



Alterra

LIMITED AND CONTROLLED ENTITIES **ANNUAL
REPORT** FOR THE YEAR ENDED
30 SEPTEMBER 2020

ABN 20 129 035 221



2020

CORPORATE DIRECTORY

ABN 20 129 035 221

Directors

Mr JOHN McGLUE
Chairman & Non-Executive Director

Mr JOHN PALERMO
Non-Executive Director

Mr TREVOR STONEY
Non-Executive Director

Company Secretary

Mr JOHN PALERMO

Principal & Registered Office

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Bankers

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Securities Exchange

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Contents

3. Chairman's Message

5. Review of Operations

7. Directors' Report

19. Corporate Governance Statement

20. Auditor's Independence Declaration

21. Consolidated Statements:

- Comprehensive Income
- Financial Position
- Cash Flows
- Changes in Equity
- Notes

54. Directors' Declaration

55. Independent Auditor's Report

59. ASX Additional Information

60. Twenty Largest Shareholders

Chairman's Message



John McGlue, Chairman

Dear fellow shareholders,

2020 has been a year of unprecedented events that have affected all Australians and challenged businesses to rethink their purpose and their ability to grow sustainably in a changed corporate environment.

Alterra too has been tested, with intra-state lockdowns in our home market of Western Australia, travel bans affecting key personnel and the shift in capital markets where investors and potential investment targets don't get to meet face-to-face.

Like most others, we have reflected on our business model and how it can survive and thrive in dramatically changed circumstances. I am happy to report that, notwithstanding the understandable time delays, we have emerged from this period with increased faith in Alterra's strategy of creating value from the repurposing of land and water across a range of settings.

The COVID-19 crisis has underlined the importance of enterprises that leverage Australia's latent natural resources and do so in ways that bear equally on our national self-sufficiency and export profile – both of which have been severely tested through the 2020 financial year. If anything, the time-and-place opportunity before Alterra has been amplified through the COVID-19 crisis, which has occurred against a backdrop of undeniable climate change and diminishing capability in some of Australia's traditional food bowls.

Our flagship Carpenters project near Pemberton in WA's south west is the quintessential land / water repurposing venture, with a former blue gum plantation transforming into a large-scale avocado orchard, creating a new value-adding, export-oriented asset with an outstanding economic profile.

WE HAVE EMERGED FROM THIS PERIOD WITH INCREASED FAITH IN ALTERRA'S STRATEGY OF CREATING VALUE FROM THE RE-PURPOSING OF LAND AND WATER, ACROSS A RANGE OF SETTINGS.

Alterra is focused on building a portfolio of greenfield assets in the region, with a plan to identify, source, prime, finance and develop up to 1,000 hectares of horticultural projects. And our ambitions extend far beyond avocados and beyond greenfield assets.

Market evidence indicates institutional investor appetite for this asset class is building fast, especially for top-tier agriculture assets with strong Environmental, Social and Corporate Governance (ESG) credentials.

Unsurprisingly, demand is far outstripping supply. Capital is now looking beyond traditional targets and locations. Opportunities are being assessed through an ESG prism. Sustainability has equal dimensions of money and environment. New investment models are taking long-term views, matching the investment horizons of the institutional investors hungry for assets.

Alterra is seeking to meet that demand and to do so through leveraging deep industry expertise, the benefits of location and the local knowledge, and an opportunity pipeline built through hard work and careful due diligence.

As climate change is testing large tracts of Australia, climate resilient locations like the Pemberton region offer prime opportunities, when explored and developed responsibly. Alterra is seeking to become a long-term and responsible corporate citizen in the locations in which we operate. We understand the agriculture sector can be politically charged and controversial at times, but we believe imperatives can align rather than compete.

Essentially, we see sustainable, environmentally responsible agriculture ventures as capable of delivering a strong bottom line operationally and attracting a premium from investors with an appetite for ethical investing. In doing this, we will maintain an unswerving commitment to grow value for Alterra shareholders.

CHAIRMANS MESSAGE

Alterra is primarily an asset manager, though we will look to take direct equity positions where it makes sense. Ultimately, we will allocate capital where it has the best prospect of making a satisfactory return for our shareholders.

Underpinning our work on behalf of shareholders will be strong corporate governance, which is not negotiable.

As Alterra executives have executed our asset management strategy, a number of new governance measures have been implemented, including the recent establishment of board committees – Audit & Risk and Remuneration & Nominations.

All too often governance gets trampled in the rush for short-term outcomes that deliver a sugar hit on the ASX, or sacrificed at the altar of personal, vested interests.


Thank you for being a shareholder of Alterra. It's an act of faith that we appreciate. We are the custodians of your hard-earned money and we will respect that at all times. I look to the 2021 financial year and beyond with unbridled enthusiasm for our business and hunger to succeed. Our measures will be running our business successfully and rewarding our investors with enhanced shareholder value.



John McGlue
Chairman



**OUR MEASURES WILL BE RUNNING OUR
BUSINESS SUCCESSFULLY AND REWARDING
OUR INVESTORS WITH ENHANCED
SHAREHOLDER VALUE.**



**THE AGRICULTURAL SECTOR HAS
PROVEN RESILIENT DURING ECONOMIC
UNCERTAINTY AND REMAINS ONE OF
THE FASTEST GROWING INVESTMENT
SECTORS NOT ONLY IN AUSTRALIA BUT
AROUND THE WORLD.**

Review of Operations



Oliver Barnes, Chief Executive Officer

Dear fellow shareholders,

I am pleased to inform you that Alterra has made significant headway on its asset management business model and new operations in the south-west region of Western Australia in 2020.

As an originator, developer and manager of in-demand agricultural assets, premium horticultural regions such as Pemberton are a particular focus for the Company as we execute our new strategy, and as such we have been progressing preparation and feasibility on our first major asset, the Carpenters project.

We have grown our team to support the projected growth of the Company with a healthy pipeline of opportunities. We have strengthened our capacity, adding several new core team members with strong backgrounds in project development, horticultural technical delivery, commercial project development and corporate finance.

Our focus remains on developing our operations to best drive value for you, our shareholders, by creating pathways for investment back into WA agriculture. We have been working with landowners to reposition land assets with existing water licenses and providing capital providers with access to one of the state's most tightly held asset classes.

The agricultural sector has proven resilient during economic uncertainty and remains one of the fastest growing investment sectors, not only in Australia, but around the world.

From our ongoing conversations with potential capital partners, we are seeing a global enthusiasm for plant-based diets and a growing appetite for a slice of WA's horticultural assets in an investment structure that offers a positive environmental, social and economic impact.

Alterra's strong management and development experience coupled with our team's technical knowledge has enabled the Company to deliver commercial, climate-resilient projects backed by field data and systems.

Over the past year, Alterra has executed its new growth strategy achieving several key milestones including:

- securing a 50-year lease for a planned 300-hectare development, Carpenters Project, in the key horticultural region of Pemberton, Western Australia;

REVIEW OF OPERATIONS

- completing a \$1.72 million share placement which included well-established agricultural investor Emanuel Exports;
- completing an initial five-hectare planting of avocados at the Carpenters Project;
- increasing the Company's local partner network with experienced avocado and citrus producer Richard Eckersley; and
- making significant progress on the feasibility study at Carpenters, best practice management frameworks and data analysis at the Company's first project in a replicable format for future developments.

Alterra now has a pipeline of several near-term opportunities and is accelerating the execution of its business model. We are in ongoing discussions with several landowners to establish a 500-hectare avocado foothold in the south-west region of WA, as part of our strategy to create near term income streams from asset development and management services.

Alterra is in the process of evaluating all non-core legacy assets on the Company's balance sheet with a view to directing our capital into our core activities. Our expanding pipeline of projects is expected to generate a growing mix of asset management income for Alterra with projects like Carpenters expected to generate management income during development as well as throughout its multi-decade lifecycle.

I would like to thank our Board members, our growing team of staff, and our network of industry partners for their commitment to Alterra's vision to deliver a significant milestone for the Company with the completion of an initial tree planting at Carpenters.

Above all, I would like to thank our shareholders for your continued support as we continue to advance with this new direction for the Company in order to generate and maximise shareholder value.



Oliver Barnes
Chief Executive Officer



Directors' Report

Your directors submit the annual financial report of Alterra Limited (hereafter referred to as the "Company") and the entities it controlled (hereafter referred to as the "Group") for the year ended 30 September 2020. In order to comply with the provisions of the Corporations Act 2001, the directors' report is as follows:

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 otherwise stated below.

JOHN MCGLUE (Chairman & Non-Executive Director) (Appointed on 10 June 2020 as Non-Executive Director and as Chairman on 27 July 2020)

JOHN PALERMO (Non-Executive Director & Company Secretary) (Appointed as Company Secretary on 30 March 2020)

TREVOR STONEY (Non-Executive Director) (Resigned as Chairman on 27 July 2020)

OLIVER BARNES (Managing Director) (Resigned on 6 October 2020)

ANDREW MCBAIN (Executive Director) (Resigned on 6 October 2020)

Information on Directors

JOHN MCGLUE BA (Hons) GAICD (Chairman & Non-Executive Director)

(Appointed on 10 June 2020 as Non-Executive Director and as Chairman on 27 July 2020)

Mr McGlue is the Managing Director of Castle Gates Australia. He is a member of the Australian Takeovers Panel, and a former Chairman Australia and Senior Managing Director of FTI Consulting Strategic Communications (NYSE: FCN). He has had no other directorships of ASX listed companies in the last 3 years.

JOHN PALERMO B.Bus, FCA, AGIA (Non-Executive Director & Company Secretary)

Mr Palermo is a Chartered Accountant with over 20 years of experience in public practice and corporate accounting with areas of expertise including corporate transaction execution, strategic business management and business structuring. He is a partner of Palermo Chartered Accountants which specialises in advising corporate and high net worth clients in Western Australia. He is National Chairman of Chartered Accountants Australia and New Zealand, a Member of the Governance Institute of Australia, and a Board Member of the Royal Perth Hospital Medical Research Foundation. Mr Palermo was formerly a Board Member of Lifeline WA and the National Trust of Western Australia. He is also a Non-Executive Director of Crowd Media Limited (ASX:CM8).

TREVOR STONEY (Non-Executive Director)

Mr Stoney brings cumulative knowledge, acumen and relationships from more than 55 years in agribusiness. Mr Stoney has owned and managed numerous large-scale mixed farming enterprises across the Western Australian and Victorian agricultural zones. Mr Stoney has active interests and investments in agriculture and is regarded as one of the most astute agricultural land investors in Western Australia. He has had no other directorships of ASX listed companies in the last three years.

OLIVER BARNES BSc. (Managing Director, Resigned on 6 October 2020)

Mr Barnes was the Managing Director of Alterra from March 2019 to October 2020. Mr Barnes has experience in greenfield project development and institutional agriculture investment. He was the Chief Commercial Officer of privately-owned WA Sandalwood Plantations and was responsible for managing relationships with institutional asset owners, implementing enterprise resource planning systems and was involved in achieving productivity gains across 13,000 hectares of sandalwood located in the central wheatbelt of Western Australia. He has had no other directorships of ASX listed companies in the last three years.

ANDREW MCBAIN (Executive Director, Resigned on 6 October 2020)

Mr McBain was the founder and Executive Director of Alterra's predecessor entity Carbon Conscious Ltd. Mr McBain was part of the founding team of ASX-listed companies Scimitar Resources Ltd and Rumble Resources Ltd. He resigned as a Non-Executive Director from Rumble Resources Ltd on 24 November 2016 and has had no other directorships of ASX listed companies in the last three years.

Information on Company Secretary

JOHN PALERMO (Non-Executive Director & Company Secretary) (Appointed on 20 March 2020)

Refer to Mr Palermo's profile under Information on Directors.

ANTHONY FITZGERALD (Chief Commercial Officer & Company Secretary) (Resigned on 20 March 2020)

Mr Fitzgerald has over 35 years of experience in the operational and financial management of agribusinesses including large scale animal production, land conservation projects, farmer networks and grain marketing pools. He developed the science and intellectual property that supported the Carbon Business. On its demerger from Alterra, Mr Fitzgerald became Executive Director of Carbon Conscious Investments Ltd.

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 |
|------------------------------|--------------------------------------|-------------------|
| John McGlue | 2,013,171 | 6,000,000 |
| John Palermo | 200,000 | - |
| Trevor Stoney | 24,917,361 | - |
| Andrew McBain ⁽ⁱ⁾ | 12,418,188 | - |
| Oliver Barnes ⁽ⁱ⁾ | 273,088 | - |

(i) Oliver Barnes and Andrew McBain resigned from the Board as Directors effective 6 October 2020.

Details of unissued ordinary shares under options are as follows:

| Number of options | Exercise price | Expiry date |
|-------------------|----------------|-----------------|
| 4,000,000 | \$0.04 | 5 April 2023 |
| 8,000,000 | \$0.04 | 9 December 2023 |

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify all Members of the Board of 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 an actual or alleged breach or professional duty, other than a failure to manage or supervise such professional services.

Principal Activities

Alterra is an asset manager that provides origination, development and management services for land and water assets in Australia. The Company works 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.

Dividends

No dividends have been paid or declared for the year ended 30 September 2020. The directors do not recommend the payment of a dividend in respect of the year ended 30 September 2020.

Review of Operations

During the year ended 30 September 2020 the Group continued to retain under contract the asset management services relating to the Carbon Business. In addition to asset management services, Group activities included expanding its assets under management located in the south-west region of Western Australia with a 300-hectare development, at which operations have commenced with land preparation underway for a planned commercial avocado project, with an initial five-hectare planting completed post balance date in October 2020.

Operating Results for the Year

The loss of the Group for the year ended 30 September 2020 after providing for income tax amounted to (\$1,506,547) (30 September 2019: profit of \$931,424).

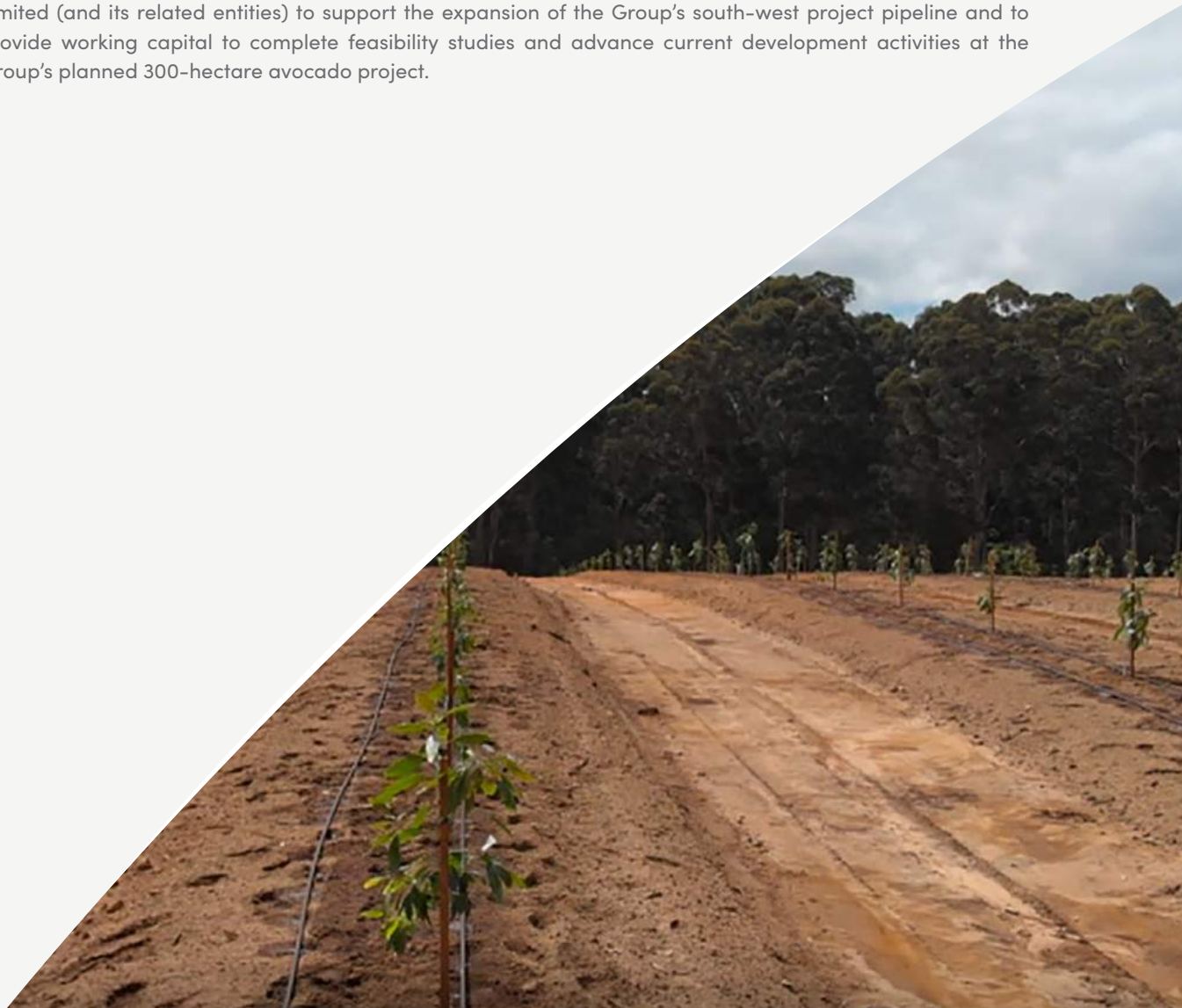
Financial Position

The net assets of the Group have increased by \$355,665 from \$6,470,870 at 30 September 2019 to \$6,826,535 at 30 September 2020.

Significant Changes in the State of Affairs

The following significant changes in the state of affairs occurred during the year ended 30 September 2020:

- (a) Alterra entered its first large-scale avocado project 'Carpenters Project' based in the premium growing region of Pemberton, Western Australia via the special purpose vehicle, Carpenters Beedelup Pty Ltd (SPV). The SPV has secured a 50-year lease from the landowner for the 300-hectare asset, which once developed, will be one of the largest single avocado projects in Australia. Since its acquisition, detailed site investigations and optimisation assessments have been underway with the view to completing feasibility studies by the end of 2020. The Company is engaged in ongoing discussions with potential development capital providers, and in due course, will seek to raise development capital, in which Alterra intends to maintain a direct equity interest.
- (b) Alterra entered into an agreement with family office buy-side advisory firm CapRaise to enable Alterra and its development projects access to an extensive international network of large family offices and additional investor portfolio. Through the agreement, Alterra and its development projects gain access to pre-vetted family offices which are actively seeking to diversify their existing investment portfolios into horticultural and agricultural land and water assets.
- (c) Alterra entered into two contracts for the sale of 913 hectares of its legacy asset "Dambadgee Springs". Contract 1 has been settled for \$1.6 million with Contract 2 scheduled to settle in or before January 2021. The buyer has agreed to lease the area contained in Contract 2 for the 2020 cropping season. The Group retained 727 hectares of the 1,640-hectare asset.
- (d) Alterra appointed John McGlue to the position of Non-Executive Director of the Company in June 2020 and subsequently as Chairman in July 2020. He has extensive experience in financial markets and was previously an advisor to the Company.
- (e) Alterra completed a \$1.72 million Placement with Emanuel Exports Pty Ltd and Sandon Capital Investments Limited (and its related entities) to support the expansion of the Group's south-west project pipeline and to provide working capital to complete feasibility studies and advance current development activities at the Group's planned 300-hectare avocado project.



Significant Events after Balance Date

The following significant events occurred after the year ended 30 September 2020:

- (a) **6 October 2020** – Oliver Barnes and Executive Director Andrew McBain each stepped down from the Board of Directors.
- (b) **22 October 2020** – Completion of an initial five-hectare planting of avocado trees at Alterra's flagship Carpenters Project Pemberton, Western Australia. The initial planting will provide Alterra with real-time field data that will be used to manage risk, improve production efficiency for the larger planting programs.
- (c) **19 November 2020** – Entered into a contract to sell the third and final tranche of its non-core legacy asset, Dambadgee Springs. The sale, subject to finance, will bring total proceeds from the asset's sale to \$4.4 million.



Climate Change Risk

The Group's strategy is to build commercial, climate resilient land and water assets that drive sustainable growth and leave a positive social, environmental and economic legacy, and is dedicated to managing the effects of climate change risks throughout its development activities.

The Group has continued to build on its governance of climate change risk by incorporating strategy and risk management level considerations into its management systems.

This culture and framework give effect to a rigorous system of opportunity consideration, project proposal and operations management for all assets considered and managed by the Group as it identifies and develops investment-grade agricultural assets. Accordingly, the Group is continuing to develop metrics and as part of this is optimising its resource efficiencies at its projects.

Part of Alterra's model is to create climate resilient agricultural assets by building substantial onsite water infrastructure where properties have existing water rights, but insufficient infrastructure. As part of its development feasibility process, the Group uses extensive hydrology modelling to predict the reliability of water supply to ensure water security and the long-term climate resilience of its projects. This process includes assessing rainfall, runoff records, as well as surface water accessibility and springs rights. The Group also analyses real-time field data on irrigation, as well as soil moisture and nutrient levels within different soil types to create best practice frameworks that manage risk, improve production efficiency and optimise cost efficiencies at its current and future developments.

The Group's ongoing activities include building on relationships with capital markets that have mandates to invest in projects that contribute to climate change mitigation and are resilient to climate change, strengthening relationships and activities with industry associations, and working constructively with environmental and resource regulators. We believe all markets will be affected by climate change risks as will our customers and suppliers and the Group considers these matters along with the physical impacts of climate change when developing its management systems, and accordingly it is well informed and positioned to seek out opportunities and mitigate risks.

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 2020 unless otherwise stated below:

Oliver Barnes (Chief Executive Officer) (Appointed on 6 October 2020)

Andrew McBain (Chief Commercial Officer) (Resigned on 14 October 2020)

Anthony Fitzgerald (Commercial Manager and Company Secretary) (Resigned on 31 March 2020)

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) non-executive 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 \$189,126 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 stakeholders 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 2020 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 team to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Link between Performance and Shareholder Wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has had regard to the following indices in respect of the current and previous four financial years:

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|-----------------------------|-------------|---------|---------|-------------|---------|
| | \$ | \$ | \$ | \$ | \$ |
| EPS (cents) | (0.99) | 0.63 | 0.24 | (1.39) | 0.22 |
| Dividends (cents per share) | - | - | - | - | - |
| Net profit / loss (\$) | (1,506,547) | 931,424 | 342,112 | (1,970,619) | 302,206 |
| Share price | 0.047 | 0.038 | 0.032 | 0.028 | 0.031 |

Employment Contracts

Mr Oliver Barnes worked for the Company as Chief Executive Officer and his key responsibilities included financial control and identifying the opportunities that will result in the Company delivering on the Growth Strategy.

Mr Barnes has a contract of employment dated 8 January 2019 with no fixed term and includes a base annual salary of \$230,000 plus superannuation with a performance bonus capped at 25% of base to be determined by the Company taking into consideration

the key performance indicators 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.

As approved by shareholders at the General Meeting held on 12 December 2019, Mr Barnes has been issued 11,000,000 Performance Rights that, subject to achieving various performance hurdles, may result in the issuance of up to 11,000,000 ordinary shares in the Company.

September 2020 Remuneration of Key Management Personnel

Table 1: Key Management Personnel remuneration for the year ended 30 September 2020

| | Primary benefits | | Post-employment | Equity | Other | Total | % |
|-------------------------------------|------------------|---------------|-----------------|----------------------|---------------|----------------|---------------------|
| | Salary & fees | Cash bonuses | Superannuation | Share-based payments | | | Performance related |
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Directors | | | | | | | |
| John McGlue ⁽ⁱ⁾ | 21,900 | - | - | 8,612 | 26,666 | 57,178 | 15% |
| John Palermo | 49,000 | - | 4,655 | - | - | 53,655 | - |
| Trevor Stoney | 71,500 | - | 6,793 | - | - | 78,293 | - |
| Oliver Barnes ⁽ⁱⁱ⁾ | 230,000 | - | 21,850 | 19,418 | - | 271,331 | 7% |
| Andrew McBain ⁽ⁱⁱ⁾ | 200,417 | - | 19,040 | 9,023 | - | 228,480 | 4% |
| Total | 572,817 | - | 52,338 | 37,116 | 26,666 | 688,937 | - |
| Executives | | | | | | | |
| Anthony Fitzgerald ⁽ⁱⁱⁱ⁾ | 121,448 | 26,500 | 11,068 | - | - | 159,016 | 17% |
| Total | 694,265 | 26,500 | 63,406 | 37,116 | 26,666 | 847,953 | - |

(i) John McGlue was remunerated \$26,666 as an Advisory Board member prior to his appointment as a Non-Executive Director on 10 June 2020.

(ii) Oliver Barnes and Andrew McBain resigned from the Board as Directors effective 6 October 2020.

(iii) Anthony Fitzgerald resigned as an Executive effective 31 March 2020. Prior to his resignation, Mr Fitzgerald was awarded a retainer bonus of \$26,500 as per his employment agreement.

Options Granted as Part of Remuneration September 2020

There were no director options granted, exercised or lapsed during the year.

For details on the valuation of the options and performance rights, including models and assumptions used, please refer to Note 21 to the financial report. There were no alterations to the terms and conditions of options and performance rights granted as remuneration since their grant date, other than disclosed in Note 21.

Shares Issued to Key Management Personnel for the year ended 30 September 2020

No shares were issued to Directors and Executives as part of the short-term incentive scheme during the year ended 30 September 2020.

Option Holdings of Key Management Personnel for the year ended 30 September 2020

| 12 months ended 30 September 2020 | Balance at beginning of reporting period | Granted as remuneration | Options exercised | Net change other | Balance at end of reporting period | Vested as at end of reporting period | |
|--------------------------------------|--|----------------------------|----------------------|------------------------|--|---|-----------------|
| | | | | | | Exercisable | Not exercisable |
| Directors | | | | | | | |
| John McGlue | - | 6,000,000 | - | - | 6,000,000 | - | - |
| Total | - | 6,000,000 | - | - | 6,000,000 | - | - |

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Name | Number of options granted in 4 separate tranches | Grant date | Exercisable date | Expiry date | Exercise price | Fair value per option at grant date of each tranche |
|-------------|--|-------------------|---|--------------------|-------------------|--|
| John McGlue | 2,000,000 2,000,000 1,000,000 1,000,000 | 6 January 2020 | Before 9 December 2023 upon the achievement of the vesting conditions outlined in the Appendix 3B announcement released to the ASX on 31 December 2019 are achieved | 9 December 2023 | \$0.04 | \$0.0547 \$0.0399 \$0.0295 \$0.0023 |

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Link between Performance on and Shareholder Wealth'. Options vest based on the provision of service over the vesting period whereby the director becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Shareholdings of Key Management Personnel for the year ended 30 September 2020

| 12 months ended 30 September 2020 | Balance at beginning of reporting period | Granted as remuneration | On exercise of options | Net change other ⁽ⁱⁱⁱ⁾ | Balance at end of reporting period |
|---|---|----------------------------|---------------------------|-----------------------------------|---------------------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | |
| John McGlue ⁽ⁱⁱⁱ⁾ | 13,171 | - | - | 2,000,000 | 2,013,171 |
| John Palermo | 200,000 | - | - | - | 200,000 |
| Trevor Stoney | 24,917,361 | - | - | - | 24,917,361 |
| Oliver Barnes ⁽ⁱ⁾ ⁽ⁱⁱⁱ⁾ | 257,000 | - | - | 16,088 | 273,088 |
| Andrew McBain ⁽ⁱ⁾ ⁽ⁱⁱⁱ⁾ | 11,767,188 | - | - | 651,000 | 12,418,188 |
| Executives | | | | | |
| Anthony Fitzgerald ⁽ⁱⁱ⁾ | 7,060,873 | - | - | - | 7,060,873 |
| Total | 44,215,593 | - | - | 2,667,088 | 46,882,681 |

(i) Oliver Barnes and Andrew McBain resigned from the Board as Directors effective 6 October 2020.

(ii) Anthony Fitzgerald resigned as an Executive effective 31 March 2020.

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

Performance Rights of Key Management Personnel for the year ended 30 September 2020

| 12 months ended 30 September 2020 | Balance at beginning of reporting period | Granted as remuneration | On exercise of performance rights | Net change other | Balance at end of reporting period |
|-----------------------------------|--|-------------------------|-----------------------------------|------------------|------------------------------------|
| Directors | | | | | |
| Oliver Barnes ⁽ⁱ⁾ | - | 11,000,000 | - | - | 11,000,000 |
| Andrew McBain ⁽ⁱⁱ⁾ | - | 6,000,000 | - | - | 6,000,000 |
| Total | - | 17,000,000 | - | - | 17,000,000 |

(i) Oliver Barnes was granted performance rights following shareholders' approval at Alterra's General Meeting held on 12 December 2019.

(ii) Andrew McBain was granted performance rights following shareholders' approval at Alterra's Annual General Meeting held on 27 February 2020.

Loans to Key Management Personnel for the year ended 30 September 2020

| 12 months ended 30 September 2020 | Balance at beginning of reporting period ⁽ⁱ⁾ | Amount loaned in year | Interest charged | Interest paid | Principal repayments made | Balance at end of reporting period |
|-------------------------------------|---|-----------------------|------------------|----------------|---------------------------|------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | |
| Andrew McBain ⁽ⁱⁱ⁾ | 50,178 | - | 3,291 | (3,291) | (3,393) | 46,785 |
| Trevor Stoney | 74,012 | - | 4,657 | (4,657) | (11,337) | 62,675 |
| Executives | | | | | | |
| Anthony Fitzgerald ⁽ⁱⁱⁱ⁾ | 51,171 | - | 1,624 | (1,624) | (51,171) | - |
| Total | 175,361 | - | 9,572 | (9,572) | (65,901) | 109,460 |

(i) Loans refer to secured monies loaned on 25 January 2017 and 14 November 2018 by Alterra to Andrew McBain, Trevor Stoney and Anthony Fitzgerald for the purpose of purchasing shares in the Company via the exercising of their options. Interest is payable at 6.75% per annum with monthly principal and interest repayments made over the 4-year term of the loans.

(ii) Andrew McBain resigned from the Board as a Director effective 6 October 2020. Post reporting date, the loan balance has been fully repaid following Andrew McBain's departure on 14 October 2020.

(iii) Anthony Fitzgerald resigned as an Executive effective 31 March 2020, the loan balance has been fully repaid.

September 2019 Remuneration of Key Management Personnel

| | Primary benefits | | Post-employment | Equity | Other | Total | % |
|----------------------------|------------------|---------------|-----------------|----------------------|----------|----------------|---------------------|
| | Salary & fees | Cash bonuses | Superannuation | Share-based payments | | | Performance related |
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Directors | | | | | | | |
| Andrew McBain | 178,750 | 43,750 | 16,981 | - | - | 239,481 | 18% |
| Trevor Stoney | 75,000 | - | 7,125 | - | - | 82,125 | 0% |
| Neil McBain ⁽ⁱ⁾ | 14,087 | - | 1,338 | - | - | 15,425 | 0% |
| Oliver Barnes | 146,397 | - | 13,908 | - | - | 160,305 | 0% |
| John Palermo | 14,400 | - | 1,368 | - | - | 15,768 | 0% |
| Total | 428,634 | 43,750 | 40,720 | - | - | 513,104 | 9% |
| Executives | | | | | | | |
| Anthony Fitzgerald | 178,750 | 43,750 | 16,981 | - | - | 239,481 | 18% |
| Total | 607,384 | 87,500 | 57,701 | - | - | 752,585 | 12% |

(i) Neil McBain resigned from the Board as a director effective 11 January 2019.

Options Granted as Part of Remuneration September 2019

Refer to the table below for director options granted, exercised or lapsed during the year.

For details on the valuation of the options, including models and assumptions used, please refer to Note 21 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 2019

No shares were issued to Directors and Executives as part of the short-term incentive scheme during the year ended 30 September 2019.

Option Holdings of Key Management Personnel for the year ended 30 September 2019

| 12 months ended 30 September 2019 | Balance at beginning of reporting period | Granted as remuneration | Options exercised | Net change other ⁽ⁱ⁾ | Balance at end of reporting period | Vested as at end of reporting period | |
|-----------------------------------|--|-------------------------|--------------------|---------------------------------|------------------------------------|--------------------------------------|-----------------|
| | | | | | | Exercisable | Not exercisable |
| Directors | | | | | | | |
| Andrew McBain | 4,000,000 | - | (2,000,000) | (2,000,000) | - | - | - |
| Trevor Stoney | 1,000,000 | - | (1,000,000) | - | - | - | - |
| Oliver Barnes | - | - | - | - | - | - | - |
| John Palermo | - | - | - | - | - | - | - |
| Neil McBain ⁽ⁱ⁾ | 1,000,000 | - | (1,000,000) | - | - | - | - |
| Executives | | | | | | | |
| Anthony Fitzgerald | 2,000,000 | - | - | (2,000,000) | - | - | - |
| Total | 8,000,000 | - | (4,000,000) | (4,000,000) | - | - | - |

(i) Neil McBain resigned from the Board as a director effective 11 January 2019.

(ii) Unlisted Options lapsed unexercised on 1 March 2019.

Shareholdings of Key Management Personnel for the year ended 30 September 2019

| 12 months ended 30 September 2019 | 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 | 10,367,188 | - | 2,000,000 | (600,000) | 11,767,188 |
| Trevor Stoney | 23,917,361 | - | 1,000,000 | - | 24,917,361 |
| Oliver Barnes | 15,000 | - | - | 242,000 | 257,000 |
| John Palermo | - | - | - | 200,000 | 200,000 |
| Neil McBain ⁽ⁱ⁾ | 8,600,000 | - | 1,000,000 | - | 9,600,000 |
| Executives | | | | | |
| Anthony Fitzgerald | 4,950,000 | - | - | 2,110,873 | 7,060,873 |
| Total | 47,849,549 | - | 4,000,000 | 1,952,873 | 53,802,422 |

(i) Neil McBain resigned from the Board as a director effective 11 January 2019.

(ii) Shares were acquired by Directors / executives or their related entities both on and off market.

Loans to Key Management Personnel for the year ended 30 September 2019

| 12 months ended 30 September 2019 | Balance at beginning of reporting period ⁽ⁱ⁾ | Amount loaned in year | Interest charged | Interest paid | Principal repayments made | Balance at end of reporting period |
|-----------------------------------|---|-----------------------|------------------|-----------------|---------------------------|------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | |
| Andrew McBain | 49,677 | 35,000 | 3,998 | (3,998) | (34,500) | 50,178 |
| Trevor Stoney | 50,266 | 35,000 | 5,215 | (5,215) | (11,254) | 74,012 |
| Executives | | | | | | |
| Anthony Fitzgerald | 44,158 | 35,000 | 3,929 | (3,929) | (27,987) | 51,171 |
| Total | 144,102 | 105,000 | 13,142 | (13,142) | (73,741) | 175,361 |

i) Loans refer secured monies loaned on 25 January 2017 and 14 November 2018 by Alterra to its key management personnel for the purpose of purchasing shares in the Company via the exercising of options. The loans are on commercial terms and conditions. Interest is payable at 6.75% per annum with monthly principal and interest repayments made over the 4-year term of the loans.

DIRECTORS' REPORT

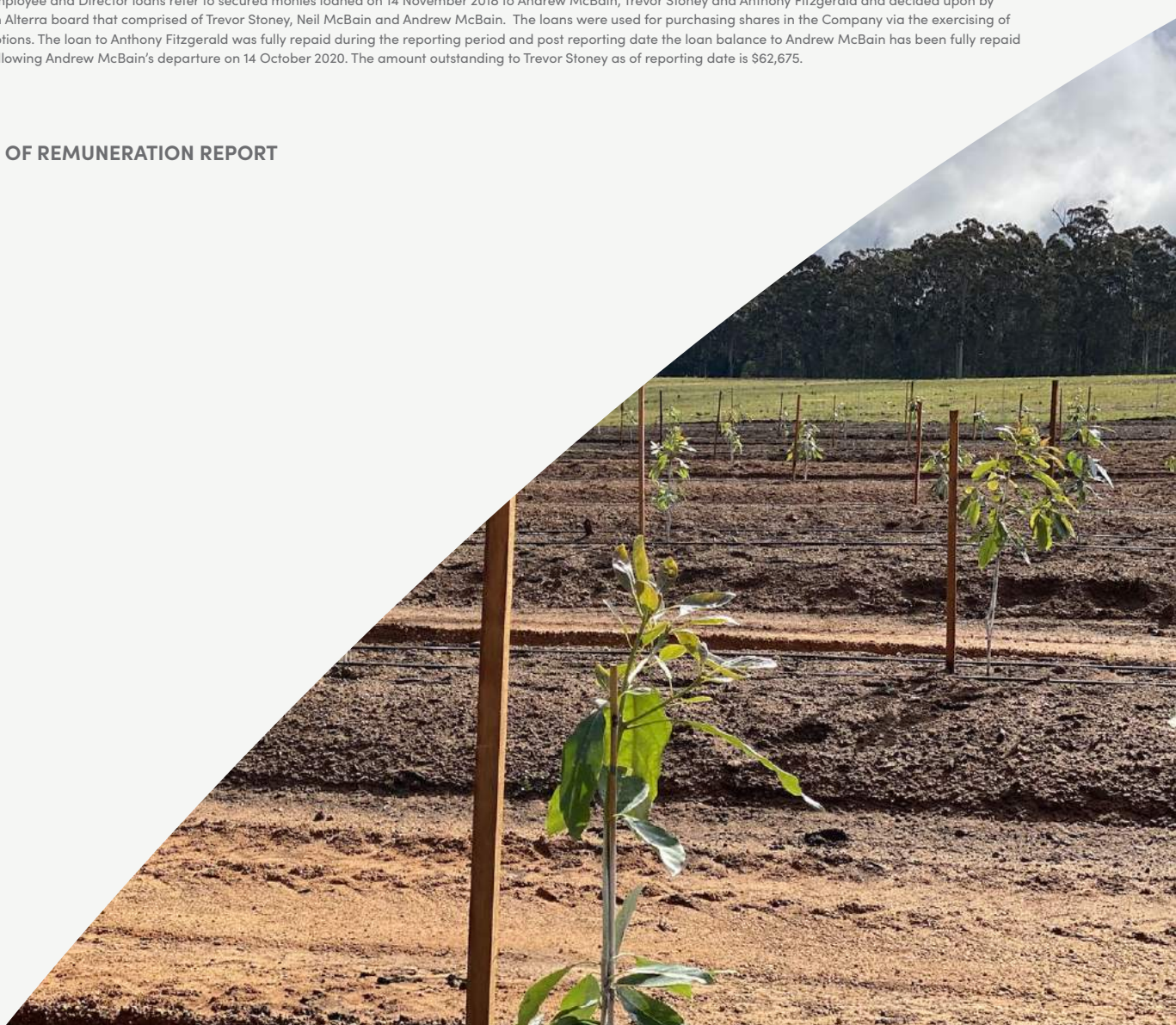
Other Transactions with Key Management Personnel

The following table provides the total amount of transactions that were entered into with key management personnel 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 2020 | | | | |
| Stoney Agri ⁽ⁱ⁾ | 105,000 | 62,617 | - | - |
| Gratia Australia Pty Ltd ⁽ⁱⁱ⁾ | | 73,636 | - | - |
| Carbon Conscious Investments Ltd ⁽ⁱⁱⁱ⁾ | - | - | 100,000 | - |
| Director and Executive loans ^(iv) | - | - | 109,460 | - |
| 12 months ended 30 September 2019 | | | | |
| Stoney Pastoral Co Pty Ltd | - | - | - | - |
| Stoney Agri ⁽ⁱ⁾ | 210,000 | - | - | - |
| The Yathroo Property Trust | - | - | - | - |
| Carbon Conscious Investments Ltd ⁽ⁱⁱⁱ⁾ | - | - | 800,000 | - |
| Director and Executive loans ^(iv) | - | - | 175,361 | - |

- (i) Stoney Agri (trading name for The Willyama (WA) Pty Ltd ATF The Ruby Trust) is a company controlled by a related party of Trevor Stoney. Stoney Agri's lease of Alterra's Dambadgee Springs property expired on 31 March 2020. The payment of \$62,617 relates to a payment for seeds and seeding perennial pastures.
- (ii) Gratia Australia Pty Ltd is a company controlled by a related party of John Palermo. Gratia Australia Pty Ltd provides accounting and company secretarial services to Alterra. The fees \$73,636 paid by Gratia Australia Pty Ltd to Alterra is regarded as commercial.
- (iii) Loan receivable refers to an outstanding loan agreement between Alterra and its associate Carbon Conscious Investment Limited. This loan bears interest at 6.5% per annum and is re-payable by 31 December 2020.
- (iv) Employee and Director loans refer to secured monies loaned on 14 November 2018 to Andrew McBain, Trevor Stoney and Anthony Fitzgerald and decided upon by an Alterra board that comprised of Trevor Stoney, Neil McBain and Andrew McBain. The loans were used for purchasing shares in the Company via the exercising of options. The loan to Anthony Fitzgerald was fully repaid during the reporting period and post reporting date the loan balance to Andrew McBain has been fully repaid following Andrew McBain's departure on 14 October 2020. The amount outstanding to Trevor Stoney as of reporting date is \$62,675.

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 were as follows:

| | Number of meetings eligible to attend | Number of meetings attended |
|---------------|---------------------------------------|-----------------------------|
| John McGlue | 4 | 4 |
| John Palermo | 7 | 7 |
| Trevor Stoney | 7 | 7 |
| Oliver Barnes | 7 | 7 |
| Andrew McBain | 7 | 7 |

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 2020.

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 19 and forms part of this directors' report for the year ended 30 September 2020.

Non-audit Services

No non-audit services were provided by the external auditors during the year ended 30 September 2020.

Signed in accordance with a resolution of the directors.



John McGlue
Chairman and Non-Executive Director
Alterra Limited

Perth, 21 December 2020

Corporate Governance Statement

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.

Alterra Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations as set out by the ASX Corporate Governance Principles and Recommendations (4th Edition).

The Company's Corporate Governance Policies for the year ended 30 September 2020 was reviewed and approved by the Board on 21 December 2020.

The Board is ultimately responsible for all matters relating to the running of the Company and is committed in demonstrating and achieving the highest standards of corporate governance.

Alterra Limited's corporate governance practices were in place throughout the year ended 30 September 2020 and were substantially compliant with the Council's recommendations.

A description of the Company's current Corporate Governance Statement is available on the Company's website at www.alterra.com.au.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Alterra Limited for the year ended 30 September 2020, 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 2020



M R Ohm
Partner

hlb.com.au

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T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER 2020

| | | CONSOLIDATED | |
|--|------|--------------------------------------|--------------------------------------|
| | Note | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| | | \$ | \$ |
| Revenue | 2 | 736,087 | 848,065 |
| Other income | 3 | 685,998 | - |
| Operating expenses | | (149,273) | (237,863) |
| Administrative expenses | | (560,311) | (410,320) |
| Asset development costs | | (234,089) | (105,000) |
| Marketing expenses | | (19,883) | (28,978) |
| Business development expenses | | (319,688) | (154,379) |
| Corporate expenses | | - | (184,728) |
| Employee benefits expense | | (1,368,863) | (887,411) |
| Occupancy expense | | (44,409) | (68,891) |
| Financing expenses | | (72,736) | (79,580) |
| Depreciation and amortisation | | (74,383) | (138,025) |
| Share-based payments | | (84,997) | (42,612) |
| Impairment expense | | - | (118,884) |
| (Loss) before income tax expense | | (1,506,547) | (1,608,606) |
| Income tax expense | 4 | - | (185,738) |
| (Loss) attributable to members of the parent entity | | (1,506,547) | (1,794,344) |
| Profit after tax from discontinued operations | 6 | - | 2,725,768 |
| (Loss) / profit attributable to members of the parent entity | | (1,506,547) | 931,424 |
| Other comprehensive income | | - | - |
| Other comprehensive income for the period after tax | | - | - |
| Total comprehensive (loss) / income attributable to members of the parent entity | | (1,506,547) | 931,424 |
| Basic and diluted (loss) / earnings per share (cents per share) | 5 | (0.99) | 0.63 |
| Basic and diluted (loss) / earnings per share (cents per share) from continuing operations | 5 | (0.99) | (1.22) |
| Basic and diluted earnings per share (cents per share) from discontinued operations | 5 | - | 1.85 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 SEPTEMBER 2020

| | | CONSOLIDATED | |
|--------------------------------------|------|-------------------|-------------------|
| | Note | 30 September 2020 | 30 September 2019 |
| | | \$ | \$ |
| Current Assets | | | |
| Cash and cash equivalents | 8 | 3,283,222 | 1,677,280 |
| Trade and other receivables | 9 | 291,323 | 146,032 |
| Other assets | 10 | 376,043 | 144,691 |
| Assets held for sale | 14 | 1,184,967 | - |
| Total Current Assets | | 5,135,555 | 1,968,003 |
| Non-Current Assets | | | |
| Intangible assets | 11 | 85,611 | - |
| Property, plant and equipment | 12 | 429,413 | 72,894 |
| Capitalised development costs | 13 | 312,707 | - |
| Investment property | 14 | 1,975,667 | 4,441,406 |
| Investment in associates | 15 | 1,082,657 | 1,077,172 |
| Rights-of-use-assets | 16 | 5,505,382 | - |
| Other assets | 10 | 8,083 | 996,045 |
| Total Non-Current Assets | | 9,399,520 | 6,587,517 |
| Total Assets | | 14,535,075 | 8,555,520 |
| Current Liabilities | | | |
| Trade and other payables | 17 | 666,319 | 288,913 |
| Interest-bearing liabilities | 19 | 1,400,000 | - |
| Provisions | | 50,294 | - |
| Lease liabilities | 18 | 78,376 | - |
| Total Current Liabilities | | 2,194,989 | 288,913 |
| Non-Current Liabilities | | | |
| Interest-bearing liabilities | 19 | - | 1,750,000 |
| Lease liabilities | 18 | 5,513,551 | - |
| Provisions | | - | 45,737 |
| Total Non-Current Liabilities | | 5,513,551 | 1,795,737 |
| Total Liabilities | | 7,708,540 | 2,084,650 |
| Net Assets | | 6,826,535 | 6,470,870 |
| Equity | | | |
| Issued capital | 20 | 10,403,651 | 8,626,435 |
| Reserves | 20 | 1,447,018 | 1,362,022 |
| Accumulated losses | | (5,024,134) | (3,517,587) |
| Total Equity | | 6,826,535 | 6,470,870 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 SEPTEMBER 2020

| | | CONSOLIDATED | |
|---|------|--------------------------------------|--------------------------------------|
| | | Inflows/(Outflows) | Inflows/(Outflows) |
| | Note | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers and government subsidies | | 833,236 | 1,937,048 |
| Payments to suppliers and employees | | (2,136,682) | (2,034,962) |
| Income tax refunded / (paid) | | - | (54,064) |
| Interest received | | 50,092 | 93,650 |
| Interest paid | | (150,000) | (75,598) |
| Net cash (used in) operating activities | 25 | (1,403,354) | (133,926) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (253,684) | (24,425) |
| Purchase of intangibles | | (270,467) | - |
| Proceeds from sale of land | | 1,556,338 | 59,600 |
| Return of capital on investments | | 44,440 | 40,485 |
| Payment of bond on lease | | - | (7,138) |
| Dividends received | | 102,167 | 37,772 |
| Net cash provided by investing activities | | 1,178,794 | 106,294 |
| Cash flows from financing activities | | | |
| Proceeds from the issue of shares | | 1,687,216 | - |
| Receipt of loans from related parties | | 706,356 | 308,742 |
| Bank loan drawdowns / (repayments) | | (350,000) | - |
| Repayment of finance leases | | (213,070) | - |
| Payment of loans to associates | | - | (1,000,000) |
| Net cash (used in) / provided by financing activities | | 1,830,502 | (691,258) |
| Net decrease in cash and cash equivalents | | 1,605,942 | (718,890) |
| Cash and cash equivalents at beginning of year | | 1,677,280 | 2,396,170 |
| Cash and cash equivalents at end of year | 8 | 3,283,222 | 1,677,280 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2020

| | CONSOLIDATED | | | | |
|--|-------------------|-----------------------------|---------------------|--------------------|--------------------|
| | Issued capital | Share-based payment reserve | Revaluation reserve | Accumulated losses | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 October 2018 | 14,254,212 | 1,319,410 | 48,875 | (4,449,011) | 11,173,486 |
| Profit attributable to members | - | - | - | 931,424 | 931,424 |
| Total comprehensive income for the year | - | - | - | 931,424 | 931,424 |
| Share-based payments | - | 42,612 | - | - | 42,612 |
| Shares issued during the year | 187,108 | - | - | - | 187,108 |
| Demerger of subsidiary | (5,814,885) | - | (48,875) | - | (5,863,760) |
| Balance at 30 September 2019 | 8,626,435 | 1,362,022 | - | (3,517,587) | 6,470,870 |
| | | | | | |
| Balance at 1 October 2019 | 8,626,435 | 1,362,022 | - | (3,517,587) | 6,470,870 |
| Loss attributable to members | - | - | - | (1,506,547) | (1,506,547) |
| Total comprehensive loss for the year | - | - | - | (1,506,547) | (1,506,547) |
| Share-based payments | 90,000 | - | - | - | 90,000 |
| Shares issued during the year | 1,722,216 | 84,996 | - | - | 1,807,212 |
| Capital raising costs | (35,000) | - | - | - | (35,000) |
| Balance at 30 September 2020 | 10,403,651 | 1,447,018 | - | (5,024,134) | 6,826,535 |

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 1: Statement of Significant Accounting Policies

The consolidated financial statements and notes represent those of Alterra Limited and its controlled entities (the "Group"). For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

The financial statements were authorised for issue on 21 December 2020 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.

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alterra Limited as at 30 September 2020 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 22 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.

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) Bearer Plants

There is one main type of bearer plant held by Alterra Limited – tree plantations.

Tree Plantations

Bearer plants consisting of trees and seeds are measured on initial recognition at cost.

Cost comprises all production, acquisition and conversion costs. At the end of each period, bearer plant cost is evaluated based on the

recoverable amount and current market pricing to determine whether any write down is appropriate. Recoverable amount is the higher of value in use and fair value less the cost of disposal. To the extent that any impairment arises, losses are recognised in the period they occur.

Bearer plants are depreciated once they are in the location and condition necessary to operate in the manner intended by management.

(e) Investment Property

Investment properties are properties held to earn rentals and / or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less any impairment losses.

(f) 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
- Bearer plants – 3.7%

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) 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.

(g) 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.

(h) Financial Instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost as the assets meet the following conditions (and are not designated as FVTPL):

- they are held with the objective to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

12-month expected credit losses are recognised for financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk while 'lifetime expected credit losses' are recognised for financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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.

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.

(i) Leases

AASB 16 Leases

The Group has adopted AASB 16 from 1 October 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Impact of Adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated.

| | \$ |
|---|----------|
| Operating lease commitments as at 30 September 2019 | 121,744 |
| Adjustments resulting from the adoption of AASB 16 at the date of initial application | 152,312 |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | (21,541) |
| Less: Leases recognised on a straight-line basis as an expense | - |
| Lease liability as at 1 October 2019 | 252,515 |

The impact on the financial position of the Group from the adoption of AASB 16 is detailed in Notes 16 and 18.

Right-of-Use Assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise

price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(j) 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.

(k) 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.

(l) 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.

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

- 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.

(m) 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.

(n) Revenue Recognition

- Asset management fees – Fees in relation to asset management are recognised over time as the Group satisfies the related performance obligation.
- Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.
- Lease income – Lease income from investment properties is recognised on a straight-line basis over the lease term.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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 current ESOP was approved by shareholders at the Company's Annual General Meeting on 28 February 2018. The Company intends to replace its current ESOP with a Long Term Incentive Plan for employees, and will be tabling this at the next Annual General Meeting for shareholders approval.

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 an appropriate option pricing model.

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 5).

(t) 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.

(u) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

- 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.

(v) Comparatives

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

(w) 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 cost of 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 is determined using a valuation model, using the assumptions detailed in Note 21.

(ii) Valuation of land

Management reviews the value of land on an annual basis. A combination of external valuation processes and internal valuation models are used to assess any potential impairment of this value.

(iii) Capitalised development costs

The Group has capitalised development costs in relation to its Carpenters Project as an intangible asset not yet ready for use. These costs are assessed for impairment annually by comparing the carrying amount with its recoverable amount.

(iv) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration is based upon the nature of the Group's operations, including resourcing and geographic regions in which the Group operates. Other than as addressed

in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

(x) Segment Reporting

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

(y) 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.

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.

(z) Parent Entity Financial Information

The financial information for the parent entity, Alterra Limited, disclosed in Note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

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

(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.

(aa) 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.

Impairment assessments

Irrespective of impairment indicators, management tests intangible assets not yet ready for use or with indefinite useful lives for impairment annually by comparing the asset's carrying amount with its recoverable amount, either individually or as part of the relevant cash generating unit.

(bb) Adoption of new and revised standards

Standards and Interpretations applicable to 30 September 2020:

In the year ended 30 September 2020, 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. Those which have a material impact on the Group are set out below.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases. AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases.

The Group has adopted AASB 16 from 1 October 2019.

The Group has applied AASB 16 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 October 2019 and has elected not to restate comparative information. Accordingly, the information presented for 30 September 2019 has not been restated.

The impact on the financial performance and position of the Group from the adoption of this Accounting Standards is detailed in Notes 16 and 18.

Other than the above, 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 of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 30 September 2020. As a result of this review, the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 2: Revenue

| | CONSOLIDATED | |
|-----------------------|--------------------------------------|--------------------------------------|
| | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| | \$ | \$ |
| Revenue | | |
| Asset Management fees | 415,473 | 397,028 |
| Lease income | 129,013 | 210,000 |
| Interest received | 49,860 | 93,650 |
| Other income | 141,741 | 147,387 |
| | 736,087 | 848,065 |

The Group derives its revenue from the provision of services at a point in time and over time in the following major categories. All revenues are derived in Australia. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8, refer Note 7.

| | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
|-----------------------|--------------------------------------|--------------------------------------|
| | \$ | \$ |
| Over time | | |
| Asset management fees | 415,473 | 397,028 |
| Lease income | 129,013 | 210,000 |
| Interest received | 49,860 | 93,650 |
| Other income | 141,741 | 147,387 |
| Total revenue | 736,087 | 848,065 |

Segment revenues represent revenue generated from external customers. There were no inter-segment revenues in the current period.

Note 3: Other Income

| | CONSOLIDATED | |
|--|--------------------------------------|--------------------------------------|
| | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| | \$ | \$ |
| Other Income | | |
| COVID-19 Financial assistance | 255,961 | - |
| Gain on sale of assets (Dambadgee Springs) | 275,712 | - |
| Share of profit of associates | 152,094 | - |
| Other income | 2,231 | - |
| | 685,998 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 4: Income Tax

| | CONSOLIDATED | |
|--|--------------------------------------|--------------------------------------|
| | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| | \$ | \$ |
| Current Tax liability | | |
| Current Year | - | (77,185) |
| Effect of this year's timing differences | - | 262,923 |
| Total current tax | - | 185,738 |
| | | |
| Income tax expense recognised in profit or loss | - | 185,738 |
| Total income tax expense recognised in profit or loss | - | 185,738 |
| | | |
| Numerical reconciliation between tax-expense and pre-tax net growth | | |
| Accounting (loss) before tax from continuing operations | (1,506,547) | (1,608,606) |
| Profit before tax from discontinued operations | - | 2,725,768 |
| Accounting (loss) / profit before income tax | (1,506,547) | 1,117,162 |
| Income tax using the domestic tax rate of 27.5% (2019: 27.5%) | (414,300) | 307,220 |
| Non-assessable income | (27,500) | (633,366) |
| Other assessable income | 13,543 | - |
| Current year tax losses not recognised | 403,975 | - |
| Non-deductible expenses | 26,207 | 14,940 |
| Deductible equity raising costs | (1,925) | - |
| Under provided in prior periods | - | 125,468 |
| | - | - |
| Income tax expense reported in the statement of comprehensive income | - | 185,738 |
| Income tax expense for discontinued operations | - | - |
| | - | 185,738 |

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. All deferred tax balances relate to continuing operations within Australia.

Note 5: Earnings Per Share

| | CONSOLIDATED | |
|--|--------------------------------------|--------------------------------------|
| | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| | Cents per share | Cents per share |
| Basic and diluted (loss) / earnings per share | (0.99) | 0.63 |
| Basic and diluted (loss) per share (Continuing Operations) | (0.99) | (1.22) |
| Basic and diluted earnings per share (Discontinued Operations) | - | 1.85 |
| 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 year | (1,506,547) | 931,424 |
| (Loss) for the year (Continued Operations) | (1,506,547) | (1,794,344) |
| Profit for the year (Discontinued Operations) | - | 2,725,768 |
| | No. | No. |
| Weighted average number of Ordinary Shares outstanding during the year used in calculating basic EPS | 151,534,456 | 147,364,963 |
| Shares deemed to be issued for no consideration in respect of: | | |
| Options | - | - |
| Weighted average number of Ordinary Shares (diluted) outstanding during the year used in calculating diluted EPS | 151,534,456 | 147,364,963 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 6: Discontinued Operations

On 1 January 2019, the Group demerged the Carbon Business in Carbon Conscious Investments Ltd (CCIL). The Group retains a 15% interest in Carbon Conscious Investments Ltd (refer Note 15).

Results for the Carbon Business and its subsidiaries have been classified as discontinued operations in 2019. Further details on the prior year demerger of CCIL are contained in the 2019 annual report.

Note 7: Segment Reporting

During the year ended 30 September 2019 Alterra demerged its Carbon Business via an in-specie distribution of shares to Alterra shareholders in a new entity (Carbon Conscious Investments Ltd). Alterra's core business of developing land use change opportunities in agriculture continued, however the focus turned to high value permanent tree crops versus intensive dairy. As such the segment reporting has been updated to better reflect the current operations as follows:

- Carbon Business – relates to the pre-demerger carbon operations for clients;
- Asset Management – relates to the management of operating assets including the contract to manage the demerged Carbon Business;
- Asset Development – relates to assets owned or being developed by the Company;
- Business Development – relates to the development of potential assets
- Corporate – remains the same.

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 Board of Directors.

Discontinued Operations

The results of the Group's demerger of the Carbon Business have been classified as a discontinued operation as disclosed in Note 6. The results of this discontinued operation have been excluded in the disclosure of segment results and cash flows in the tables below.

Alterra continues to provide management services to CCIL and its subsidiary, ACCU Asset Management Pty Ltd by way of a contractual agreement.

Major Customers

The Group had one customer to whom it provided 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 2020. This customer generated 95.1% (30 September 2019: 49.37%) of the Group's revenue for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

| 12 months ended 30 September 2020 | Carbon business | Asset management | Asset development | Business development | Corporate | Consolidated |
|---|-----------------|------------------|-------------------|----------------------|-------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | |
| Sales to external customers | - | 625,267 | - | - | - | 625,267 |
| Other revenues from external customers | - | 277,798 | - | - | 469,160 | 746,958 |
| Interest revenue | - | - | - | - | 49,860 | 49,860 |
| Total segment revenue | - | 903,065 | - | - | 519,020 | 1,422,085 |
| | | | | | | |
| Expenses | | | | | | |
| Interest expense | - | - | - | - | 68,233 | 68,233 |
| Depreciation and amortisation | - | 2,694 | - | 4,451 | 68,762 | 75,907 |
| Other costs | - | 161,298 | 283,555 | 422,694 | 1,916,945 | 2,784,492 |
| Total segment expenses | - | 163,992 | 283,555 | 427,145 | 2,053,940 | 2,928,632 |
| Net profit / (loss) before tax | - | 739,073 | (283,555) | (427,145) | (1,534,920) | (1,506,547) |
| Income tax expense | - | - | - | - | - | - |
| Net profit / (loss) after tax from continuing operations | - | 739,073 | (283,555) | (427,145) | (1,534,920) | (1,506,547) |
| | | | | | | |
| Segment assets | | | | | | |
| Current assets | - | 1,195,467 | 97,367 | - | 3,842,721 | 5,135,555 |
| Non-current assets | - | 1,977,490 | 5,976,906 | - | 1,445,124 | 9,399,520 |
| Total segment assets | - | 3,172,957 | 6,074,273 | - | 5,287,845 | 14,535,075 |
| | | | | | | |
| Segment liabilities | | | | | | |
| Current liabilities | - | 39,120 | 184,020 | - | 1,971,849 | 2,194,989 |
| Non-current liabilities | - | - | 5,260,526 | - | 253,025 | 5,513,551 |
| Total segment liabilities | - | 39,120 | 5,444,546 | - | 2,224,874 | 7,708,540 |
| Net segment assets | - | 3,133,837 | 627,727 | - | 3,062,971 | 6,826,535 |
| | | | | | | |
| Cash flow information | | | | | | |
| Net cash flow from operating activities | - | 741,766 | (147,719) | (422,693) | (1,574,708) | (1,403,354) |
| Net cash flow from investing activities | - | 1,556,338 | (270,467) | - | (107,077) | 1,178,794 |
| Net cash flow from financing activities | - | - | - | - | 1,830,502 | 1,830,502 |
| Net increase in cash | - | 2,298,104 | (418,186) | (422,693) | 148,717 | 1,605,942 |
| Cash transferred to corporate | - | - | - | - | - | - |
| Cash at beginning of year | - | 253,960 | (85,497) | - | 1,508,817 | 1,677,280 |
| Cash at end of year | - | 2,552,064 | (503,683) | (422,693) | 1,657,534 | 3,283,222 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

| 12 months ended 30 September 2019 | Carbon business | Asset management | Dairy/asset development | Corporate | Consolidated |
|---|-----------------|------------------|-------------------------|-------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | |
| Sales to external customers | - | 370,140 | 210,000 | 45,000 | 625,140 |
| Other revenues from external customers | - | - | - | 129,275 | 129,275 |
| Interest revenue | - | - | - | 93,650 | 93,650 |
| Total segment revenue | - | 370,140 | 210,000 | 267,925 | 848,065 |
| | | | | | |
| Expenses | | | | | |
| Cost of sales | - | 116,180 | 2,625 | - | 118,805 |
| Interest expense | - | - | 74,215 | 1,383 | 75,598 |
| Depreciation and amortisation | - | - | 120,625 | 17,400 | 138,025 |
| Other costs | - | - | 324,653 | 1,799,590 | 2,124,243 |
| Total segment expenses | - | 116,180 | 522,118 | 1,818,373 | 2,456,671 |
| Net profit / (loss) before tax | - | 253,960 | (312,118) | (1,550,448) | (1,608,606) |
| Income tax expense | - | - | - | (185,738) | (185,738) |
| Net profit / (loss) after tax from continuing operations | - | 253,960 | (312,118) | (1,736,186) | (1,794,344) |
| | | | | | |
| Segment assets | | | | | |
| Current assets | 25,500 | 100,000 | 7,686 | 1,834,817 | 1,968,003 |
| Non-current assets | 32,000 | - | 4,454,789 | 2,100,728 | 6,587,517 |
| Total segment assets | 57,500 | 100,000 | 4,462,475 | 3,935,545 | 8,555,520 |
| | | | | | |
| Segment liabilities | | | | | |
| Current liabilities | - | - | - | 288,913 | 288,913 |
| Non-current liabilities | - | - | 1,750,000 | 45,737 | 1,795,737 |
| Total segment liabilities | - | - | 1,750,000 | 334,650 | 2,084,650 |
| Net segment assets | 57,500 | 100,000 | 2,712,475 | 3,600,895 | 6,470,870 |
| | | | | | |
| Cash flow information | | | | | |
| Net cash flow from operating activities | 655,616 | 253,960 | (72,609) | (970,893) | (133,926) |
| Net cash flow from investing activities | 59,600 | - | - | 46,694 | 106,294 |
| Net cash flow from financing activities | - | - | - | (691,258) | (691,258) |
| Net increase in cash | 715,216 | 253,960 | (72,609) | (1,615,457) | (718,889) |
| Cash transferred to corporate | (2,542,458) | - | - | 2,542,458 | - |
| Cash at beginning of year | 1,827,242 | - | (12,888) | 581,816 | 2,396,170 |
| Cash at end of year | - | 253,960 | (85,497) | 1,508,817 | 1,677,280 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 8: Cash and Cash Equivalents

| | CONSOLIDATED | |
|--------------------------|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Cash at bank and on hand | 3,383,222 | 1,677,280 |

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

Note 9: Trade and Other Receivables

| | CONSOLIDATED | |
|----------------------------------|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Current | | |
| Trade receivables ⁽ⁱ⁾ | 180,762 | 4,070 |
| Accrued income | 38,500 | 116,593 |
| GST receivable | 72,061 | 25,369 |
| | 291,323 | 146,032 |

(i) Trade receivables are non-interest bearing and are generally on 7 to 30-day terms. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amounts directly. No impairment loss has been recognised by the Company in the current year (30 September 2019: nil). There is no expected credit loss in relation to the trade and other receivables at balance date.

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

| | | |
|--------------|---------|-------|
| | \$ | \$ |
| 0 – 30 days | 180,762 | 4,070 |
| 31 – 60 days | - | - |
| Total | 180,762 | 4,070 |

Note 10: Other Assets

| | CONSOLIDATED | |
|----------------------------------|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| Current | \$ | \$ |
| Unsecured loans to third parties | 180,228 | - |
| Loans to employees | 109,460 | 18,454 |
| Prepayments | 75,855 | 100,737 |
| Land sale debtors | 10,500 | 25,500 |
| | 376,043 | 144,691 |
| Non-Current | | |
| Loans to employees | - | 156,907 |
| Land sale debtors | - | 32,000 |
| Loan receivable | - | 800,000 |
| Other | 8,083 | 7,138 |
| | 8,083 | 996,045 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 11: Intangible Assets

| | CONSOLIDATED | | | |
|---|---------------|---------------------------------|-----------------|-------------------------|
| | Total | Avocado genetics and data asset | Forestry rights | Dairy model development |
| | \$ | \$ | \$ | \$ |
| Cost | | | | |
| Balance at 1 October 2018 | 14,534,506 | - | 14,177,854 | 356,652 |
| Demerger of subsidiary | (14,177,854) | - | (14,177,854) | - |
| Impairment of intangible | (356,652) | - | - | (356,652) |
| Balance at 30 September 2019 | - | - | - | - |
| Balance at 1 October 2019 | - | - | - | - |
| Original cost | 90,000 | 90,000 | - | - |
| Impairment of intangible | - | - | - | - |
| Balance at 30 September 2020 | 90,000 | 90,000 | - | - |
| Accumulated amortisation and impairment losses | | | | |
| Balance at 1 October 2018 | 9,782,301 | - | 9,663,417 | 118,884 |
| Amortisation for the period | 260,382 | - | 141,498 | 118,884 |
| Demerger of subsidiary | (9,804,915) | - | (9,804,915) | - |
| Impairment of intangible | (237,768) | - | - | (237,768) |
| Balance at 30 September 2019 | - | - | - | - |
| Balance at 1 October 2019 | - | - | - | - |
| Amortisation for the period | 4,389 | 4,389 | - | - |
| Demerger of subsidiary | - | - | - | - |
| Impairment of intangible | - | - | - | - |
| Balance at 30 September 2020 | 4,389 | 4,389 | - | - |
| Carrying amounts | | | | |
| At 30 September 2019 | - | - | - | - |
| At 30 September 2020 | 85,611 | 85,611 | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 12: Property, Plant and Equipment

| | Plant & equipment | Motor | Total |
|---|-------------------|----------|-----------|
| 12 months ended 30 September 2020 | | | |
| Cost | 190,150 | 49,799 | 239,949 |
| Accumulated depreciation | (133,612) | (33,443) | (167,055) |
| As at 1 Oct 2019, net of accumulated depreciation | 56,538 | 16,356 | 72,894 |
| Additions | 352,926 | 37,705 | 390,631 |
| Disposals | (7,155) | - | (7,155) |
| Depreciation charge for the year | (22,644) | (4,313) | (26,957) |
| At 30 Sept 2020 net of accumulated depreciation | 379,665 | 49,748 | 429,413 |
| 12 months ended 30 September 2019 | | | |
| Cost | 165,723 | 49,799 | 215,522 |
| Accumulated depreciation | (119,403) | (28,511) | (147,914) |
| As at 1 Oct 2018, net of accumulated depreciation | 46,320 | 21,288 | 67,608 |
| Additions | 26,898 | - | 26,898 |
| Disposals | (2,472) | - | (2,472) |
| Depreciation charge for the year | (14,208) | (4,932) | (19,140) |
| At 30 Sept 2019 net of accumulated depreciation | 56,538 | 16,356 | 72,894 |
| At 30 September 2020 | | | |
| Cost | 526,554 | 87,505 | 614,059 |
| Accumulated depreciation | (146,889) | (37,757) | (184,646) |
| Net carrying amount | 379,665 | 49,748 | 429,413 |
| At 30 September 2019 | | | |
| Cost | 190,150 | 49,799 | 239,949 |
| Accumulated depreciation | (133,612) | (33,443) | (167,055) |
| Net carrying amount | 56,538 | 16,356 | 72,894 |

Note 13: Capitalised Development Costs

| | CONSOLIDATED | |
|---|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Carpenters Beedelup Pty Ltd - development costs | 312,707 | - |
| | 312,707 | - |

The Capitalised Development Costs of \$312,707 relate solely to expenditures incurred by Alterra's fully owned subsidiary, Carpenters Beedelup Pty Ltd, on the development of the first five hectares orchard at the company's Carpenters project in Beedelup. These expenditures include various tangible and intangible items required to be invested before the first five hectares of avocado trees were planted in October 2020.

These Capitalised Development Costs include \$53,534 of bearer plants which are classified as tangible assets and \$259,173 of leasehold improvements which are classified as intangible assets not yet ready for use which were tested for impairment during the year. A value-in-use model was used over a period of 30 years and a discount rate of 8% was applied. Based on this assessment, no impairment is required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 14: Investment Property

| | CONSOLIDATED | |
|----------------------|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Assets held for sale | 1,184,967 | - |
| | 1,184,967 | - |

| | CONSOLIDATED | |
|---------------------|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Investment property | 1,975,667 | 4,441,406 |
| | 1,975,667 | 4,441,406 |

The investment property relates to the 1,632-hectare Dambadgee Springs property purchased in 2017 and is recorded at cost. During the year, 470.65 hectares of the property was sold for a profit of \$275,565, with a second conditional contract of sale having been entered into for a further 435.44 hectares, the \$1,184,967 cost of which is disclosed as a current asset held for sale.

Note 15: Investments Accounted for Using the Equity Method

| | CONSOLIDATED | |
|--------------------------|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Investments in associate | 1,082,657 | 1,077,172 |
| | 1,082,657 | 1,077,172 |

Investment Associate

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

| | Principal activity | Country of incorporation | Ownership interest | | Equity accounted value | |
|----------------------------------|---|--------------------------|--------------------|------|------------------------|-----------|
| | | | 2020 | 2019 | 2020 | 2019 |
| | | | % | % | \$ | \$ |
| Carbon Conscious Investments Ltd | Management of agro-forestry estates for carbon sequestration on behalf of clients | Australia | 15 | 15 | 1,082,657 | 1,077,172 |

The Group has determined that it has significant influence over Carbon Conscious Investments Ltd as it holds 15% of the voting power in combination with being contracted to provide management services for the carbon business; Alterra Limited having a contractual obligation to provide a performance guarantee to Carbon Conscious Investment Ltd customer; Alterra Limited having an outstanding loan agreement in place for \$100,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Summarised financial information

Statement of comprehensive income

| | CONSOLIDATED | |
|---|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Revenue | 3,333,097 | 1,949,767 |
| Profit for the period | 899,532 | 660,815 |
| Other comprehensive income for the period | 114,429 | - |
| Total comprehensive income | 1,013,961 | 660,815 |
| Dividends received during the period | 129,839 | 37,772 |

| | CONSOLIDATED | |
|-------------------------|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Current assets | 1,908,074 | 1,997,431 |
| Non-current assets | 3,416,428 | 3,948,450 |
| Total assets | 5,324,502 | 5,945,881 |
| Current liabilities | 660,751 | 462,415 |
| Non-current liabilities | 667,728 | 1,525,447 |
| Total liabilities | 1,328,479 | 1,987,862 |
| Net assets | 3,996,023 | 3,958,019 |

Reconciliation of summarised financial information to the carrying amount of the interest in associate

| | CONSOLIDATED | |
|---|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Net assets of the associate | 3,996,023 | 3,958,019 |
| Proportion of the Group's ownership interest in associate | 599,403 | 593,703 |
| Notional goodwill | 483,254 | 483,469 |
| Carrying value of the Group's interest in associate | 1,082,657 | 1,077,172 |

Note 16: Right of Use Assets

| | CONSOLIDATED | |
|---|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Land and Buildings – Right of use | 252,515 | - |
| Less: accumulated depreciation | (44,561) | - |
| Land – Carpenters Beedelup – Right of use | 5,433,262 | - |
| Less: accumulated depreciation | (135,834) | - |
| | 5,505,382 | - |

The Group leases land and buildings for its offices under a lease between three to five years. The Group also has a lease for land at Beedelup for a period of 30 years with two additional 10-year options to extend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 17: Trade and Other Payables

| | CONSOLIDATED | |
|--------------------------------------|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Current | | |
| Trade payables | 364,235 | 181,424 |
| Employee benefits accrual | 136,661 | 79,582 |
| Unearned prepaid management fees | 92,088 | - |
| Sundry payables and accrued expenses | 73,335 | 27,907 |
| | 666,319 | 288,913 |

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 24.

Note 18: Lease Liabilities

| | CONSOLIDATED | |
|--------------------|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Current | | |
| Lease Liability | 78,376 | - |
| | 78,376 | - |
| Non-Current | | |
| Lease Liability | 5,513,551 | - |
| | 5,513,551 | - |

The Group has adopted AASB 16 Leases from 1 October 2019. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. The right of use asset is disclosed at Note 16.

Note 19: Interest Bearing Liabilities

| | CONSOLIDATED | |
|--|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| | \$ | \$ |
| Current | | |
| <i>Secured</i> | | |
| Bank loan | 1,400,000 | 1,750,000 |
| | 1,400,000 | 1,750,000 |
| | | |
| Total current and non-current secured liabilities: | | |
| Bank loan | 1,400,000 | 1,750,000 |
| | 1,400,000 | 1,750,000 |
| | | |
| Carrying amounts of non-current assets pledged as security: | | |
| Fixed and floating charge over assets ⁽ⁱ⁾ | 3,160,634 | 4,441,406 |
| | | |
| Bank Loan | | |
| Facility | 1,400,000 | 1,750,000 |
| Drawn | 1,400,000 | 1,750,000 |

(i) Subsidiary Yathroo Dairy Assets Pty Ltd ATF Yathroo Dairy Assets Fund has a mortgage with BankWest secured against the Dambadgee Springs property in the form of a mortgage security expiring on 21 January 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 20: Issued Capital and Reserves

| | CONSOLIDATED | | | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | | | 30 September 2020 | 30 September 2019 |
| | | | \$ | \$ |
| Issued capital | | | | |
| 185,222,009 (30 September 2019: 148,777,688) fully paid Ordinary Shares | | | 10,403,651 | 8,626,435 |
| | | | | |
| | 12 months ended 30 September 2020 | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 | 12 months ended 30 September 2019 |
| Movement in Ordinary Shares on issue | No. | \$ | No. | \$ |
| At beginning of the financial year | 148,777,688 | 8,626,435 | 143,599,988 | 14,254,212 |
| Placement of shares | 34,444,321 | 1,722,216 | 5,177,700 | 187,108 |
| Shares issued to acquire avocado genetics data | 2,000,000 | 90,000 | - | - |
| Demerger | - | - | - | (5,814,885) |
| Less capital raising costs | - | (35,000) | - | - |
| At 30 September | 185,222,009 | 10,403,651 | 148,777,688 | 8,626,435 |

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.

| | CONSOLIDATED | |
|--|--------------------------------------|--------------------------------------|
| | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| Share based payment reserve | | |
| At beginning of financial year | 1,362,022 | 1,319,410 |
| <i>Share-based payments</i> | 84,996 | 42,612 |
| At end of financial year | 1,447,018 | 1,362,022 |
| Revaluation reserve | | |
| At beginning of financial year | - | 48,875 |
| Transfer on demerger of subsidiary | - | (48,875) |
| Revaluation of available for sale financial assets | - | - |
| At end of financial year | - | - |
| Total | 1,447,018 | 1,362,022 |

Share based payment reserve

This reserve is used to record the value of equity benefits provided to directors and key 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 21.

Revaluation reserve

The revaluation reserve records movements arising from changes in the value of listed investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 21: 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 2020 | | 12 months ended 30 September 2019 | |
|--|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| | No. | Weighted average exercise price | No. | Weighted average exercise price |
| Outstanding at the beginning of the reporting period | 4,000,000 | \$0.040 | 10,000,000 | \$0.100 |
| Granted during the reporting period | 8,000,000 | \$0.040 | 4,000,000 | \$0.040 |
| Exercised during the reporting period | - | - | (4,000,000) | \$0.035 |
| Expired during the reporting period | - | - | (6,000,000) | \$0.150 |
| Cancelled during the reporting period | - | - | - | - |
| Outstanding at the end of the reporting period | 12,000,000 | \$0.040 | 4,000,000 | \$0.040 |
| Exercisable at the end of the reporting | 12,000,000 | \$0.040 | 4,000,000 | \$0.040 |

The weighted average remaining contractual life for the share options outstanding as at 30 September 2020 is 2.9 years (30 September 2019: 3.5 years).

The outstanding balance as at 30 September 2020 is represented by:

- 4,000,000 options over Ordinary Shares with an exercise price of \$0.04 each, exercisable until 5 April 2023.
- 8,000,000 options over Ordinary Shares with an exercise price of \$0.04 each, exercisable until 9 December 2023.

The fair value of the equity-settled share options granted is estimated as at the date of grant using an 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 2020 | | 12 months ended 30 September 2019 | |
|--|--------------------------------------|-----------|--------------------------------------|-----------|
| | Tranche 1 | Tranche 2 | Tranche 1 | Tranche 2 |
| Volatility (%) | 60.13 | 60.13 | 60.13 | 60.13 |
| Risk-free interest rate (%) | 0.81 | 0.81 | 0.81 | 0.81 |
| Expected life of option (years) | 3.93 | 3.93 | 3.50 | 3.50 |
| Exercise price (cents) | 4.00 | 4.00 | 4.00 | 4.00 |
| Weighted average share price at grant date (cents) | 0.02 | 0.03 | 0.038 | 0.038 |
| Discount for lack of marketability (%) | 6.5 | 14 | 31 | 13 |

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.

The range of exercise prices for options outstanding at the end of the year was \$0.04 (30 September 2019: \$0.04).

The weighted average fair value of options granted during the year was \$0.04 (30 September 2019: \$0.04).

The following table illustrates the number and valuation of the Performance Rights on issue, including the following milestones attached to them:

- **Class A Performance Rights:** to vest on the date that the 30-day VWAP for the Shares on the ASX is \$0.08 or higher during the period to the 12 months ending on 30 September 2020 (**Milestone 1**);
- **Class B Performance Rights:** to vest on the date that the 30-day VWAP for the Shares on the ASX is \$0.12 or higher during the period to the 12 months ending on 30 September 2021 (**Milestone 2**); and
- **Class C Performance Rights:** to vest on the date that the 30-day VWAP for the Shares on the ASX is \$0.16 or higher during the period to the 12 months ending on 30 September 2022 (**Milestone 3**);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

- **Class D Performance Rights:** to vest on the date that the 30-day VWAP for the Shares on the ASX is \$0.20 or higher during the period to the 12 months ending on 30 September 2023 (**Milestone 4**);
- **Class E Performance Rights:** to vest on the date that the 30-day VWAP for the Shares on the ASX is \$0.30 or higher during the period to the 12 months ending on 30 September 2024 (**Milestone 5**).

In addition to the above vesting criteria, the vesting of 11,000,000 performance rights to Mr Oliver Barnes as approved by shareholders was conditional upon Mr Barnes remaining in the employment of the Group as Managing Director. Mr Barnes has transitioned in October 2020 to be Chief Executive Officer and will retain the performance rights granted to him which remain subject to the above vesting criteria.

The following Performance Rights issued have the following milestones attached to them:

- 3,000,000 Performance Rights which will vest upon the execution of a binding term sheet for the development or purchase of 50 hectares of avocados;
- 3,000,000 Performance Rights which will vest upon the execution of a binding term sheet for the development or purchase of an additional 150 hectares of avocados.

Note 22: Controlled Entities

| Subsidiaries of Alterra Limited | | | |
|---------------------------------|--------------------------|--------------------------------------|--------------------------------------|
| Name | Country of incorporation | Ownership interest | |
| | | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| Broadacre Land Holdings Pty Ltd | Australia | 100% | 100% |
| Carbon Fund Australia Pty Ltd | Australia | 100% | 100% |
| Carpenters Beedelup Pty Ltd | Australia | 100% | - |
| Food Fibre Carbon Pty Ltd | Australia | 100% | 100% |
| WA2 Milk Pty Ltd | Australia | 100% | 100% |
| Yathroo Dairy Assets Pty Ltd | Australia | 100% | 100% |

| Subsidiaries of Alterra Limited | | | |
|---------------------------------|--------------------------|--------------------------------------|--------------------------------------|
| Name | Country of incorporation | Ownership interest | |
| | | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| Alterra Investment Fund | Australia | 100% | 100% |
| Yathroo Dairy Assets Fund | Australia | 100% | 100% |

Note 23: Auditor's Remuneration

The auditor of Alterra Limited is HLB Mann Judd.

| | CONSOLIDATED | |
|--|--------------------------------------|--------------------------------------|
| | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| | \$ | \$ |
| 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 | 38,500 | 38,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 24: 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 2019.

(ii) Categories of Financial Instruments

| | CONSOLIDATED | |
|-----------------------------|--------------------------------------|--------------------------------------|
| | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| | \$ | \$ |
| Financial assets | | |
| Trade and other receivables | 219,262 | 120,662 |
| Investments | 1,082,657 | 1,077,172 |
| Loans receivable | 289,688 | 975,359 |
| Cash and cash equivalents | 3,283,222 | 1,677,280 |
| Total financial assets | 4,874,829 | 3,850,473 |
| Financial liabilities | | |
| Trade and other payables | 666,319 | 288,913 |
| Other financial liabilities | 6,991,927 | 1,750,000 |
| Total financial liabilities | 7,658,246 | 2,038,913 |
| Net financial assets | (2,783,417) | 1,811,560 |

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

(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 2020 | | | | | | |
| Non-interest bearing | - | 666,319 | - | - | - | - |
| Bank loan | 3.45% | - | 12,181 | 1,424,229 | - | - |
| | | 666,319 | 12,181 | 1,424,229 | - | - |
| 12 months ended 30 September 2019 | | | | | | |
| Non-interest bearing | - | 288,913 | - | - | - | - |
| Bank loan | 4.24% | - | 16,077 | 31,979 | 1,750,000 | - |
| | | 288,913 | - | - | 1,750,000 | - |

(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.

(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 \$16,416 (30 September 2019: decrease by \$8,386) or increase by \$16,416 (30 September 2019: increase by \$8,386). This is attributable to the Group's exposure to interest rates on its variable rate instruments.
- Total equity would have no change (30 September 2019: no change) attributable to the Company's exposure to interest rates on its variable rate instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 25: Cash Flow Information

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

| | CONSOLIDATED | |
|---|--------------------------------------|--------------------------------------|
| | 12 months ended 30 September 2020 | 12 months ended 30 September 2019 |
| | \$ | \$ |
| Profit / (loss) for the year | (1,506,547) | 931,424 |
| Profit on demerger | - | (2,211,648) |
| Share in profit of associates | (152,094) | (129,273) |
| Profit / (Loss) on sale of fixed assets | 3,055 | - |
| Employee leave benefits | 15,727 | - |
| Depreciation and amortisation expense | 211,741 | 279,522 |
| Share-based payments | 84,996 | 42,612 |
| Impairment | - | 118,884 |
| Taxation expense | - | 185,738 |
| Decrease in investments | - | 1,358 |
| Gain on sale of investment property | (275,565) | - |
| (Increase) / decrease in receivables | (155,780) | 502,044 |
| Decrease / (increase) in prepayments | 24,882 | (24,496) |
| Decrease / (increase) in other assets | 20,094 | (6,956) |
| Increase in trade and other payables | 321,581 | 166,279 |
| (Decrease) / increase in provisions | 4,556 | 10,586 |
| Net cash (used in) operating activities | (1,403,354) | (133,926) |

| Reconciliation of liabilities | CONSOLIDATED | | |
|---|--------------|-----------|-----------|
| | Bank Loan | Leases | Total |
| | \$ | \$ | \$ |
| Balance at 1 October 2019 | 1,750,000 | - | 1,750,000 |
| Lease liability recognised on the adoption of AASB 16 | - | 5,804,997 | 5,804,997 |
| Repayments | (350,000) | (213,070) | (563,070) |
| Balance at 30 September 2020 | 1,400,000 | 5,591,927 | 6,991,927 |

Note 26: 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 2020.

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 2020 | 12 months ended 30 September 2019 |
| | \$ | \$ |
| Short-term employment benefits | 720,765 | 694,884 |
| Post-employment benefits | 63,406 | 57,701 |
| Share-based payments | 37,116 | - |
| Other | 26,666 | - |
| | 847,953 | 752,585 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 27: 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 2020 | 12 months ended 30 September 2019 |
| Payable: | \$ | \$ |
| Within one year | - | 49,151 |
| After one year but not more than five years | - | 72,593 |
| Total minimum lease repayments | - | 121,744 |

Due to the adoption of AASB 16 the lease commitments shown in this Note are reduced to nil at 30 September 2020 and are now recognised as a right of use asset and lease liability, see Note 16 and Note 18.

(b) 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 2019: \$Nil).

Note 28: Parent Entity Disclosures

| | CONSOLIDATED | |
|--|--------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| Financial position | \$ | \$ |
| Assets | | |
| Current assets | 6,939,129 | 4,572,780 |
| Non-current assets | 1,496,587 | 2,109,396 |
| Total assets | 8,435,716 | 6,682,176 |
| Liabilities | | |
| Current liabilities | 536,171 | 288,913 |
| Non-current liabilities | 1,602,102 | 45,737 |
| Total liabilities | 2,138,273 | 334,650 |
| Equity | | |
| Issued capital | 10,403,651 | 8,626,435 |
| Accumulated losses | (5,553,226) | (3,640,931) |
| Reserves | 1,447,018 | 1,362,022 |
| Total equity | 6,297,443 | 6,347,526 |
| Financial performance | | |
| (Loss) / profit for the year | (1,912,295) | 800,293 |
| Total comprehensive (loss) / income | (1,912,295) | 800,293 |

Refer to Note 27 for commitments of the parent entity which are the same as the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Note 29: 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 2020 | | | | |
| Stoney Agri ⁽ⁱ⁾ | 105,000 | 62,617 | - | - |
| Gratia Australia Pty Ltd ⁽ⁱⁱ⁾ | | 73,636 | - | - |
| Carbon Conscious Investments Ltd ⁽ⁱⁱⁱ⁾ | - | - | 100,000 | - |
| Director and Executive loans ^(iv) | - | - | 109,460 | - |
| 12 months ended 30 September 2019 | | | | |
| Stoney Pastoral Co Pty Ltd | - | - | - | - |
| Stoney Agri ⁽ⁱ⁾ | 210,000 | - | - | - |
| The Yathroo Property Trust | - | - | - | - |
| Carbon Conscious Investments Ltd ⁽ⁱⁱⁱ⁾ | - | - | 800,000 | - |
| Director and Executive loans ^(iv) | - | - | 175,361 | - |

(i) Stoney Agri (trading name for The Willyama (WA) Pty Ltd ATF The Ruby Trust) is a company controlled by a related party of Trevor Stoney. Stoney Agri's lease of Alterra's Dambadgee Springs property expired on 31 March 2020. The payment of \$62,617 relates to a payment for seeds and seeding perennial pastures.

(ii) Gratia Australia Pty Ltd is a company controlled by a related party of John Palermo. Gratia Australia Pty Ltd provides accounting and company secretarial services to Alterra. The fees \$73,636 paid by Gratia Australia Pty Ltd to Alterra is regarded as commercial.

(iii) Loan receivable refers to an outstanding loan agreement between Alterra and its associate Carbon Conscious Investment Limited. This loan bears interest at 6.5% per annum and is re-payable by 31 December 2020.

(iv) Employee and Director loans refer to secured monies loaned on 14 November 2018 to Andrew McBain, Trevor Stoney and Anthony Fitzgerald and decided upon by an Alterra board that comprised of Trevor Stoney, Neil McBain and Andrew McBain. The loans were used for purchasing shares in the Company via the exercising of options. The loan to Anthony Fitzgerald was fully repaid during the reporting period and post reporting date the loan balance to Andrew McBain has been fully repaid following Andrew McBain's departure on 14 October 2020. The amount outstanding to Trevor Stoney as of reporting date is \$62,675.

Note 30: Contingent Liabilities

The Company has no contingent liabilities as at 30 September 2020 (30 September 2019: \$Nil).

Note 31: Events After Balance Date

The following significant events occurred after the year ended 30 September 2020:

- (a) **6 October 2020** – Oliver Barnes and Executive Director Andrew McBain each stepped down from the Board of Directors.
- (b) **22 October 2020** – Completion of an initial five-hectare planting of avocado trees at Alterra's flagship Carpenters Project Pemberton, Western Australia. The initial planting will provide Alterra with real-time field data that will be used to manage risk, improve production efficiency for the larger planting programs.
- (c) **19 November 2020** – Entered into a contract to sell the third and final tranche of its non-core legacy asset, Dambadgee Springs. The sale, subject to finance, will bring total proceeds from the asset's sale to \$4.4 million.

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 2020 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 2020.

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



John McGlue
Chairman and Non-executive Director
Alterra Limited

Dated this 21st day of December 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Alterra Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Alterra Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 September 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 September 2020 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| Valuation of Investment Property Note 14 in the financial statements | |
| During the year ended 30 September 2020, the Group entered into two contracts to sell a portion of the investment property at Dambadgee Springs. At balance date, the Group held \$1,975,667 of | Our procedures included but were not limited to the following: <ul style="list-style-type: none"> - We obtained an understanding of the key processes and controls |

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investment property measured using the cost model under AASB 140 *Investment Property*.

We considered the accounting for the Group's investment property to be a key audit matter due to its materiality and therefore its importance to the users' understanding of the financial report as a whole.

- associated with the investment property balance;
- We obtained and reviewed the sales contracts and related documentation and ensured the land under these contracts had been accounted for in line with the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- We considered the accounting treatment adopted to ensure it was consistent with the requirements of AASB 140 *Investment Property* and other relevant accounting standards;
- We conducted an assessment of the existence of any impairment indicators; and
- We examined the disclosures made in the financial report and ensured that they were appropriate.

Impact of AASB 16 Leases

Notes 16 and 18 in the financial statements

AASB 16 *Leases* became effective for the Group as at 1 October 2019. The Company elected to apply the modified retrospective approach for the transition accounting.

AASB 16 is significant to our audit as the balances recorded are material, the implementation process to identify and process all relevant data associated with the pre-existing leases as well as new contracts entered into is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination and renewal options.

Our procedures included but were not limited to the following:

- We reviewed the commitments in place as at the date of initial application and determined if any of the recognition exemptions outlined in AASB 16 were applicable;
- We reviewed contracts entered during the year ended 30 September 2020 and where leases were identified, ensured that they were brought to account;
- We have assessed the reasonableness of the assumptions included in the lease calculations;
- We have reviewed management's calculations of the lease liability and right to use asset and ensured that they have been calculated correctly; and
- We examined the disclosures made in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 September 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter

should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 September 2020.

In our opinion, the Remuneration Report of Alterra Limited for the year ended 30 September 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
21 December 2020



M R Ohm
Partner

ASX Additional Information

Shareholding

The distribution of members and their holdings of equity securities in the Company as at 14 December 2020 were as follows:

| | Class of Equity Securities |
|------------------------------------|----------------------------|
| Number Held as at 14 December 2020 | Fully Paid Ordinary Shares |
| 1 – 1,000 | 46 |
| 1,001 – 5,000 | 77 |
| 5,001 – 10,000 | 87 |
| 10,001 – 100,000 | 334 |
| 100,001 and over | 129 |
| Total | 673 |

Holders of less than a marketable parcel:

- 1 – 691,585 fully paid shares – 174
- > 691,585 fully paid shares – 499

Substantial Shareholders

The Company has the following substantial shareholders listed in the Company's register as at 14 December 2020:

| Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|--|---|-----------------------------------|
| Sandon Capital: | | |
| One Managed Invst Funds Ltd <Sandon Capital Inv Ltd A/C> | 20,834,335 | |
| National Nominees Limited | 13,739,802 | |
| National Nominees Limited <DB A/C> | 1,000,000 | 19.21% |
| Emanuel Exports: | | |
| Emanuel Exports Pty Ltd | 27,828,870 | 15.02% |
| Trevor Stoney: | | |
| Stoney Holdings Pty Ltd <Stoney Super Fund A/C> | 23,917,361 | |
| Stoney Pastoral Co Pty Ltd <Maybenup Subscription A/C> | 1,000,000 | 13.45% |
| Andrew McBain: | | |
| Broadacre Finance Pty Ltd <The Rule 303 Super Fund A/C> | 7,172,114 | |
| Mac 110 Nominees Pty Ltd <The Rule 303 A/C> | 4,857,824 | |
| Tracey McBain | 388,250 | 6.70% |
| Aroona Management Pty Ltd <McBain Family A/C> | 9,600,000 | 5.18% |

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.

20 Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 14 December 2020 are as follows:

| Rank | Name of shareholder | Number of ordinary fully paid shares held | % Held of issued ordinary capital |
|-------------------|---|---|-----------------------------------|
| 1 | Emanuel Exports Pty Limited | 27,828,870 | 15.02% |
| 2 | Stoney Holdings Pty Ltd <Stoney Super Fund A/C> | 23,917,361 | 12.91% |
| 3 | One Managed Invst Funds Ltd <Sandon Capital Inv Ltd A/C> | 20,834,335 | 11.25% |
| 4 | National Nominees Limited | 13,739,802 | 7.42% |
| 5 | Aroona Management Pty Ltd <McBain Family A/C> | 9,600,000 | 5.18% |
| 6 | Broadacre Finance Pty Ltd <The Rule 303 Super Fund A/C> | 7,172,114 | 3.87% |
| 7 | Mac 110 Nominees Pty Ltd <The Rule 303 A/C> | 4,857,824 | 2.62% |
| 8 | Mr Anthony Irwin Fitzgerald | 3,950,000 | 2.13% |
| 9 | Papillon Holdings Pty Ltd <The VML No 1 A/C> | 3,730,000 | 2.01% |
| 10 | Nightfall Pty Ltd <Nightfall Superfund A/C> | 3,385,000 | 1.82% |
| 11 | Mrs Gail Fitzgerald | 3,110,873 | 1.68% |
| 12 | Vanelz Pty Ltd <Freedom Super Fund A/C> | 2,000,000 | 1.08% |
| 13 | Mulloway Pty Ltd <John Hartley Poynton FM A/C> | 1,709,345 | 0.92% |
| 14 | Mrs Nicole Martin | 1,581,621 | 0.85% |
| 15 | Tell Corporation Pty Ltd | 1,526,027 | 0.82% |
| 16 ⁽ⁱ⁾ | Green Wold Investments Pty Ltd | 1,500,000 | 0.81% |
| 16 ⁽ⁱ⁾ | Mr Peter Macarthur Morrison & Mrs Annette Kaye Morrison <The Morrison Super Fund> | 1,500,000 | 0.81% |
| 17 | Salgood Pty Ltd | 1,419,000 | 0.77% |
| 18 | Mr Anthony Dean Lazenby | 1,250,000 | 0.67% |
| 19 | Mr Andrew John ten Seldam <Ten Seldam Family A/C> | 1,224,289 | 0.66% |
| 20 | Mr Harvey Stern | 1,200,000 | 0.65% |
| | Total | 137,036,461 | 73.99% |

(i) Shareholders are ranked equally in terms of number of ordinary fully paid shares held.





Alterra

