

# Alterra Completes Carpenters Feasibility, 4.1GL Dam Construction Funded

## Highlights

- Completion of feasibility study for a 300-hectare avocado development in Pemberton
- Feasibility study confirms viability of the project over 30-year life span
- Construction started on 4.1 gigalitre dam to irrigate the project
- 50-hectare planting planned for 2021 subject to availability of funding
- Strong tree growth observed in initial 5-hectare 2020 planting
- Discussions with both equity and debt providers commenced

Alterra Ltd (ASX:1AG) (**Alterra** or **Company**) is pleased to announce it has completed the feasibility study for its planned 300-hectare avocado project located in Pemberton, Western Australia.

The study sought to test the viability of the proposed development and identify critical issues that may impact the bankability of the project.

It confirmed that the project could support a viable 300-hectare avocado orchard based on the following key assumptions:

- Land assembly and approvals are in place to support the project
- Project site is suitable for avocado production subject to implementing subsurface drainage
- Independent hydrological study forecasting water catchment out to 2050 found the project self-sufficient in water and able to meet peak water demands of 2.1 gigalitres per annum
- Project can be developed over three years

The study confirmed a development funding cost of \$40.6 million, a minimum 30-year life of the project and a strong, double-digit internal rate of return. It also confirmed development completion could be achieved within three years.

The 300-hectare project is housed within a special purpose vehicle, Carpenters Beedelup Pty Ltd (**Carpenters**).

The majority of funding for Carpenters will be sourced from external equity and debt providers, with Alterra retaining a substantial minority interest. Alterra will provide long-term management services to the project. In addition, it is entitled to performance fees for both operational outcomes and any project sale to third parties.

With the feasibility study now complete, discussions with both equity and debt providers are underway with first external contributions expected in early 2021. Subject to availability of capital, Alterra plans to proceed with a 2021 planting of up to 50 hectares. The balancing 245 hectares will be planted over two years through to 2023.

To date, Alterra has incurred direct costs of c.\$1.4 million in priming Carpenters, including funding an initial 5-hectare planting in October 2020 that has yielded crucial research data, including the performance of higher-density planting to optimise the full 300-hectare planting. Research is showing that increasing the number of trees per hectare, if successful, could result in a 67% higher yield per annum (up to tree age 6) based on yield performance data provided by French's Group.



*Images of avocado tree growth from the 5-hectare planting.*

#### **Dam Construction Commenced**

Construction of the 4.1 gegalitre dam to support the project is already underway. Originally, this was to be funded by Alterra with construction to start in late 2021 with the project relying on existing dam water on site for irrigation during the initial ramp-up phase.

However, the landowner from whom Alterra leases the Carpenters land, has elected to start construction early and to directly fund the build costs. This is in part due to permitting requirements that dam construction must be substantially commenced by June 2021 and any construction that extends beyond this permit may require a permit extension.

As part of this new arrangement, the Carpenters lease (see Appendix 1) has been amended to reflect:

- Landowner agrees to fund and construct the dam at their own risk
- Dam will be built to Alterra's specification with oversight of construction
- Landowner gains access to an area of 31.9 hectares on the property to extract gravel

Alterra Chief Executive Officer Oliver Barnes said the results of the Carpenters study confirmed the opportunity for the Company to develop a large-scale project in a premium horticultural region.

"In pursuing this opportunity, we are adopting conservative assumptions around yield and market prices. However, we are also applying the best available technologies and horticultural practices to ensure Carpenters has the best chance for outperformance," said Mr Barnes.

Alterra continues to further its pipeline of project opportunities in the south-west of Western Australia, targeting premium horticulture developments through the repurposing of water and land.

*This announcement has been authorised by the Board of Directors of Alterra.*

**- ENDS -**



## About Alterra Limited

Alterra is an asset manager that provides origination, development and management services for land and water assets in Australia. We work directly with landowners and agricultural producers to unlock and reposition water assets through change in land use, ownership structure, regulatory management and application of technical know-how to create large-scale horticultural assets. This process opens direct investment opportunities structured for sophisticated investors.

Visit [alterra.com.au](http://alterra.com.au) for more information.

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## Forward Looking Statements

This announcement contains forward-looking statements that involve risk and uncertainties. Indications of, and guidelines or outlook on, financial position and returns, performance, targets, timelines, estimates and assumptions in respect of production, prices, operating and other costs, capital expenditures and development timelines are forward looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and estimates regarding future events and actions that, while considered reasonable as at the date of this announcement are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management. We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are subject to various risk factors that could cause actual events or results to differ materially from the events or results estimated, expressed or anticipated in these statements.

## Appendix 1 – Summary of Carpenters Project Lease

<b>Lessee</b>	Carpenters Beedelup Pty Ltd (ACN 639 237 639) (presently wholly owned subsidiary of Alterra Ltd) ( <b>Lessee</b> )
<b>Lessor</b>	Red Moon Property Holdings Pty Ltd (ACN 154 744 831)
<b>Term</b>	30 years with two 10-year options.
<b>Business</b>	A commercial 300-hectare avocado orchard business (or such other permanent tree crop) to be carried out by Lessee (Project).
<b>Alterra's Commitment</b>	<p>Alterra has committed capital of c. \$1,750,000 between July 2019 until February 2021 for the development of the Project.</p> <p>The Lessor has elected to carry out the construction of the 4.1 gigalitre dam (First Dam) on the Project. This has resulted in an amendment of the original lease, via a Deed of Variation, so that the construction of the dam does not trigger or amend any lease obligations or termination rights on behalf of the Lessee.</p> <p>The ongoing rent and outgoings are the responsibility of the Lessee, Alterra is not obliged to proceed with the Project and has not provided a guarantee.</p>
<b>Project</b>	Lessee to manage and undertake the Project, being:



	<ul style="list-style-type: none"> <li>(a) carrying out the feasibility study;</li> <li>(b) the development and planting of avocado plantings;</li> <li>(c) the development of the infrastructure including irrigation;</li> <li>(d) ongoing operation and commercialisation of the plantings;</li> <li>(e) ancillary works; and</li> <li>(f) potential sale of the business, development infrastructure, the leasehold interest and water entitlements.</li> </ul>
<b>Funding</b>	<p>With the feasibility study now complete, equity and debt funding will be sourced directly into the Project. Discussions with both equity and debt providers have commenced, with first external contributions expected in early 2021. Subject to availability of capital, Alterra plans to proceed with a 2021 planting of up to 50 hectares. The remaining 245 hectares will be planted over two years once the remaining funding has been secured.</p> <p>Alterra expects to retain a substantial minority interest once the Project is fully capitalised. Alterra will provide long-term management services to the Project. In addition, it is entitled to performance fees, for both operational outcomes and any project sale to third parties.</p>
<b>Management of the Project</b>	<p>Lessee has control of the Carpenters Project, with the Lease now registered on certificate of title.</p> <p>Lessee to appoint Alterra as the development and project manager.</p>
<b>Water Entitlements</b>	<p>Lessee is entitled to use all water entitlements pertaining to the property and may sub-licence water rights with consent of Lessor (which cannot be unreasonably withheld).</p>
<b>Default</b>	<p>Limited default provisions apply (which is usual in a ground lease of this type). Long notice provisions apply to allow for the Lessee to remedy any default.</p>
<b>Termination</b>	<p>The Lessee may, at any time before it gives the Lessor a notice to construct a dam, elect to terminate the Lease by giving the Lessor not less than six months' written notice. The Lessor has elected to carry-out the construction of the First Dam on the Project which does not impact the Lessee's termination rights.</p> <p>The Lessee retains the right to surrender a portion of the lease, with a 60 hectare carve out as a standalone project, if it does not to proceed with the full 300-hectare development. Termination for default is included, but as noted above, Lessee has long periods to remedy any default.</p>