losses			
Balance at 1 October 2014	3,987,030	3,987,030	-
Amortisation for the period	863,833	863,833	-
Foreign exchange revaluation	2,399	2,399	-
Balance at 30 September 2015	**4,853,262**	**4,853,262**	**-**
Balance at 1 October 2015	4,853,262	4,853,262	-
Amortisation for the period	751,442	751,442	-
Disposals	(172,774)	(172,774)	-
Foreign exchange revaluation	-	-	-
Balance at 30 September 2016	**5,431,930**	**5,431,930**	-
Carrying amounts			
At 30 September 2015	**4,301,852**	**4,187,910**	**113,942**
At 30 September 2016	**3,923,174**	**3,634,005**	**289,169**

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment	Motor Vehicles	Land	Total
	$	$	$	$
12 months ended 30 September 2016				
Cost	197,132	49,799	8,900,412	9,147,343
Accumulated depreciation	(143,590)	(4,066)	(493,474)	(641,130)
As at 1 Oct 2015, net of accumulated depreciation	53,543	45,733	8,406,937	8,506,213
Additions	37,952	84,193	-	122,145
Disposals	(11,764)	-	(2,277,392)	(2,289,156)
Reclassification to forestry right assets on disposal of title of land	-	-	(585,901)	(585,901)
Depreciation charge for the year	(8,966)	(19,609)	-	(28,575)
Impairment of Land	-	-	58,147	58,147
Foreign exchange revaluation	-	-	-	-
At 30 Sept 2016 net of accumulated depreciation	70,764	110,317	5,601,792	5,782,873
12 months ended 30 September 2015				
Cost	221,133	63,453	10,425,777	10,710,363
Accumulated depreciation	(144,544)	(24,412)	(668,710)	(837,666)
As at 1 Oct 2014, net of accumulated depreciation	76,589	39,041	9,757,067	9,872,697
Additions	2,711	41,999	-	44,710
Disposals	(7,535)	(28,132)	-	(35,667)
Reclassification to forestry right assets on disposal of title of land	-	-	(1,564,514)	(1,564,514)
Depreciation charge for the year	(18,222)	(7,175)	-	(25,397)
Impairment of Land	-	-	175,236	175,236
Foreign exchange revaluation	-	-	39,148	39,148
At 30 Sept 2015 net of accumulated depreciation	53,543	45,733	8,406,937	8,506,213
At 30 September 2016				
Cost	223,320	133,992	6,037,119	6,394,431
Accumulated depreciation	(152,556)	(23,675)	(435,327)	(611,558)
Net carrying amount	70,764	110,317	5,601,792	5,782,873
At 30 September 2015				
Cost	197,132	49,799	8,900,412	9,147,343
Accumulated depreciation	(143,590)	(4,066)	(493,474)	(641,130)
Net carrying amount	53,542	45,733	8,406,937	8,506,213

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 14: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	30 September 2016	30 September 2015
Current	$	$
Trade payables	10,362	72,803
Employee benefits accrual	90,395	69,761
GST Payable	37,849	40,100
Sundry payables and accrued expenses	21,999	287,227
	160,605	469,891

Trade payables are non-interest bearing and are normally settled on 30-day terms.
Information regarding the effective interest rate and credit risk of current payables is set out in Note 20.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 15: INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	30 September 2016	30 September 2015
	$	$
Current		
Secured		
Bank bill	-	580,000
Lease liabilities (note 23)	29,329	10,453
	29,329	590,453
Unsecured		
Convertible note	-	200,000
Insurance loan	13,559	23,510
	13,559	223,510
	42,888	813,963
Non-Current		
Secured		
Bank bill	-	1,163,500
Lease liabilities (note 22)	81,083	33,080
	81,083	1,196,580
Total current and non-current secured liabilities:		
Bank bill	-	1,743,500
Lease liabilities	110,412	43,533
	110,412	1,787,033
Carrying amounts of non-current assets pledged as security:		
Fixed and floating charge over assets	-	12,533,554
Bank Bill		
Facility	-	1,743,500
Drawn	-	1,743,500

The Company had a senior debt facility with the Commonwealth Bank of Australia The facility was a principal and interest facility which terminated in March 2019 and was secured by way of mortgages on freehold land and charges on the Company. The debt was fully paid on 13 April 2016, with an early redemption benefit of $80,000 being taken up. All security over mortgages on freehold land and charges has now been removed.

The final $200,000 remaining on the convertible note was repaid on 29 October 2015. At 30 September 2016, the Company had no convertible notes. All interest on convertible notes was fully paid in the year.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 16: ISSUED CAPITAL AND RESERVES

			CONSOLIDATED	
			30 September 2016	30 September 2015
			$	$
Issued capital				
137,599,988 (30 September 2015: 137,599,988) fully paid Ordinary Shares			13,984,212	13,984,212
	12 months ended 30 September 2016	12 months ended 30 September 2016	12 months ended 30 September 2015	12 months ended 30 September 2015
Movement in Ordinary Shares on issue	No.	$	No.	$
At beginning of the financial year	137,599,988	13,984,212	104,831,988	13,392,896
Issued 11 May 2015	-	-	7,341,232	146,825
Issued 27 May 2015	-	-	18,866,768	377,335
Issued 28 May 2015	-	-	6,060,000	121,200
Issued 16 September 2015	-	-	500,000	10,000
Share issues costs	-	-		(64,044)
At 30 September	137,599,988	13,984,212	137,599,988	13,984,212

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

Reserves	12 months ended 30 September 2016	12 months ended 30 September 2015
Share based payment reserve		
At beginning of financial year	956,340	899,869
Share based payments	93,672	56,471
At end of financial year	1,050,012	956,340
Foreign currency translation reserve		
At beginning of financial year	306,294	289,313
Foreign currency translation differences	(34,873)	16,981
At end of financial year	271,421	306,294
Total	1,321,433	1,262,634

Share based payment reserve

This reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration and to related parties in consideration for the establishment and ongoing promotion of the Group's activities. Details of all options on issue by the Company are disclosed in Note 17.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign subsidiary.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 17: SHARE BASED PAYMENTS

The following table illustrates the number (No.) and weighted average exercise prices of, and movements in, share options issued during the year:

		12 months ended 30 September 2016		12 months ended 30 September 2015
	No.	Weighted average exercise price	No.	Weighted average exercise price
Outstanding at the beginning of the reporting period	11,250,000	$0.05	-	$0.00
Granted during the reporting period	11,000,000	$0.13	11,250,000	$0.05
Expired during the reporting period	-	-	-	-
Outstanding at the end of the reporting period	22,250,000	$0.09	11,250,000	$0.05
Exercisable at the end of the reporting	11,250,000	$0.09	11,250,000	$0.05

The weighted average remaining contractual life for the share options outstanding as at 30 September 2016 is 1.40 years (30 September 2015:1.61 years).

The outstanding balance as at 30 September 2016 is represented by:

- 8,250,000 options over Ordinary Shares with an exercise price of $0.045 each, exercisable until 31 January 2017
- 3,000,000 options over Ordinary Shares with an exercise price of $0.06 each, exercisable until 31 January 2018
- 3,000,000 options over Ordinary Shares with an exercise price of $0.06 each, not vested until 13 May 2017, exercisable until 1 May 2018
- 6,000,000 options over Ordinary Shares with an exercise price of $0.15 each, not vested until 13 May 2016, exercisable until 1 March 2019
- 2,000,000 options over Ordinary Shares with an exercise price of $0.175 each, not vested until specific conditions met, exercisable until 1 March 2019

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black and Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

			12 months ended 30 September 2016		12 months ended 30 September 2015
	6c shares	15c shares	17.5c shares	4.5c shares	6c shares
Volatility (%)	100	100	100	100	100
Risk-free interest rate (%)	2	2	2	2.1	2.1
Expected life of option (years)	0.44	1.14	1.66	1.22	1.43
Exercise price (cents)	6	15	17.5	4.5	6
Weighted average share price at grant date (cents)	0.052	0.042	0.011	0.007	0.008
Discount for lack of marketability (%)	30	30	30	35	35

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 17: SHARE BASED PAYMENTS (continued)

The range of exercise prices for options outstanding at the end of the year was $0.045 - $0.175 (30 September 2015: $0.045-$0.06).

The weighted average fair value of options granted during the year was $0.09 (30 September 2015: $0.05).

NOTE 18: CONTROLLED ENTITIES

Subsidiaries of Alterra Limited			
Name	**Country of incorporation**	**Ownership interest**	
		12 months ended 30 September 2016	**12 months ended September 2015**
Carbon Fund Australia Pty Ltd	Australia	100%	100%
WA2 Milk Pty Ltd *(formerly Carbon Management Pty Ltd)*	Australia	100%	100%
Capel River Dairy Pty Ltd *(formerly CCF Holdings NSW Pty Ltd)*	Australia	100%	100%
Carbon Conscious Pty Ltd	Australia	100%	N/A
Carbon Conscious New Zealand Ltd	New Zealand	100%	100%
Carbon Conscious NZ Holdings No. 1 Limited	New Zealand	100%	100%

NOTE 19: AUDITOR'S REMUNERATION

The auditor of Alterra Limited is HLB Mann Judd.

	CONSOLIDATED	
	12 months ended 30 September 2016	**12 months ended 30 September 2015**
	$	**$**
Amounts received or due and receivable by HLB Mann Judd for:		
An audit or review of the financial report of the entity and any other entity in the Group	39,600	43,000

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 20: FINANCIAL INSTRUMENTS

(i) Capital Risk Management

The Group's activities may expose it to a variety of risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's overall strategy remains unchanged from 30 September 2015.

(ii) Categories of Financial Instruments

	CONSOLIDATED	
	12 months ended 30 September 2016	12 months ended 30 September 2015
	$	$
Financial assets		
Trade and other receivables	625,320	595,473
Investments	28,824	13,824
Cash and cash equivalents	1,886,519	386,831
Total financial assets	2,540,663	996,128
Financial liabilities		
Trade and other payables	160,605	469,891
Other financial liabilities	123,971	2,010,543
Total financial liabilities	284,576	2,480,434
Net financial assets/(liabilities)	2,256,087	(1,484,306)

During the financial year no loans or receivables were revalued through profit or loss.

(iii) Market Risk

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The carbon market is a newly developing market and as such there are limited avenues to negate market risk in traditional manners. The Group monitors and understands movements within the market on a daily basis.

(iv) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparty is a bank with a high credit rating assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 20: FINANCIAL INSTRUMENTS (continued)

(v) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(vi) Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
12 months ended 30 September 2016						
Non-interest bearing	-	160,605	-	-	-	-
Finance leases	5.86%	2,925	5,849	26,321	87,345	-
Other fixed rate instruments	7.00%	3,629	7,258	3,629	-	-
		167,159	13,107	29,950	87,345	-
12 months ended 30 September 2015						
Non-interest bearing	-	469,891	-	-	-	-
Finance leases	5.15%	1,038	2,075	9,339	34,252	-
Other fixed rate instruments	8.00%	4,589	9,177	11,770	-	-
Bank bill	7.10%	-	173,091	406,909	1,163,500	-
Convertible notes	10.00%	200,000	-	-	-	-
		675,518	184,343	428,018	1,197,752	-

(vii) Fair Value of Financial Instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 20: FINANCIAL INSTRUMENTS (continued)

(viii) Interest Rate Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- Net result before tax would decrease by $2,629 (30 September 2015: decrease by $9,524) or increase by $2,629 (30 September 2015: decrease by $9,524). This is attributable to the Group's exposure to interest rates on its variable rate instruments.
- Total equity would increase by $2,629 (30 September 2015: increase by $9,524) or decrease by $2,629 (30 September 2015: increase by $9,524) attributable to the Company's exposure to interest rates on its variable rate instruments.

NOTE 21: CASH FLOW INFORMATION

Reconciliation of profit / (loss) for the year to net cash flows from operating activities

	CONSOLIDATED	
	12 months ended 30 September 2016	12 months ended 30 September 2015
	$	$
Profit for the year	302,206	91,210
(Profit)/loss on sale of fixed assets	(593,621)	987
Employee leave benefits	8,236	15,932
Depreciation and amortisation expense	787,501	889,231
Share based payments	93,671	56,472
Impairment of assets	(58,147)	(175,236)
Finance costs	8,834	1,226
Taxation (benefit) / expense	(10,978)	173,435
(Increase) in inventories	(167,079)	(112,782)
(Increase) in receivables	(84,890)	(240,483)
(Decrease) /increase in trade and other payables	(348,019)	177,514
Decrease in other assets	335,731	155,110
Net cash used in operating activities	273,445	1,032,616

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 22: KEY MANAGEMENT PERSONNEL (KMP) REMUNERATION

Refer to the Remuneration Report contained within the Directors' Report for details of remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 September 2016.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	CONSOLIDATED	
	12 months ended 30 September 2016	12 months ended 30 September 2015
	$	$
Short-term employment benefits	569,000	601,250
Post-employment benefits	43,225	42,330
Equity benefits	24,342	45,710
	636,567	689,290

NOTE 23: COMMITMENTS

(a) Operating Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are as follows:

	CONSOLIDATED	
	12 months ended 30 September 2016	12 months ended 30 September 2015
Payable:	$	$
Within one year	22,510	49,657
After one year but not more than five years	8,060	30,570
Total minimum lease repayments	30,570	80,227

These lease commitments encompass office rent and office equipment under an operating lease.

(b) Finance Lease Commitments

The Company has a finance lease for three motor vehicles. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	CONSOLIDATED	
	12 months ended 30 September 2016	12months ended 30 September 2015
Payable:	$	$
Within one year	35,095	12,452
After one year but not more than five years	87,345	34,252
Total minimum lease repayments	122,440	46,704
Less amounts representing finance charges	(12,028)	(4,209)
Present value of minimum lease payments	110,412	42,495

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 23: COMMITMENTS (continued)

(c) Capital Commitments

The Company had no capital commitments at balance date that are not included as liabilities in the Statement of Financial Position (30 September 2015: $Nil).

NOTE 24: PARENT ENTITY DISCLOSURES

	CONSOLIDATED	
	30 September 2016	**30 September 2015**
Financial position	**$**	**$**
Assets		
Current assets	8,221,942	10,303,347
Non-current assets	4,761,914	4,495,876
Total assets	12,983,856	14,799,223
Liabilities		
Current liabilities	204,849	1,244,877
Non-current liabilities	225,784	1,362,128
Total liabilities	430,633	2,607,005
Equity		
Issued capital	13,984,212	13,984,212
(Accumulated losses) / retained earnings	(2,481,001)	(2,745,334)
Reserves	1,050,012	956,340
Total equity	**12,553,223**	12,192,218
Financial performance		
Profit / (loss) for the year	183,865	108,191
Total comprehensive income / (loss)	183,865	108,191

Alterra Limited (the parent entity) provides a performance guarantee under the Carbon Purchase Agreement in New Zealand to Carbon Conscious New Zealand Ltd (a wholly owned subsidiary).

FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTE 25: RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial period:

Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	$	**$**	**$**	**$**
12 months ended 30 September 2016				
Stoney Pastoral Co Pty Ltd	13,399	13,533	-	134
Broadacre Land Holdings	-	-	558	-
Aroona Management Ltd	-	83,046	-	-
12 months ended 30 September 2015				
Aroona Management Pty Ltd	-	70,110	-	411,863

Stoney Pastoral Co Pty Ltd is an entity controlled by Trevor Stoney, which provided agistment services to Alterra in the year. Alterra also provided the usage of vehicles to Stoney Pastoral Holdings within the year.

Aroona Management Pty Ltd is an entity controlled by Neil McBain, a director of Alterra Ltd. The convertible note and any outstanding interest were fully paid in the year and at 30 September 2016, there was no balance outstanding.

Broadacre Land Holdings Pty Ltd is a 100% owned subsidiary of Stoney Pastoral Co Pty Ltd.

NOTE 26: CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 30 September 2016 (30 September 2015: $Nil).

NOTE 27: EVENTS AFTER BALANCE DATE

There have been no other matters or circumstances that have arisen after balance date that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Alterra Limited (the 'Company'):

   (a) the accompanying financial statements, notes and additional disclosures are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 30 September 2016 and of its performance for the year then ended; and

      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 September 2016.

This declaration is signed in accordance with a resolution of the Board of Directors.

Andrew McBain
Executive Director
Alterra Limited

Dated this 21st day of December 2016

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Alterra Limited

Report on the Financial Report

We have audited the accompanying financial report of Alterra Limited ("the company"), which comprises the consolidated statement of financial position as at 30 September 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

Auditor's opinion

In our opinion:

(a) the financial report of Alterra Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 September 2016 and its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Alterra Limited for the year ended 30 September 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R W Ohm
Partner

Perth, Western Australia
21 December 2016

Shareholding

The distribution of members and their holdings of equity securities in the Company as at 20 December 2016 were as follows:

	Class of Equity Securities
Number Held as at 20 December 2016	**Fully Paid Ordinary Shares**
1 - 1,000	1,906
1,001 - 5,000	434,015
5,001 - 10,000	1,109,821
10,001 - 100,000	20,433,281
100,001 and over	115,620,965
Total	**137,599,988**

Holders of less than a marketable parcel:

- 1 – 14,285 fully paid shares – 304
- > 14,285 fully paid shares – 644

Substantial Shareholders

The Company has the following substantial shareholders listed in the Company's register as at 20 December 2016:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Stoney Pastoral Co Pty Ltd <Maybenup Subscription A/C>	19,417,361	14.11
Aroona Management Pty Ltd <McBain Family A/C>	7,100,000	5.16
Broadacre Finance Pty Ltd <The Rule 303 Super Fund A/C>	4,327,756	3.15
Mac 110 Nominees Pty Ltd <The Rule 303 A/C>	2,694,300	1.96

Restricted Securities

The Company has no restricted securities on issue.

Voting Rights – Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every Fully Paid Ordinary Share held.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest ordinary fully paid shareholders as at 20 December 2016 are as follows:

Rank	Name of Shareholder	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Stoney Pastoral Co Pty Ltd <Maybenup Subscription A/C>	19,417,361	14.11
2	Aroona Management Pty Ltd <McBain Family A/C>	7,100,000	5.16
3	Broadacre Finance Pty Ltd <The Rule 303 Super Fund A/C>	4,327,756	3.15
4	Broadacre Asset Management Pty Ltd	2,751,706	2.00
5	Mac 110 Nominees Pty Ltd <The Rule 303 A/C>	2,694,300	1.96
6	Mr Anthony Irwin Fitzgerald	2,450,000	1.78
7	Mr Jim Koumides & Mrs Lucy Koumides <Poor Little Pinkus S/F A/C>	2,314,419	1.68
8	Mr Christopher Neil Stevens & Mrs Nerolie Joy Stevens <Yall Super Fund A/C>	2,300,000	1.67
9	Stiletto Investments Pty Ltd	2,259,771	1.64
10	Mr Harvey Stern	2,000,000	1.45
11	Mr Andrew John ten Seldam <ten Seldam Family A/C>	1,718,750	1.25
12	Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C>	1,600,000	1.16
13	Mr Peter Macarthur Morrison & Mrs Annette Kaye Morrison <The Morrison Super Fund>	1,500,000	1.09
14	Green World Investments Pty Ltd	1,500,000	1.09
15	Ballybunnion Trading Co Pty Ltd	1,456,882	1.06
16	Salgood Pty Ltd	1,419,000	1.03
17	Betty Chin Holdings Pty Ltd <Betty Chin Family A/C>	1,395,250	1.01
18	Ties Group Pty Ltd <Ties A/C>	1,333,474	0.97
19	Mr Anthony Dean Lazenby	1,250,000	0.91
20	Mr Edmund Zeng Peng Li	1,145,383	0.83
	Total	**61,934,052**	**45.01%**