

30 May 2019

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

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Dear Sir or Madam

Appendix 4D & Half Year Report for the Period ended 31 March 2019

Please find enclosed Appendix 4D as required under ASX Listing Rule 4.2A.3 and a copy of the Half Year Report for the activities of Alterra Limited for the period ended 31 March 2019.

Yours faithfully



Oliver Barnes
Managing Director

Details of Reporting Period

The reporting period is from 1 October 2018 through to 31 March 2019.

Results for Announcement to the Market

		Half year to March 2019 \$'000	Half year to March 2018 \$'000
Revenue from ordinary activities	Down 24.4%	1,025	1,355
Profit / (loss) before income tax from continuing operations	Down 241.7%	(163)	115
Profit / (loss) before income tax from discontinued operations	Up 713.2%	2,212	272
Profit / (loss) before income tax from all operations	Up 409.6%	1,972	387
Profit after tax attributable to members	Up 506.2%	2,049	338
EBITDA	Up 182.9%	2,198	777
EBITDA from continuing operations	Down 102.8%	(14)	505

Operational Highlights

- Successfully completed the demerger of the Carbon Business on 31 December 2018.
- Board and management rejuvenation with appointment of new Managing Director Mr Oliver Barnes.
- The Company communicated the “Alterra: Positioning for Growth” presentation in February, in which it confirmed that it will be focusing on land use change opportunities in agriculture, with a focus on high value tree crops and water in Western Australia.
- Appointment of Mr John Poynton AO as Chairman of the Alterra Advisory Board on 5 April.
- Technical Partner Agreement signed with Mr Tyson Bennett on 30 April.
- Received first distribution from Carbon Conscious Investments Ltd on 29 May 2019.

Dividends

No dividends have been paid or declared by Alterra Limited since the start of the financial period and the directors do not recommend the payment of a dividend in respect of the financial period.

Net Tangible Assets per Security

Net tangible assets per ordinary share is \$0.05 as at 31 March 2019 (as at 31 March 2018 - \$0.04).

Net assets per ordinary share is \$0.05 as at 31 March 2019 (as at 31 March 2018 - \$0.08).

The results should be read in conjunction with the Interim Financial reports for the period lodged with the ASX on 30 May 2019.



Oliver Barnes
Managing Director

Date: 30 May 2019



Alterra Limited

ABN 20 129 035 221

**Interim Financial Report
For the Half-Year Ended 31 March 2019**

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COMPANY DIRECTORY

ABN 20 129 035 221

Directors

Mr OLIVER BARNES, Managing Director
MR ANDREW MCBAIN, Executive Director
Mr TREVOR STONEY, Chairman & Non-Executive Director

Company Secretary

Mr ANTHONY FITZGERALD

Principal & Registered Office

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Auditors

HLB MANN JUDD
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PERTH WA 6000

Share Registry

AUTOMIC PTY LTD
LEVEL 2, 267 ST GEORGES TERRACE
PERTH WA 6000

Solicitors

BELLANHOUSE LEGAL
LEVEL 19, ALLUVION
58 MOUNTS BAY ROAD
PERTH WA 6000

Bankers

BANKWEST
LEVEL 11D, 300 MURRAY STREET
PERTH WA 6000

Securities Exchange Listing

AUSTRALIAN SECURITIES EXCHANGE
(HOME EXCHANGE: PERTH, WA)
ASX CODE: 1AG

DIRECTORS' REPORT

Your Directors submit the interim financial report of Alterra Limited for the half-year ended 31 March 2019.

DIRECTORS

The names of Directors who held office during or since the end of the period and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

- Mr Oliver Barnes - Executive Director (*11 January 2019 – 18 March 2019*)
Managing Director (*19 March 2019 onwards*)
- Mr Andrew McBain - Managing Director (*8 March 2018 – 18 March 2019*)
Executive Director (*19 March 2019 onwards*)
- Mr Trevor Stoney - Non-Executive Chairman
- Mr Neil McBain - Non-Executive Director (*resigned 11 January 2019*)

COMPANY SECRETARY

Mr Anthony Fitzgerald

REVIEW OF OPERATIONS

Up till 31 December 2018 the Company continued to own and manage the Carbon Business which included 18,000 hectares of agro-forestry projects established to generate Australian Carbon Credit Units (ACCUs) and Voluntary Carbon Offsets (VCOs) for customers.

After receiving overwhelming shareholder support at the General Meeting held on 20 December 2018, the Company completed the demerger of its Carbon Business into a new entity – Carbon Conscious Investments Limited (CCIL). As part of the demerger, Alterra shareholders received 1 CCIL share for each Alterra share held as at the record date, with Alterra retaining a 15% equity interest in CCIL.

Post demerger, Alterra retained the services contract for the Carbon Business to provide the necessary skills and expertise to manage the Carbon Business on behalf of CCIL. For provision of the various services, Alterra is receiving approximately \$460,000 p.a. (excl GST). In addition, Alterra currently generates \$210,000 (excl GST) in lease income p.a. and expects to receive approximately \$160,000 p.a. in shareholder distributions (incl. dividends etc.) from CCIL commencing May 2019.

In January 2019 long serving Non-executive Director Mr Neil McBain retired and the Company engaged Mr Oliver Barnes as an Executive Director, with the intention of Mr Barnes transitioning to Managing Director after a handover period. Oliver Barnes was confirmed as Managing Director on 19 March.

The Company communicated the “Alterra: Positioning for Growth” presentation in February, in which it confirmed that Alterra will be focusing on land use change opportunities in agriculture, with a focus on high value tree crops and water in Western Australia.

To enhance the Alterra growth strategy, leading Western Australian corporate banker and businessman Mr John Poynton AO was engaged as Chair of the Alterra Advisory Board on 5 April and plant canopy expert Mr Tyson Bennett was appointed as a Technical Partner on 30 April.

The Company has been focused on building a pipeline of new land and water development opportunities and establishing the necessary systems and processes to support a significant expansion of its operations. We look forward to updating shareholders as those opportunities evolve.

DIRECTORS' REPORT

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration for the period ended 31 March 2019 is set out on page 6.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the Corporations Act 2001.



Oliver Barnes
Managing Director
Perth

Dated: 29 May 2019

AUDITOR'S INDEPENDENCE DECLARATION



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated interim financial report of Alterra Limited for the half-year ended 31 March 2019, 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 review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
29 May 2019

A handwritten signature in blue ink, appearing to read 'M R Ohm', written in a cursive style.

M R Ohm
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 MARCH 2019

	Note	Half-Year to 31 March 2019	Half-Year to 31 March 2018
		\$	\$
Continuing Operations			
Revenue	2a	931,414	1,341,803
Other income		94,348	75,182
Operating expenses		(116,571)	(189,516)
Administrative expenses		(213,130)	(99,361)
Business development expenses		(213,172)	(70,943)
Employee benefits expense		(443,180)	(385,590)
Occupancy expense		(29,006)	(32,060)
Financing expenses		(40,168)	(42,629)
Depreciation and amortisation expense	2b	(210,480)	(360,051)
Share-based payments		-	(121,713)
(Loss) / Profit before income tax benefit		(239,945)	115,122
Income tax benefit / (expense)	3	77,140	(49,041)
(Loss) / Profit from continuing operations		(162,805)	66,081
Discontinued operations			
Profit after tax from discontinued operations	15	2,211,648	272,014
Profit attributable to members of the parent entity		2,048,843	338,095
Other comprehensive income			
Exchange fluctuations on translation of foreign operations transferred to the statement of comprehensive income		-	(272,746)
Loss on revaluation of listed entities		-	(31,946)
Other comprehensive income / (loss) for the period		-	(304,692)
Total comprehensive income attributable to members of the parent entity		2,048,843	33,403
Basic and Diluted (loss) / earnings per share (cents per share) from continuing operations	4	(0.11)	0.05
Basic and Diluted earnings per share (cents per share) from continuing and discontinued operations	4	1.39	0.24

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	31 March 2019 \$	30 September 2018 \$
Current Assets			
Cash and cash equivalents		2,263,363	2,396,170
Trade and other receivables	5	82,958	717,260
Other assets		97,669	178,886
Other financial assets		-	103,257
Total Current Assets		2,443,990	3,395,573
Non-Current Assets			
Intangibles	6	178,326	4,752,205
Bearer Plants	7	-	203,431
Investment property	8	4,441,406	4,441,406
Property, plant and equipment	9	56,534	67,608
Trade and other receivables	5	208,634	158,556
Deferred tax asset	3	268,423	256,270
Investment in associates	14	1,063,449	-
Loan receivable	19	1,000,000	-
Total Non-Current Assets		7,216,772	9,879,476
Total Assets		9,660,762	13,275,049
Current Liabilities			
Trade and other payables	10	352,584	191,816
Provision for income tax	3	59,609	124,596
Total Current Liabilities		412,193	316,412
Non-Current Liabilities			
Interest-bearing liabilities	11	1,750,000	1,750,000
Provisions		-	35,151
Total Non-Current Liabilities		1,750,000	1,785,151
Total Liabilities		2,162,193	2,101,563
Net Assets		7,498,569	11,173,486
Equity			
Issued capital	11	8,579,327	14,254,212
Reserves		1,319,410	1,368,285
Accumulated losses		(2,400,168)	(4,449,011)
Total Equity		7,498,569	11,173,486

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 MARCH 2019

	Issued capital	Accumulated Losses	Revaluation Reserve	Share-based payment reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 October 2017	14,254,212	(4,791,123)	79,442	1,190,394	272,746	11,005,671
Profit attributable to members	-	338,095	-	-	-	338,095
Loss on revaluation of listed entities	-	-	(31,946)	-	-	(31,946)
Realisation of foreign currency translation reserve	-	-	-	-	(272,746)	(272,746)
Total comprehensive income for the year	-	338,095	(31,946)	-	(272,746)	33,403
Share-based payments	-	-	-	121,713	-	121,713
Balance at 31 March 2018	14,254,212	(4,453,028)	47,496	1,312,107	-	11,160,787
Balance at 1 October 2018	14,254,212	(4,449,011)	48,875	1,319,410	-	11,173,486
Profit attributable to members	-	2,048,843	-	-	-	2,048,843
Total comprehensive income for the year	-	2,048,843	-	-	-	2,048,843
Demerger of Subsidiary	(5,814,885)	-	(48,875)	-	-	(5,863,760)
Share-based payments	-	-	-	-	-	-
Equity issued net of costs	140,000	-	-	-	-	140,000
Balance at 31 March 2019	8,579,327	(2,400,168)	-	1,319,410	-	7,498,569

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 MARCH 2019

	Half-Year to 31 March 2019 \$	Half-Year to 31 March 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,682,095	1,445,777
Payments to suppliers and employees	(911,310)	(849,427)
Interest received	24,501	13,868
Interest paid	(39,729)	(39,663)
Net cash used in discontinued operations	-	(732)
Net cash provided by operating activities	<u>755,557</u>	<u>569,823</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(22,589)
Proceeds from sale of land	12,122	116,000
Proceeds from the sale of plant and equipment	-	6,750
Net cash provided by investing activities	<u>12,122</u>	<u>100,161</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of shares	140,000	-
Issue of employee loans	(105,000)	-
Receipt of payments from employee loans	64,514	-
Issue of loan to associate	(1,000,000)	-
Repayment of finance leases	-	(17,547)
Net cash provided (used in) financing activities	<u>(900,486)</u>	<u>(17,547)</u>
Net (decrease) / increase in cash and cash equivalents	(132,807)	652,437
Cash and cash equivalents at beginning of half-year	<u>2,396,170</u>	<u>843,355</u>
Cash and cash equivalents at end of half-year	<u><u>2,263,363</u></u>	<u><u>1,495,792</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 MARCH 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134 'Interim Financial Reporting', Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The interim financial statements comprise the condensed interim financial statements for the Group. For the purposes of preparing the interim financial statements, the company is a for-profit entity.

The interim report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide a full understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 September 2018 and any public announcements made by Alterra Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 September 2018.

The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

The interim financial statements were authorised for issue on 31 May 2019.

Adoption of New and Revised Accounting Standards

AASB 15

AASB 15 replaces AASB 118 Revenue and AASB 111 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The Group has applied AASB 15 Revenue from Contracts with Customers for the first time in the current period. AASB 15 establishes a single comprehensive income for entities to use in accounting for revenue arising from contracts with customers.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. The core principle of AASB 15 is that it requires identification of distinct performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

1. STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (continued)

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group has adopted AASB 15 using the modified retrospective method of adoption (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application, being 1 October 2018. Accordingly, the information presented for 31 March 2018 and 31 March 2019 has not been restated. The effect of the application of AASB 15 has been applied to all contracts at date of initial application. There is no material impact on the adoption of AASB 15.

Accounting policy for revenue

Carbon Sales

Revenue is recognised at the time of billing, as at that point in time the Group considers it has met its contract obligations and the relevant benefits associated with the carbon sale have been transferred to the customer.

Land license / management fees

Land licenses and management fees are recognised on a straight-line basis over the term of the contract as this reflects when the benefits are received from the customer.

Lease income

Lease income from investment properties is recognised on a straight-line basis over the lease term.

Reporting Basis and Conventions

The interim report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. Cost is based on the fair value of the consideration given in exchange for assets.

Comparative Figures

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

1. STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (continued)

Significant Accounting Judgements and Key Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from the estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 September 2018, other than a valuation that was obtained as part of the demerger accounting that determined the fair value of assets transferred. The impact of this adjustment was made against equity. The valuation also provided support for the residual investment maintained by the Group subsequent to the demerger accounting.

AASB 9 Accounting Policy

From 1 October 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not a fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments all as amortised costs. These are assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Any gain/loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains/losses if any.

1. STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (continued)

Impairment

As per AASB 9 the Group applies an expected credit loss model and not an incurred credit loss model as per AASB 139. To reflect changes in credit risk, this expected credit loss model requires the Group to account for expected credit loss since initial recognition.

AASB 9 also determines that a loss allowance for expected credit loss be recognised on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts as the impairment provision would apply to them.

If the credit risk on a financial instrument did not show significant change since initial recognition and expected credit loss amount equal to 12-month expected credit losses is used. However, a loss allowance is recognised at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the instrument is an acquired credit-impaired financial asset.

A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

Investment in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

1. STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (continued)

Recognition

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position and adjusted thereafter to recognise the Group's share of the profit or loss in other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gains or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

1. STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (continued)

Deconsolidation

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation difference recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in the profit or loss.
- Reclassifies the Parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

New and Revised Accounting Standards Not Yet Adopted

In the half-year ended 31 March 2019, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 October 2018, including AASB15 as noted above.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 March 2019. As a result of this review, the Directors have determined that the following Standards and Interpretations will not have a material effect on the application of future periods:

1. STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (continued)

AASB 16 Leases

AASB 16 Leases removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Most leases will be capitalised on the statement of financial position by recognising a lease liability for the present value obligation and a 'right of use' asset. The right of use asset is calculated based on the lease liability plus initial direct costs, prepaid lease payments and estimated restoration costs less lease incentives received. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in the expense recognition with interest and depreciation replacing operating lease expense. There are exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.

Other than the above, there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Group and therefore no material change is necessary to the Group accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 (a). REVENUE

The Group derives its revenue from the sale of goods and the provision of services at a point in time and over time in the following major categories. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 (see note 16).

	Half-Year to 31 March 2019 \$	Half-Year to 31 March 2018 \$
Revenue		
At a point in time		
Carbon sales	93,493	6,311
	<u>93,493</u>	<u>6,311</u>
Over time		
Land license / management fees	732,921	1,229,481
Lease income	105,000	105,000
Other income	-	1,011
	<u>837,921</u>	<u>1,335,492</u>
	<u>931,414</u>	<u>1,341,803</u>
	Half-Year to 31 March 2019 \$	Half-Year to 31 March 2018 \$
Other Income		
Share of net profit of associates accounted for using the equity method	36,735	-
Other income	57,613	75,182
	<u>94,348</u>	<u>75,182</u>

2 (b). DEPRECIATION AND AMORTISATION EXPENSE

	Half-Year to 31 March 2019 \$	Half-Year to 31 March 2018 \$
Depreciation on Plant and Equipment	9,540	17,614
Amortisation of Forestry Rights	141,498	282,995
Amortisation of Dairy Development Model	59,442	59,442
	<u>210,480</u>	<u>360,051</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. INCOME TAX

	Half-Year to 31 March 2019 \$	Half-Year to 31 March 2018 \$
Numerical reconciliation between tax-expense and pre-tax net profit		
(Loss) / profit before tax	(239,945)	115,122
Income tax using the domestic tax rate of 27.5% (2018: 27.5%)	(69,985)	31,658
Non-assessable income	(11,363)	-
Non-deductible expenses	208	34,280
Benefit of deferred tax assets not previously recognised	-	28,934
Under provision of R&D in previous year	-	(45,831)
Income tax (benefit) / expense reported in the statement of profit or loss	(77,140)	49,041
Income tax benefit from discontinued operations	-	-
Total Income tax (benefit) / expense for the period	(77,140)	49,041

	Balance 30 September 2018 \$	Recognised in Income \$	Balance 31 March 2019 \$
Deferred tax liability / asset			
Tax losses	979,500	22,139	1,001,639
Other timing differences	(723,230)	750,365	27,135
Net deferred tax asset / (liability)	256,270	772,504	1,028,774

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable income 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. Of the \$1,028,774 deferred tax asset, \$268,423 is recognised on the balance sheet with the balance of \$760,351 not recognised as at the half year.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. EARNINGS PER SHARE

	Half-Year to 31 March 2019 Cents per share	Half-Year to 31 March 2018 Cents per share
Basic and diluted (loss) / earnings per share from continuing operations	(0.11)	0.05
Basic and diluted earnings per share from continuing and discontinued operations	1.39	0.24
The earnings and weighted average number of Ordinary Shares used in the calculation of basic earnings per share is as follows:		
(Loss)/Profit for the period after income tax from continuing operations	\$ (162,805)	\$ 66,081
Profit for the period after income tax from discontinued operations	2,211,648	272,014
	<u><u>No.</u></u>	<u><u>No.</u></u>
Weighted average number of Ordinary Shares outstanding during the year used in calculating basic and diluted EPS	<u><u>147,599,988</u></u>	<u><u>143,599,988</u></u>

Diluted Earnings Per Share

The company has no outstanding options at period end therefore there is no diluted earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. TRADE AND OTHER RECEIVABLES

	31 March 2019	30 September 2018
	\$	\$
<u>Current</u>		
Accrued income	-	563,189
Trade receivables	2,026	154,071
Employee loans	18,454	28,045
Land debtors	62,478	74,600
	<u>82,958</u>	<u>819,905</u>
<u>Non-current</u>		
Employee loans	166,134	116,056
Land debtors	42,500	42,500
	<u>208,634</u>	<u>158,556</u>

Employee loans refer to secured monies loaned on 14 November 2018 by Alterra to its key management personnel for purchasing shares in the Company via the exercising of options. The loans are on commercial terms.

	Half Year to 31 March 2019	Year to 30 September 2018
	\$	\$
Loan balance at beginning of period	144,101	166,190
Loans advanced during the period	105,000	-
Repayments received	(64,513)	(22,089)
Interest charged	6,992	10,463
Interest received	(6,992)	(10,463)
Loan balance at end of period	<u>184,588</u>	<u>144,101</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INTANGIBLES

	31 March 2019	30 September 2018
	\$	\$
Dairy Development Model	356,653	356,652
Less: accumulated amortisation	(178,327)	(118,884)
Forestry Rights	-	14,177,854
Less: accumulated amortisation	-	(9,663,417)
	178,326	4,752,205

The Dairy Development costs are being amortised over 3 years.

7. INVENTORIES

	31 March 2019	30 September 2018
	\$	\$
<u>Non-current</u>		
Plantations under CER Scheme	-	185,801
Seed Stock	-	17,630
	-	203,431
Total Inventories	-	203,431

Plantation inventory has been separated into the three categories in March 2018; Australian Carbon Credit Units, Plantations under Voluntary Scheme and Plantations under CER Scheme. At September 2018, these were all classified under Plantations and have been disclosed under Plantations under CER Scheme above. At 31 December 2018 these were transferred as part of the demerger of Carbon Conscious Investments Limited (refer Note 15).

8. INVESTMENT PROPERTY

	31 March 2019	30 September 2018
	\$	\$
Investment property at cost	4,441,406	4,441,406
	4,441,406	4,441,406

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. PROPERTY, PLANT & EQUIPMENT

	31 March 2019	30 September 2018
	\$	\$
Property, plant & equipment	56,534	67,608

Property, plant & equipment are recorded at cost, less any impairment losses.

10. TRADE & OTHER PAYABLES

	31 March 2019	30 September 2018
	\$	\$
Trade payables	141,536	47,708
Employee benefits accrual	93,541	60,934
GST payable	66,164	69,174
Sundry payables and accruals	21,343	14,000
Unearned income	30,000	-
	352,584	191,816

11. INTEREST-BEARING LIABILITIES

	31 March 2019	30 September 2018
	\$	\$
<u>Non-Current Liabilities</u>		
Bank loan	1,750,000	1,750,000
	1,750,000	1,750,000

During March 2017, the Group secured debt financing of \$2.1 million for a period of 2 years to assist with the purchase of the Dambadgee Springs property. The outstanding loan of \$1.75 million was renegotiated in March 2018 for a 3-year period with a repayment date of March 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. ISSUED CAPITAL

	31 March 2019 \$	30 September 2018 \$
147,599,988 (30 Sept 2018: 143,599,988) fully paid Ordinary Shares	8,579,327	14,254,212

	31 March 2019 No.	31 March 2019 \$	30 September 2018 No.	30 September 2018 \$
Movement in Ordinary Shares on issue				
At beginning of the financial year	143,599,988	14,254,212	137,599,988	13,984,212
Conversion of share options	4,000,000	140,000	-	-
Issued 31 January 2017	-	-	6,000,000	270,000
Demerger of Carbon Business (refer Note 15)	-	(5,814,885)	-	-
At 31 March	147,599,988	8,579,327	143,599,988	14,254,212

13. OPTIONS

	31 March 2019 No.	31 March 2019 Weighted average exercise price	30 September 2018 No.	30 September 2018 Weighted average exercise price
Movement in Options over Ordinary Shares on issue				
At beginning of the half-year	10,000,000	\$0.10	12,000,000	\$0.11
Granted during the period	-		4,000,000	\$0.035
Exercised over the period	(4,000,000)	\$0.04	-	
Expired during the period	(6,000,000)	\$0.15	(6,000,000)	\$0.06
Cancelled during the period	-		-	
At 31 March	-	-	10,000,000	\$0.10

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	31 March 2019	30 September 2018
	\$	\$
Investment in associate	1,063,449	-
	<u>1,063,449</u>	<u>-</u>

Associate

Details of the Group's material associate at the end of the reporting period is as follows:

	Principal Activity	Country	Ownership Interest		Carrying Amount	
			31 March 2019	30 September 2018	31 March 2019	30 September 2018
			%	%	\$	\$
Carbon Conscious Investment Limited	Carbon Business	Australia	15	100	1,063,449	N/A

Carbon Conscious Investments Limited became an associate as at 1 January 2019 on the demerger of the Carbon Business from Alterra Limited. Accordingly, the investment has been equity accounted from this point forward.

Summarised financial information

	31 March 2019
	\$
Statement of comprehensive income	
Revenue	622,112
Profit for the period	<u>261,102</u>
Other comprehensive income for the period	
Total comprehensive income	-
Dividends received during the period	-
Statement of financial position	
Current assets	1,628,675
Non-current assets	4,231,443
Total assets	<u>5,860,118</u>
Current liabilities	7,951
Non-current liabilities	1,000,000
Total liabilities	<u>1,007,951</u>
Net assets of the associate	4,852,167
Proportion of the Group's ownership interest in associate	15%
Group's share of associate's net assets	727,825
Goodwill on associate	335,624
Carrying value of the Group's interest in associate	<u>1,063,449</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. DISCONTINUED OPERATIONS

On 31 December 2018, the Group demerged the Carbon Business via an in-specie distribution of shares in Carbon Conscious Investments Limited. The Group retains a 15% interest in Carbon Conscious Investments Limited. Results for the Carbon Business and its subsidiaries have been classified as a discontinued operation for the period.

	31 March 2019	31 March 2018
	\$	\$
Revenue	632,324	1,236,803
Expenses	(141,497)	(394,345)
Profit before tax from discontinued operations	<u>490,827</u>	<u>842,458</u>
Income tax	-	-
Profit after tax from discontinued operations	<u><u>490,827</u></u>	<u><u>842,458</u></u>

	31 March 2019
	\$
Profit on disposal before income tax	<u>1,720,821</u>
Income tax	-
Profit on disposal after income tax	<u>1,720,821</u>
Total profit after tax attributable to the discontinued operations	<u><u>2,211,648</u></u>

	31 December 2018
	\$
Current assets	306,230
Non-current assets	4,372,939
Total assets	<u>4,679,169</u>
Current liabilities	-
Non-current liabilities	-
Total liabilities	<u>-</u>
	<u><u>4,679,169</u></u>

Cash flows from discontinued operations	
Net cash flows used in operating activities	<u>632,324</u>
Net cash flows from discontinued operations	<u><u>632,324</u></u>

16. 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, and marketing strategies. For each of the strategic divisions, the Managing Director and Board of 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:

- Carbon Business – includes the management of agro-forestry assets in Western Australia to produce carbon credits or ACCUs on behalf of customers and the Company. The Carbon Business was demerged on 31 December 2018, however, Alterra continues to manage and operate the Carbon Business on behalf of Carbon Conscious Investments Ltd under a services agreement out till September 2027.
- Asset Development – Development of the Dambadgee Springs property in Western Australia purchased for the development of a dairy project and currently being assessed for water development opportunities to support high value tree crops.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENT REPORTING (continued)

Information regarding the results of each reportable segment is included below. Performance is measured on net profit before taxation as detailed in the management reports presented to the Managing Director and Board of Directors.

Half-Year ended 31 March 2019	Carbon Business \$	Asset Development \$	Corporate / other \$	Consolidated \$
Revenue				
Sales to external customers	826,414	-	-	826,414
Other revenues from external customers	-	105,000	69,847	174,847
Interest revenue	-	-	24,501	24,501
Total segment revenue	826,414	105,000	94,348	1,025,762
Expenses				
Cost of sales	116,276	295	-	116,571
Interest expense	-	39,683	247	39,930
Depreciation and amortisation	151,038	59,442	-	210,480
Other costs	2,377	-	896,349	898,726
Total segment expenses	269,691	99,420	896,596	1,265,707
Net profit / (loss) before tax	556,723	5,580	(802,248)	(239,945)
Income tax benefit / (expense)	-	-	77,140	77,140
Net profit / (loss) after tax from continuing operations	556,723	5,580	(725,108)	(162,805)
Segment assets				
Current assets	-	132,489	2,311,501	2,443,990
Non-current assets	-	4,447,716	2,769,056	7,216,772
Total segment assets	-	4,580,205	5,080,557	9,660,762
Segment liabilities				
Current liabilities	-	-	412,193	412,193
Non-current liabilities	-	1,750,000	-	1,750,000
Total segment liabilities	-	1,750,000	412,193	2,162,193
Net segment assets	-	2,830,205	4,668,364	7,498,569
Cash flow information				
Net cash flow from operating activities	668,490	75,817	11,250	755,557
Net cash flow from investing activities	(668,490)	(75,817)	756,429	12,122
Net cash flow from financing activities	-	-	(900,486)	(900,486)
Net decrease in cash	-	-	(132,807)	(132,807)
Cash at beginning of half-year	-	-	2,396,170	2,396,170
Cash at end of half-year	-	-	2,263,363	2,263,363

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENT REPORTING (continued)

Half-Year ended 31 March 2018	Carbon Business \$	Asset Development \$	Corporate / other \$	Consolidated \$
Revenue				
Sales to external customers	1,235,792	-	-	1,235,792
Other revenues from external customers	1,011	105,000	-	106,011
Interest revenue	-	4,433	8,704	13,137
Total segment revenue	1,236,803	109,433	8,704	1,354,940
Expenses				
Other income	(62,045)	-	-	(62,045)
Cost of sales	162,083	27,433	-	189,516
Interest expense	-	39,678	2,951	42,629
Depreciation and amortisation	293,368	66,683	-	360,051
Other costs	908	54	708,705	709,667
Total segment expenses	394,314	133,848	711,656	1,239,818
Net profit / (loss) before tax	842,489	(24,415)	(702,952)	115,122
Income tax expense	-	-	(49,041)	(49,041)
Net profit / (loss) after tax from continuing operations	842,489	(24,415)	(751,993)	66,081
Segment assets				
Current assets	823,061	190,984	1,823,711	2,837,756
Non-current assets	4,223,229	4,533,566	1,589,105	10,345,901
Total segment assets	5,046,290	4,724,550	3,412,816	13,183,657
Segment liabilities				
Current liabilities	11,311	17,974	222,372	251,657
Non-current liabilities	-	1,771,213	-	1,771,213
Total segment liabilities	11,311	1,789,187	222,372	2,022,870
Net segment assets	5,758,079	2,935,363	3,190,444	11,160,787
Cash flow information				
Net cash flow from operating activities	1,071,156	121,458	(622,060)	570,554
Net cash flow from investing activities	(1,071,156)	(121,458)	1,300,790	108,176
Net cash flow from financing activities	-	-	(17,547)	(17,547)
Net decrease in cash	-	-	661,183	661,183
Cash at beginning of half-year	-	-	834,609	834,609
Cash at end of half-year	-	-	1,495,792	1,495,792

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. CONTINGENT LIABILITIES

The Consolidated Entity currently has no contingent liabilities.

18. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no significant events subsequent to the reporting date.

19. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observe ability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table show the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis as at 30 September 2018 and 31 March 2019.

	31 March 2019	30 September 2018	Fair value hierarchy
	\$	\$	
<u>Current Financial Assets</u>			
Trade and other receivables	18,454	28,045	Level 3
Total current financial assets	18,454	28,045	
<u>Non-Current Financial Assets</u>			
Trade and other receivables	166,134	116,056	Level 3
Financial assets held at amortised cost*	1,000,000	-	Level 3
Total non-current financial assets	1,166,134	116,056	

* The loan is between Alterra Ltd and Carbon Conscious Investments Limited which was advanced during the half year as part of the demerger of the Carbon Business. The loan is to be utilised for working capital purposes and is repayable by 31 December 2020.

The Group also has a number of financial instruments which are not measured at fair value in the statement of financial position.

The carrying amounts of these financial assets and liabilities are considered to be a reasonable approximation of their fair value.

DIRECTORS' DECLARATION

The Directors of Alterra Limited declare that:

1. The financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Group's financial position as at 31 March 2019 and its performance for the half-year ended on that date.
2. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



Oliver Barnes
Managing Director

Perth
Dated: 29 May 2019



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Alterra Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Alterra Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 March 2019, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Alterra Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the group's financial position as at 31 March 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 March 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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INDEPENDENT AUDITOR'S REVIEW REPORT



Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
29 May 2019

A handwritten signature in blue ink, appearing to read 'M R Ohm'.

M R Ohm
Partner