

Powton Land Holdings Limited
ABN 33 087 201 652

***Notice of General Meeting
of Debenture Stockholders***

Explanatory Statement

and

Proxy Form

Date of Meeting

Thursday 24 May 2012

Time of Meeting

10:00am (WST)

Place of Meeting

Ground Floor, 412-414 Newcastle Street,
West Perth, WA 6005

POWTON LAND HOLDINGS LIMITED
ABN 33 087 201 652

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of Stockholders of Powton Land Holdings Limited (**Powton** or the **Company**) will be held on Thursday 24 May 2012 at 10.00 am at Ground Floor, 412-414 Newcastle Street, West Perth, Western Australia.

Pursuant to the terms of the Trust Deed, the required notice is fourteen (14) days. The date of this notice is 3 May 2012, which provides more than the notice period setout in the Trust Deed.

The accompanying Explanatory Statement forms part of this Notice of General Meeting.

AGENDA

1. Welcome to Meeting and Opening of Meeting
2. For Stockholders to resolve:
 - a. Consideration of Election of Chairman
 - b. Consideration of Resolution to Extend Debenture Term to 30 June 2014
3. Any other business that may be lawfully brought forward.

ITEMS FOR STOCKHOLDER APPROVAL

Resolution 1 - Election of Chairman of Meeting:

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Mr John O'Brien, of Professional Funds Management Ltd, being eligible to act as Chairman of the meeting be and is hereby appointed Chairman of the Meeting."

Resolution 2 – Extension of Debenture Term to 30 June 2014:

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That the term of the Debenture Stock expiring 30 June 2012 for Powton Land Holdings Ltd be and is hereby extended to 30 June 2014 on the following terms and conditions:

- (i) Payment of \$409,200 to be received by 30 June 2012 for all stockholders to be distributed by the Debenture Trustee;*
- (ii) Repayment of remaining Debenture Stock by 30 June 2014 by six monthly instalments of no less than \$200,000, being on or before:*
 - a. 31 December 2012*
 - b. 30 June 2013*
 - c. 31 December 2013*
 - d. 30 June 2014*
- (iii) Interest be and is hereby payable on the outstanding value of Debenture Stock at the rate of 9% per annum, payable quarterly by the 15th day following the end of quarter."*

Record Date - Voting at General Meeting

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered as Stockholders at 5pm on 3 May 2012. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the general meeting.

Corporate Representative

Any corporate stockholder who has appointed a person to act as its corporate representative at the General Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.

Proxies

Please note that:

- a) a stockholder of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- b) a proxy need not be a stockholder of the Company; and
- c) a stockholder of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy and Voting Entitlement Instructions are included on the Proxy Form accompanying this Notice of General Meeting.

New sections of the Corporations Act took effect on 1 August 2011 and apply to voting by proxy on or after 1 August 2011 (whether or not the proxy was appointed before, on or after that date). Stockholders and their proxies should be aware of these changes as they will apply to the General Meeting. Broadly, the changes mean that:

- If proxy holders vote, they must cast all directed proxies as directed; and
- Any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

BY ORDER OF THE BOARD



Simon Chesson
Director & Company Secretary

EXPLANATORY STATEMENT

INTRODUCTION

This Explanatory Statement has been prepared for the information of the Stockholders in connection with the business to be conducted at the General Meeting to be held at Ground Floor, 412-414 Newcastle Street, West Perth, Western Australia on 24 May 2012 at 10:00am (WST).

This Explanatory Statement forms part of and should be read in conjunction with the accompanying Notice of General Meeting. The Directors recommend that Stockholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

All the resolutions are separate resolutions and in no way depend on each other.

RESOLUTION 1 – APPOINTMENT OF CHAIRMAN OF MEETING

Mr John O'Brien has been nominated as the Chairman of the meeting. Mr O'Brien is a director of Professional Funds Management Ltd, the Debenture Trustee. The Debenture Trustee has the obligation to consider the rights of the Stockholders, and has the responsibility of compliance by Powton with the Debenture Trust Deed.

Mr O'Brien is considered as experienced and in the best position to conduct the Meeting.

RESOLUTION 2 – TO EXTEND THE TERM OF THE DEBENTURE TO 30 JUNE 2014

Powton Land Holdings Ltd have approached the Debenture Trustee to seek an extension to the time required to repay the debenture stock after 30 June 2012 for a number of commercial reasons. We set out further information as follows:

I. Amount of Debenture Stock Remaining at the Date of this Notice:

The Company has been in discussions with the Debenture Trustee to determine commercial terms that allow for Debenture Stockholders to be repaid their outstanding stock in full. The current Debenture Stock on issue is approximately \$1,209,200. The Stockholders who lodged requests to redeem their Stock by 30 June 2012 totalled \$1,058,000. Powton, and the ECO group, have decided to deal with all Debenture Stock as a whole regardless of whether Stock holders lodged requests to redeem their Stock by 30 June 2012 or not.

II. Prospectus Dated 7 December 1999:

The Prospectus dated 7 December 1999 stated a number of issues relating to the investment as a debenture, and the risks that investors face. We summarise a number of these issues as follows:

a. Term of Debenture:

The term of the debenture was originally set down as a period of 12 years to 30 June 2012, and an automatic extension of 12 years, to expire 30 June 2024. This was to provide sufficient time for the trees planted by Powton to mature for the first rotation, and then for Stockholders to share in the profit of the second rotation of the growth of trees if they so desired.

b. Fixed and Variable Interest:

Interest rates were set down on page 6 of the Prospectus dated 7 December 1999 as two components:

- (i) Fixed rates at 6% per annum
- (ii) Variable rates which are dependent upon the profitability of Powton.

c. Purpose of Issue:

The purpose of the Debenture Stock issue as set out on page 7 of the Prospectus dated 7 December 1999 was to:

- (i) lend to persons who wish to enter into lease agreements with Powton for the purpose of planting Paulownia trees on land owned by Powton; and
- (ii) enable Powton itself to plant Paulownia trees on land owned by Powton.

The Stockholders ought to be aware of the various risks that are related to agricultural business, as well as the various risks that were set out on pages 21 and 22 of the Prospectus dated 7 December 1999.

d. Relationships:

A number of key parties were named in the Prospectus dated 7 December 1999, and shown on pages 10, 11 and 12. It was set out that the Debenture Stockholders loaned monies to Powton, which then lent funds to growers, and also grew trees itself.

A first mortgage was taken, and still exists, in favour of Professional Funds Management Pty Ltd as trustee of the Powton Land Holdings Limited Debenture Trust over the Property at Kiri Park, and also a charge over the trees of Powton.

e. Source of Funds to Repay Debenture Stock:

On page 23 of the Prospectus dated 7 December 1999, it states that:

“Note that PLH will only be in a position to repay Stockholders the Principal Moneys after harvesting of its Trees has commenced (forecasted to commence in 2006).”

Stockholders should note that no harvesting of trees or timber has been conducted by Powton, and none is likely to be undertaken prior to 30 June 2012. As a result, the funds for repayment of the Debenture Stock has to be sourced from elsewhere by Powton and the ECO Group.

f. Matters Which Affect Security:

On page 23 of the Prospectus dated 7 December 1999, it is stated that there are two ways that a valuation of the property can be obtained. One of those is valuing the land assuming that there are no trees planted on it, and the second is the valuation with trees existing on the land. It states:

“Any value obtained (on the value of the land) thereby maybe greater or lesser than a value which takes into account the trees growing on the land.”

Stockholders should consider this issue in relation to future values of property.

III. Proposal to Extend Debenture Term to 30 June 2014:

The extension of time has been determined as appropriate by the board of Powton Land Holdings Ltd to provide for an orderly repayment schedule, and an increase in the interest rate applicable on the outstanding Debenture Stock as compensation to the Stockholders. The proposal has been established in order to provide Stockholders with a return of capital, and remain as secured creditors of Powton to secure the remaining Stock until repaid in full.

The proposal being considered is as follows:

“That the term of the Debenture Stock expiring 30 June 2012 for Powton Land Holdings Ltd be and is hereby extended to 30 June 2014 on the following terms and conditions:

- (i) *Payment of \$409,200 to be received by 30 June 2012 for all stockholders to be distributed by the Debenture Trustee;*
- (ii) *Repayment of remaining Debenture Stock by 30 June 2014 by six monthly instalments of no less than \$200,000, being on or before:*
 - a. *31 December 2012*
 - b. *30 June 2013*
 - c. *31 December 2013*
 - d. *30 June 2014*

- (iii) *Interest be and is hereby payable on the outstanding value of Debenture Stock at the rate of 9% per annum, payable quarterly by the 15th day following the end of quarter."*

All other terms and conditions of the Debenture Trust Deed will continue to apply, which include rights in relation to security and enforcement of security.

It is expected that each six months an amount of \$200,000 will retire the Debenture Stock in full as follows:

Initial Instalment by 30 June 2012	\$ 409,200
Instalment 2 by 31 December 2012	\$ 200,000
Instalment 3 by 30 June 2013	\$ 200,000
Instalment 4 by 31 December 2013	\$ 200,000
Instalment 5 by 30 June 2014	\$ 200,000
Total	\$1,209,200

The ongoing interest repayments are expected to be funded from the interest received from the existing loan book as set out below.

IV. Security for Debenture Stock:

As all Stockholders are aware, Powton Land Holdings Ltd is a wholly owned subsidiary of Environmental Carbon Offset Ltd (ECO). The financial statements to 30 June 2011 and for the half year to 31 December 2011 for ECO have been provided to the Debenture Trustee to reflect as a group the financial position and the adequacy of the security for the Debenture Stock. Copies of the financial reports for ECO are available free of charge at www.effgroup.com.au/reports, or Stockholders can contact the Company for copies.

The security for the Debenture Stock is a first mortgage over the property at Kiri Park, along with a mortgage over the 40,000 tree plantations held by Powton.

The Directors of Powton and ECO have requested that an extension to the term of the Debenture Stock is required to assist Powton to repay all Debenture Stock in full, and any interest along the way.

V. Summary of Cash Available:

The proposal that has been put forward in the Resolution has been based upon various cashflow estimates and projections that have been provided by ECO. A summary of the funds available to retire the Debenture Stock is as follows:

Sale of Property Assets	\$ 400,000
Sale of Harvest Equipment	\$ 100,000
Sale of Processing Equipment	\$ 100,000
Collection of Growers Fees	\$ 300,000
Growers Loans	\$ 300,000
Sale of Timber Stock	\$ 100,000
Total	\$1,300,000

VI. ECO Cashflows:

The ECO sources of cash are summarised as follows:

a. Sale of Assets:

The ECO group has a range of assets which are currently being reviewed and marketed for sale. This includes:

(i) Property Assets – Rockingham:

The property at 12 Hurrell Way, Rockingham has been sold with settlement scheduled for 15 June 2012. This has provided the funds for Powton to pay the \$408,000 instalment to Debenture Stockholders.

- (ii) *Equipment Assets – Harvesting Equipment:*
The equipment assets held by the ECO Group which incorporate the milling and harvesting operations of the Group total more than \$300,000. This equipment has been used to harvest trees from the forest, and then to produce rough sawn timber. ECO has estimated that the recoverable value within the next two years is approximately \$100,000.
- (iii) *Equipment Assets – Processing Facility:*
The equipment assets held by the ECO Group which are used for the processing of timber, including mouldings and saws total more than \$250,000. ECO has estimated that the recoverable value within the next two years is approximately \$100,000.
- (iv) *Stock on Hand – Finished Timber:*
The stock on hand of finished product and rough sawn timber has a carrying value of approximately \$500,000. The stock is being marketed for sale, and it is expected that the stock can be sold for \$100,000 to generate cash.

b. Collection of Outstanding Fees from Growers & Grower Loans:

The ECO Group has two avenues for cashflow from its existing assets, while waiting for the sale of the above named assets:

- (i) *Outstanding Fees from Growers:*
Currently, there are more than \$500,000 in management fees owing to the ECO Group from growers in managed investment schemes that have not paid their fees from past financial years. Cases are continuing to pursue those fees. The collection of those fees will provide additional funds to enable the payment of the Debenture Stock. The legal process may take some time to collect those fees.

We have allowed for collecting 60% of those fees within the next two years, which is approximately \$300,000.

- (ii) *Growers Loans:*
Forestry Finance Ltd, which is a wholly owned subsidiary of ECO, has a current loan book to growers which exceeds \$1m. The terms of those loans is between 3 and 5 years. Some of those loans are being paid regularly, which is likely to provide sufficient funds to payout the Debenture Stock over time.

Legally, there is no requirement for the loans to be paid early, and as such, ECO may not be able to call any loans in early.

c. Rights Issue for ECO:

ECO has lodged a Rights Issue Prospectus dated 1 May 2012 with the ASIC for the raising of funds which include funds for the payout of the Debenture Stock. In the event that all funds are raised under the Prospectus, the Debenture Stock will be able to be retired in full, and no extension is required.

d. Generation of Income:

As set out in the Rights Issue Prospectus dated 1 May 2012 and lodged with the ASIC on that date, the ECO Group is changing its focus from an integrated manufacturer of timber products to carbon and environmentally based industries.

The aim is to utilise the Group's assets in the trees that are already grown, and the expertise in growing trees to generate a business which may include carbon offset and green energy initiatives.

Due to the early stages of the carbon tax and related environmental issues, any cashflow or income from the change in focus of the ECO Group are unlikely to come to fruition for two to three years.

VII. Alternative to the Resolution:

The following information relating to the current position of Powton and the ECO group, and the challenges faced by the ECO group. The information is provided to assist Stockholders in making their decisions in the event that the Resolution is not passed.

a. Reduced Income for Powton Land Holdings:

The income received by Powton has depended upon:

- (i) Rental from the leases for growers in managed investment schemes; and
- (ii) Interest from loans made by Powton to growers.

A number of growers have been terminated from the managed investment schemes, and the future of the managed investment schemes is uncertain. As a result, the income from the rental for the land has been diminished to a very low level.

The interest from loans made by Powton to growers has also been pursued, and there are very few loans remaining that are able to provide any interest income for Powton.

The cashflow for Powton now relies on the income of the ECO Group which is discussed in detail above.

b. Future of Managed Investment Schemes:

The future of the managed investment schemes is currently uncertain. It is unlikely that manufacturing as an industry will be viable due to the high Australian dollar, and the reduced cost of import of Chinese paulownia timber. This has been highlighted to growers in the managed investment schemes since early 2010.

This is important for Powton and the Stockholders, as it determines how soon that land can be sold and the return of capital.

c. Potential for Litigation:

Many Stockholders are also growers in the managed investment schemes, and as such would be aware of the threats of legal action against the ECO group by growers. As at the date of this notice, there has been no further advancement of any legal action by growers. However, that does not mean that an action may not occur in the future.

In the event of legal action, any result may:

- (i) Not be known for some time;
- (ii) Could result in the leases for the managed investment schemes being reinstated, which may be inhibit the sale of the Kiri Park Property.

d. Detrimental Leases and Value of Kiri Park Property:

There are leases registered on the property. These leases are registered to protect the interests of the growers in the managed investment schemes. The leases may be detrimental to the value of the property due to the requirements under the leases to clear the land, and obligations relating to the leases upon termination of the managed investment schemes.

A further consideration is that the water licence for the Kiri Park Property is owned by Environmental Forest Farms Management Ltd and is not an asset bound by the debenture.

e. Orderly Sale of Kiri Park Property:

The sale of the Kiri Park Property is likely to take some time to materialise. A sale of the property is likely to require clearing of all timber and debris in order for it to be able to be used for grazing or farming land. A valuation of the land has been ordered, and estimates of the values are expected to be provided by the time of the General Meeting.

Experience of Powton and its Directors in the past suggest that a timeframe for the orderly sale of the property is likely to be at least 18 months to be ready for sale, and then a timeframe for the sale of the property (due to the current property market conditions) of another 12 months to 18 months. It would be reasonable to expect that a sale of the Kiri Park property could take as long as three years to be finalised and thus a payout of the Debenture Stockholders based on a sale of the Kiri Park property could take 3 years or more.

With the costs of any clearing of the property and other management issues are likely to have a negative impact on the funds available for the payment of Debenture Stock may not be sufficient to payout Stockholders in full.

DEFINITIONS

For assistance in considering the Notice and Explanatory Memorandum, the following words are defined here:

Board means the board of Directors of the Company.

Chairman means the chairman of the General Meeting.

Company or Powton means Powton Land Holdings Limited.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Debenture Stock means the debenture stock of the Company issued pursuant to the Debenture Trust Deed dated 26 November 1999.

Debenture Stockholder or Stockholder means the holder of Debenture Stock.

Debenture Trustee means the entity appointed as the trustee pursuant to the Debenture Trust Deed, which is Professional Funds Management Ltd.

Debenture Trust Deed means the debenture trust deed dated 26 November 1999, pursuant to which the Debenture Stock has been issued.

Debenture Prospectus means the prospectus issued on 7 December 1999 to raise funds and under which Debenture Stock has been issued.

Director means a director of the Company.

ECO means Environmental Carbon Offset Ltd, which is the holding company of Powton.

ECO Group or Group means the group of entities, which are wholly owned by ECO, including but not limited to Powton.

Explanatory Memorandum means the explanatory memorandum enclosed with and comprising part of this notice of general meeting.

Financial Reports means the Annual Financial Report for year ended 30 June 2011 for ECO and the Half Year Report for half year ended 31 December 2011

General Meeting means the general meeting of Stockholders of the Company.

Kiri Park Property means the property located at Hunter Road, Regans Ford, Western Australia.

Notice means this notice of annual general meeting.

Ordinary Resolution means a resolution passed at a meeting of the Stockholders duly convened and held in accordance with the provisions in this Deed by a majority of the persons voting thereat upon a show of hands and if a poll is demanded then by a majority of the votes given on such poll. Any resolution which may be put pursuant to this Deed shall be an Ordinary Resolution unless otherwise provided.

Proxy Form means the proxy form enclosed with the Notice.

Rights Issue Prospectus means the rights issue Prospectus dated 1 May 2012 issued by ECO and lodged with the ASIC on 1 May 2012.

Resolution means a resolution proposed in the Notice.

Share means a fully paid ordinary share in the capital of the ECO Group.

Special Resolution means a resolution passed at a meeting of the Stockholders duly convened and held in accordance with the provisions in the Deed contained by a majority consisting of the holders of not less than three-fourths (3/4ths) of the face value of the Issued Stock carrying the right to vote upon a show of hands and if a poll is demanded then by a majority consisting of not less than the holders of three-fourths (3/4ths) of the total face value of the Issued Stock held by those persons voting on such a poll.

WST means Australian Western Standard Time.

Proxy Form

The Secretary
Powton Land Holdings Limited
PO Box 332
Leederville WA 6903

I/We (full name)

_____ of _____
being a Stockholder(s) of Powton Land Holdings Limited, hereby appoint as my/our proxy

_____ of _____
or, failing him/her the Chairperson of the Meeting to attend and vote for me/us at the general meeting of the Company to be held at Ground Floor, 412-414 Newcastle Street, West Perth, WA 6005 at 10.00am on 24 May 2012 and at an adjournment thereof in respect of _____% of my/our Debenture Stock or, failing any number being specified, ALL of my/our Debenture Stock in the Company.

The Chairman of the Meeting intends to vote all undirected proxies in favour of all resolutions. If you do not direct your proxy, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution(s) and that votes cast by the Chairman of the meeting for those resolutions other than as a proxy holder will be disregarded because of that interest.

	RESOLUTIONS	For	Against	Abstain
1	As an Ordinary Resolution - Election of Chairman – Mr John O'Brien			
2	As a Special Resolution - Approval of Extension of Debenture Term to 30 June 2014			

If the member is an individual or joint holder:

Usual Signature

Dated this _____ day of

Usual Signature

2012

If the member is a Company:

Signed in accordance with the
Constitution of the company
the presence of:

Director/Sole Director

Dated this

Director/Secretary

day of

Sole Director and Sole Secretary

2012

NOTES

1. A Stockholder entitled to attend and vote is entitled to appoint not more than two proxies.
2. Where more than one proxy is appointed and that appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.
3. A proxy need not be a member of the Company.
4. If the member is a company it must execute under its Common Seal or otherwise in accordance with its Constitution.

LODGING YOUR PROXY FORM

To be valid, your proxy form (and any power of attorney under which it is signed) must be received at the address given below no later than 5.00pm (WST) on Wednesday 23 May 2012. Any proxy form received after that time will not be valid for the scheduled meeting.

In person: Powton Land Holdings Limited
412 - 414 Newcastle Street
West Perth WA 6005

By mail: Powton Land Holdings Limited
PO Box 332
Leederville WA 6903

By fax: (08) 9227 6400

By email: kpadmin@effgroup.com.au