

# Supplementary Document

Dated 3 August 2017

Issued by CarbonScape Holdings Limited

(Sections 71(1)(d) and 72 of the Financial Markets Conduct Act 2013)

CarbonScape Holdings Limited has made changes to:

- Section 1 (Key Information Summary);
- Section 4 (Key Dates and Offer Process);
- Section 11 (How To Apply); and
- the Glossary of Terms,

of the CarbonScape Holdings Limited Product Disclosure Statement dated 5 July 2017 OFR11980 (**PDS**) (noting that the PDS replaced a Product Disclosure Statement dated 27 June 2017).

These changes will apply from 3 August 2017 with the effect of the changes being that the Closing Date will be extended to 18 September 2017 (noting that this is the only change made to the PDS).

This Supplementary Document is supplementary to the PDS and should be read together with the PDS.

All terms in this Supplementary Document have the same meaning as in the PDS.

## **Important Change**

Pursuant to regulation 46 of the Financial Markets Conduct Regulations 2014, Section 1 (Key Information Summary) of the PDS has been restated in its entirety in the following pages of this Supplementary Document.

The changes to the other sections of the PDS are as follows:

- Section 4 – on page 21 of the PDS the 21 July 2017 date is amended to 18 September 2017;
- Section 11 – on page 34 of the PDS the 21 July 2017 date is amended to 18 September 2017; and
- The Glossary of Terms – on page 36 of the PDS the definition of Closing Date is amended to 18 September 2017.

Please note that because the changes relate to the defined term "Closing Date" the definition of this term is changed in every instance it is used in the PDS.

## SECTION 1: KEY INFORMATION SUMMARY

### What is This?

This is an offer of ordinary shares ("Shares").

The Shares give you a stake in the ownership of CarbonScape Holdings Limited ("CarbonScape Holdings"). You may receive a return if dividends are paid or CarbonScape Holdings increases in value and you are able to sell your Shares at a higher price than you paid for them.

If CarbonScape Holdings runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

The offer of Shares is only available to persons who hold shares in CarbonScape Limited ("CarbonScape Ltd"). The Remaining Shareholders are ineligible to participate in this Offer (a description of who are the Remaining Shareholders is set out in the Glossary of Terms on page 36 of this PDS).

### About CarbonScape Group

The CarbonScape Group consists of:

- CarbonScape Holdings; and
- CarbonScape Ltd and its non-operating wholly-owned subsidiary, CarbonScape Steel Technologies Limited.

CarbonScape Ltd is the only operating company within the CarbonScape Group. CarbonScape Holdings is a holding company that holds shares in CarbonScape Ltd and does not trade or operate.

CarbonScape Ltd has an internationally patented technology that converts forestry and timber waste such as sawdust and other carbonaceous biomass into high value carbon products such as biochar, green coke, activated carbon and graphite.



## Purpose of This Offer

The purpose of this Offer is to restructure the ownership of CarbonScape Ltd to make CarbonScape Ltd more attractive to future large investors.

The restructure will involve shareholders of CarbonScape Ltd, other than the Remaining Shareholders, selling their shares in CarbonScape Ltd to CarbonScape Holdings in consideration for receiving a corresponding number of Shares in CarbonScape Holdings.

The Remaining Shareholders will continue to retain their shares in CarbonScape Ltd.

As at the date of this PDS, CarbonScape Holdings holds 48.85% of the shares in CarbonScape Ltd. Assuming 100% take up of the Shares under this Offer and that none of the options in CarbonScape Holdings or CarbonScape Ltd are exercised (see Other Equity Securities of CarbonScape Holdings on page 16 for a further explanation of these options), CarbonScape Holdings will hold 75.53% of ordinary shares in CarbonScape Ltd.

The Board of CarbonScape Holdings and the board of directors of CarbonScape Ltd each believe, based on comments received from prospective large offshore investors, that CarbonScape Ltd will be more attractive to future large investors if it is a closely-held company. The restructure of CarbonScape Ltd pursuant to this Offer will (assuming full uptake under this Offer) result in CarbonScape Ltd being a closely-held company (as only CarbonScape Holdings Ltd and the Remaining Shareholders will be shareholders in CarbonScape Ltd).

## Key Terms of the Offer

The following are the key terms of this Offer:

| Summary information                         |  |
|---|--|
| <b>Who is the Offer available to?</b>       | The offer of the Shares is made to all existing holders of ordinary shares in CarbonScape Ltd (subject to the selling restrictions set out under the heading "Selling Restrictions" on page 23), except for the Remaining Shareholders<br><br>The Remaining Shareholders will remain as shareholders of CarbonScape Ltd and may not apply for shares under this Offer.   |
| <b>Description of Shares</b>                | This is an offer of ordinary shares in CarbonScape Holdings.   |
| <b>Consideration for the Shares</b>         | The consideration for each Share applied for under this Offer is the sale of one ordinary share held by the Applicant in CarbonScape Ltd.  |
| <b>Indirect interest in CarbonScape Ltd</b> | By applying for Shares under this Offer, Applicants will move from having a smaller but direct ownership interest in CarbonScape Ltd, with the ability to vote on matters affecting CarbonScape Ltd (e.g. major transaction resolutions and the directors of CarbonScape Ltd), to having a participation in a block vote and an indirect ownership interest in CarbonScape Ltd through a shareholding in CarbonScape Holdings. |
| <b>Offer open and close dates</b>           | This Offer opens on 5 July 2017 (the "Opening Date") and closes on 18 September 2017 (the "Closing Date"), subject to any extension by CarbonScape Holdings.   |
| <b>Number of Shares being offered</b>       | This Offer is for a maximum of 21,653,572 Shares in CarbonScape Holdings. If the maximum number of ordinary shares is issued under this  |

|                                    |  |
|------------------------------------|--|
|                                    | Offer, it will represent 35.3% of the ordinary shares in CarbonScape Holdings immediately after the issue under the Offer.         |
| <b>Minimum and Maximum Parcels</b> | Each Applicant must subscribe for the same number of Shares under this Offer as the number of shares they hold in CarbonScape Ltd. |

## How You Can Get Your Money Out

CarbonScape Holdings does not intend to quote these Shares on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your Shares.

The Shares are not redeemable.

## Key Drivers of Returns

CarbonScape Holdings considers that the current and future aspects of the CarbonScape Group's business that have, or may have, the most impact on the financial performance of the CarbonScape Group, and the key strategies and plans for those aspects, are:

|  |  |
|--|--|
| <b>CarbonScape Holdings' shareholding in CarbonScape Ltd</b> | <p>CarbonScape Holdings' only material asset is the shares it holds in CarbonScape Ltd. CarbonScape Holdings:</p> <ul style="list-style-type: none"> <li>- will continue to hold its shares in CarbonScape Ltd (it currently holds 39,658,217 shares in CarbonScape Limited);</li> <li>- does not have any intention to carry on any business other than holding shares in CarbonScape Ltd; and</li> <li>- does not have any material cost structure (the only recurring costs incurred by CarbonScape Holdings are minor costs, including directors' fees and audit fees) or debt.</li> </ul> <p>The current intention of the Board is that any future capital raised by CarbonScape Holdings will be used solely to subscribe for shares in CarbonScape Ltd.</p> <p>Accordingly, the performance of CarbonScape Ltd is the key driver of returns for CarbonScape Holdings and the CarbonScape Group.</p> |
| <b>Pilot Plant</b>   | <p>CarbonScape Ltd is currently building a pilot plant that will produce 150 tonnes of graphite or 450 tonnes of activated carbon or 470 tonnes of green coke per annum. The pilot plant is expected to be operational by the fourth quarter of 2017. Once the pilot plant is fully operational, CarbonScape Ltd expects to be in a good position to capitalise on a range of commercial opportunities.</p>  |
| <b>Coated Spherical Graphite</b>                             | <p>CarbonScape Ltd is developing coated spherical graphite (CSPG) for the lithium-ion battery industry, in collaboration with Callaghan Innovation. Expected timing of completion for this project is the second half of 2018. The intellectual property resulting from this project will be 100% owned by CarbonScape Ltd. This technology comes at a time where the global market for high purity graphite created through environmentally friendly processes is growing rapidly. It is CarbonScape Ltd's current intention to establish its first commercial graphite plant (1,000 tonnes per annum) in Marlborough in the second half of 2018. The output from this plant is expected to be exported to key customers in geographic markets that may include USA, Germany, Japan, South Korea and Taiwan.</p>  |

**BlueScope Steel Supply Arrangement**

CarbonScape Ltd has a non-binding supply arrangement with BlueScope Steel of Australia for 9000 tonnes per annum of green coke (a sustainable coal substitute). However, this opportunity is currently on hold while the global steel industry recovers.

Detailed information on Key Drivers of Returns is provided in SECTION 2: CARBONSCAPE GROUP AND WHAT IT DOES of this PDS at page 9.

### Key Risks Affecting This Investment

Investments in shares are risky. You should consider if the degree of uncertainty about the CarbonScape Group's future performance and returns is suitable for you. The price of these Shares should reflect the potential returns and the particular risks of these Shares.

CarbonScape Holdings considers the most significant risk factors that could affect the value of the Shares are:

| Risk Factor |  | Significance to CarbonScape Group   |
|-------------|--|---|
| 1           | Going concern                              | The CarbonScape Group is currently loss-making and is reliant on raising future capital to meet expenses. There is a risk that the CarbonScape Group will not be able raise future capital and will not be able to continue as a going concern (see SECTION 7: CARBONSCAPE GROUP'S FINANCIAL INFORMATION at page 25 for further information).   |
| 2           | Dilution                                   | CarbonScape Holdings does not have any current revenues as its sole investment in CarbonScape Ltd will not return a dividend in the near future. Accordingly, while CarbonScape Holdings does not have a material cost structure, any costs incurred (for example, audit fees or directors' fees), must either be met by CarbonScape Ltd or by CarbonScape Holdings issuing shares. Any issue of shares by CarbonScape Holdings will dilute each existing investor's interest in CarbonScape Holdings and also their effective interest in CarbonScape Ltd and the CarbonScape Group. |
| 3           | Sole investment in single start-up company | CarbonScape Holdings' only asset is the shares it holds in CarbonScape Ltd. Accordingly, CarbonScape Holdings is reliant on the performance of CarbonScape Ltd to provide a return to its investors. There is a risk that CarbonScape Ltd may not generate a return on CarbonScape Holdings' investment in CarbonScape Ltd. The risks to CarbonScape Ltd's business are set out below.  |
| 4           | Technological uncertainty                  | There is a risk that CarbonScape Ltd may uncover new technical challenges that may hinder future research and development (R&D) and commercialisation efforts.  |
| 5           | Scale-up                                   | There is a risk that the CarbonScape Ltd pilot plant is not scalable to commercial production levels.   |
| 6           | Operational staff                          | CarbonScape Ltd has a small operational team. The loss of key personnel could result in loss of institutional knowledge and operational bottlenecks and make it difficult for CarbonScape Ltd to execute its business strategies.   |
| 7           | Capital constraints                        | CarbonScape Ltd's technology development programme is ambitious and CarbonScape Ltd is a small start-up. There is a risk that CarbonScape Ltd   |

|   |                            |  |
|---|----------------------------|--|
|   |                            | may not have, or be able to raise in the future, sufficient capital to fully commercialise its technologies.   |
| 8 | Intellectual property (IP) | There is a risk that some IP, particularly patents, may not be granted in key geographical markets or that CarbonScape Ltd may not have the funds to fully secure its IP position. There is also a risk that third parties may challenge or breach CarbonScape Ltd's IP. |

This summary does not cover all of the risks of investing in the Shares. You should also read SECTION 8: RISKS TO CARBONSCAPE GROUP'S BUSINESS AND PLANS, SECTION 5: TERMS OF THE OFFER and SECTION 6: KEY FEATURES OF THE SHARES.

### Where You Can Find CarbonScape Group's Financial Information

The financial position and performance of CarbonScape Group are essential to an assessment of this Offer. You should also read SECTION 7: CARBONSCAPE GROUP'S FINANCIAL INFORMATION at page 25.