

9 December 2015

Company Announcements Office
Australian Securities Exchange
10th Floor
20 Bond Street
SYDNEY NSW 2000

Announcement Number 300

Via: ASX Online

Number of Pages: 3 (including this page)

ASX Code: CCF

Dear Sir or Madam

Expansion into Western Australia Dairy Industry and Key Chinese Export MoU

Highlights

- Carbon Conscious announces its intention to expand the business into the Western Australia (“WA”) dairy market with execution of an exclusive non-binding Memorandum of Understanding (“MoU”) with Green Lake Pty Ltd.
- The MoU establishes a framework for entry into the lucrative Asian export market underpinned by exclusive, long-term supply of fresh WA milk into China.
- A supply arrangement with Green Lake would provide strong upside potential with an initial targeted penetration into a middle tier population of 10 million people.
- Australian fresh milk currently retails from A\$8 - \$10 per litre in Chinese supermarkets.
- A completed transaction would provide a first-step expansion of the Carbon Conscious business into a larger, diversified agribusiness model.
- Proposed name change to Alterra Ltd to reflect broader scope of agricultural ambitions.

Carbon Conscious Ltd (ASX:CCF) (“Carbon Conscious” or the “Company”) is pleased to advise it has executed an exclusive Memorandum of Understanding (“MoU”) that has the potential to launch the Company into the dairy industry in Western Australia (“WA”) and achieve a direct connection into the lucrative Chinese export market.

The MoU arrangements provide for the long-term supply of fresh milk from WA into China. Green Lake is an Australian and Chinese-backed business established to procure a long-term supply of WA and Australian products and produce for distribution and sale into China.

The MoU is non-binding and subject to conditions precedent including the completion of satisfactory due diligence and the receipt of all required regulatory approvals.

Separate MOU arrangements provide non-binding terms for Carbon Conscious to secure the rights to a long-term lease on an existing dairy property in South West of WA that would be utilised to satisfy initial milk supply to Green Lake and include rights to a cow herd.

The Company’s strategy is to progressively expand the herd, land and infrastructure to match growing supply contracts. All milk will be processed in WA by local processors that currently have significant surplus capacity.

While commercial terms of the agreement remain confidential, the MoU provides for an exclusivity period until July 2016 for Carbon Conscious and Green Lake to complete due diligence, finalise negotiations and execute binding agreements, which is targeted for Q1 CY2016.

Existing activities in carbon farming and agricultural project development, management and services generated revenue of circa \$3 million for the full year to the end of September 2015. The Company maintains the expertise to capitalise on new opportunities in this sector post the Paris climate change conference.

The proposed extension into dairy is the culmination of 15 months of active assessment of new business opportunities and a global search to identify leading agricultural technology and management practices. The Company considers a move into dairy to be complementary to and consistent with its current business.

Carbon Conscious Executive Director Mr Andrew McBain commented:

“We are extremely pleased to be working with Green Lake, which is an ideal partner given its wealth of experience and network capabilities in both China and Australia. The MoU serves as a stepping stone for the Company to develop into a larger agribusiness, firstly with the production and distribution of milk and with the potential to expand into other products.”

“WA is on the doorstep of a large and growing market in China and Asia overall, and Carbon Conscious is poised for exposure to the region’s export upside potential as it develops its arrangement with Green Lake to match supply and demand as the business grows.”

“It is notable that the Chinese Government has recently announced that it intends to crack down on the booming unregulated internet retailing arrangements that have been sourcing Australian dairy products off Australian shelves for resale into China. This means that Australian businesses that partner with established and credible organisations based in China, will have an advantage in distributing their products. Green Lake have established import permit credentials for fresh milk distribution and have successfully executed a number of fresh milk shipments from WA.”

About Green Lake Pty Ltd

Green Lake is an Australian and Chinese-backed special purpose vehicle (“SPV”), registered in Australia. It currently has distribution access through 150 minimart stores and its ultimate strategy is to open a chain of up to 300 concept stores - branded “Capel Farm”, which will specialise in Australian sourced and branded products and produce.

The Directors of Green Lake have extensive direct connections in China and agricultural interests in Australia. Perth based Mr Ennio Tavani has a number of directorships and is the chairman of Wellard Group Holding Pty Ltd which is currently listing its major livestock exporting division Wellard Ltd; Mr Adam Xiaoxiang Wang is from the Henan Province in China, where in addition to Green Lake, he has interests in natural gas distribution service stations, infrastructure construction, property development and LED manufacture; and Mr Wayne Hou (Chinese born and 20-year resident of Perth) is a highly experienced director with interests in Australian mining and property developments.

Market Opportunity

Carbon Conscious’ decision to enter into the WA dairy industry is consistent with the Company’s existing activities of carbon farming and agricultural project development and management. It also complements the extensive experience the team at Carbon Conscious has in production-agriculture and agribusiness including land acquisition, grain and animal farming, commodity financing, marketing and trading.

WA has unique advantages include proximity to Asia, spare dairy processor capacity and globally recognised credentials in producing high quality food. Brand Western Australia is highly valued by middle-class Chinese consumers who are extremely conscious of the source of their food.

Most of Australia's dairy exports are shipped to Asian countries with Greater China currently the most important export market, accounting for approximately 19 per cent of exports in volume and value. In 2012, China consumed 46 billion litres of milk, and some analysts have forecast that this could surge to 74 billion litres by 2030.

This is reflected by substantial investment initiatives in dairy executed in Australia's south eastern states including; Harvey Norman's investment in dairy operator and cattle breeder Coomboona Holsteins; Freedom Foods fast-tracking into China with agreements entered into with two of the country's larger online retailers; the rapid growth of the A2 Milk Company; and Bellamy's organic milk powder products.

The proposed arrangement between Carbon Conscious and Green Lake will initially target the Henan Province, where Green Lake has already opened its first Capel Farm store in the capital Zhengzhou. Henan Province has a population of approximately 100 million, of which 10 million people have the disposable income to purchase Australian milk, presenting a substantial initial export opportunity for Carbon Conscious through this agreement. Australian milk currently retails from A\$8 to \$10 per litre.

Proposed Name Change

The Company plans to change its name to Alterra Ltd to better reflect its broad agriculture ambitions which build on the existing carbon farming and agricultural development and management services.

The name change proposal will be put to shareholders at the next Annual General Meeting, which is due to be held in February 2016.

Contacts:

Investor queries

Andrew McBain

Executive Director

E: amcbain@carbonconscious.com.au

P: +61 417 456 895

Media queries

Melissa Mack

Media and Capital Partners

E: melissa.mack@mcpartners.com.au

P: + 61 430 119 951

About Carbon Conscious

Carbon Conscious Ltd (ASX: CCF) provides agricultural project development and management services. The Company has been investigating opportunities to expand into agricultural opportunities that will complement its existing core business.

The Company is a Registered Offsets Entity under the Australian Federal Government Carbon Farming Initiative and since 2008 has planted 21 million eucalyptus trees on 18,000 hectares across 30 properties in the south west of Western Australia, and 1 million pine trees have been planted on 800 hectares on three properties in New Zealand.

Yours faithfully



Andrew McBain

Executive Director

For personal use only