

KAKARIKI LAND GENERATION FUND (LGF)

INTRO VERSION: FEBRUARY 2024

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HEADLINES

Asset-backed Carbon:

Purchasing Australian farmland to generate premium carbon credits via **biodiverse tree planting**

- ▶ Access the carbon thematic and hedge against carbon price exposure in your portfolio.
- ▶ Real-asset ownership provides downside risk buffer.
- ▶ Leverage a rising carbon price, in a supply constrained market.
- ▶ Choose to receive carbon credits (ACCUs) or cash.
- ▶ Third-parties take the risk of tree planting, and the fund has no direct exposure to operational agriculture.

Fund Highlights¹



Target Returns:

c. 12-14% p.a.¹

Target Yield:
c. 5-7% from year 4



Target Fund Size:

\$100m in 3 years²



Suggested Investment Term:





10 years

Liquidity option at year 5





1. Fund returns are net of management fees only and before tax.
2. Fund size target includes deployed or committed capital.

THE ACTIVITIES

Our actions:

- 1 Purchase Australian farmland...**
that is undervalued from a carbon perspective. 
- 2 Re-design the property...**
to integrate carbon farming, biodiversity and food production¹. 
- 3 Plant trees on a portion of the land...**
with a third-party funding the CAPEX and taking the tree planting risk, in exchange for a % of carbon. 
- 4 Lease remaining farming land...**
to a local farmer who aligns to farming in balance with nature. 

Your returns:

-  Capital appreciation of land
-  Favourable revaluation
-  Predictable Carbon Credit stream
-  Reliable lease payments

¹ Further upside potential on the same piece of land via other carbon methods and nature repair markets (Bill passed Govt Dec 2023).

FUND TERMS

Fund	Kakariki Land Generation Fund
Fund Administrator	Apex Fund Services – Registry
Fund Custodian	Perpetual Corporate Trust Limited
Target Return	Target 12-14% IRR per annum (excluding performance fees and tax)
Currency & Geography	AUD, Australia
Term	10 years with early liquidity from year 5
Target Raise	A\$100 million to be deployed in the first 3 years
Minimum Investment	A\$150,000
Target Gearing	Peak gearing on land value of 30%
Fund Management Fee	Class A: 1.25% (first close participants) Class B: 1.50% <i>p.a. of gross asset value</i>
Performance Fee	20% above a return of 8%

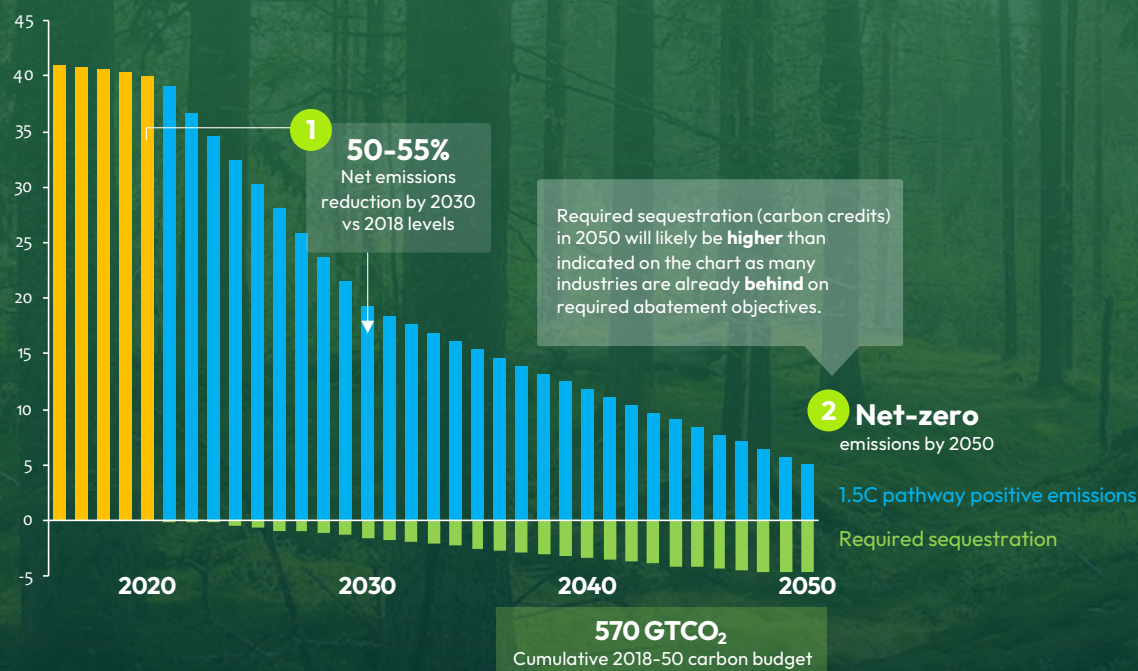
LONG TERM CARBON OPPORTUNITY

Net zero 2050 is impossible without offsetting hard to abate emissions...

...and we are already behind.

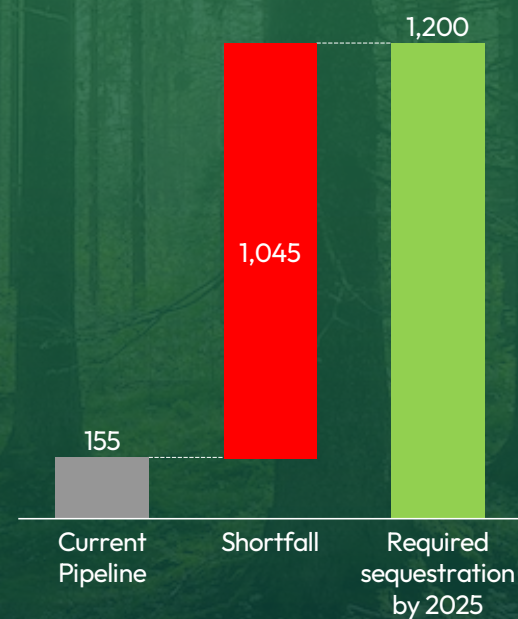
Global forecast net carbon dioxide emissions¹

Gigatons (GtCO₂)



Required sequestration to achieve 1.5 degree pathway²

Megatons (MtCO₂)



1. McKinsey, IPCC

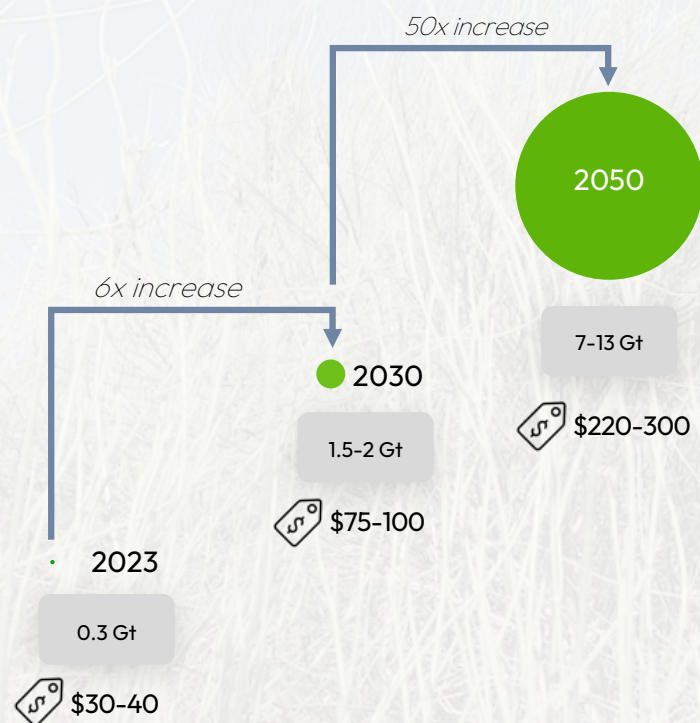
2. Coalition for Negative Emissions and McKinsey

GLOBAL CARBON MARKET GROWTH

Demand forecast to grow exponentially, resulting in strong price growth and a likely investment super-cycle

Global Carbon Credit Demand¹ and Price Forecast²

Gigatons (Gt), A\$

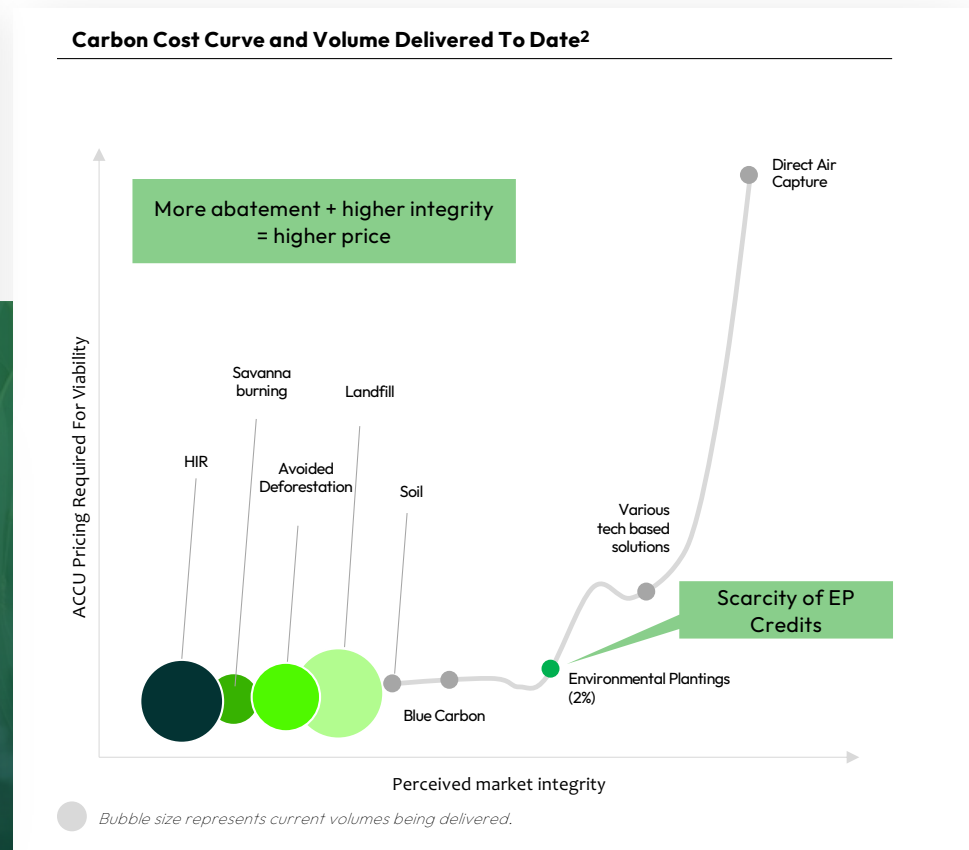
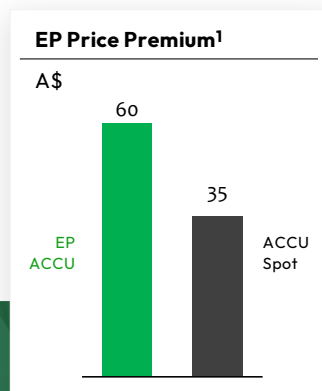


- ▶ Current supply is far below the required level for global emissions levels to reach net-zero.
- ▶ Current demand is only ~5% of where it needs to be for current emission levels, if companies were to offset just 10% of their emissions.
- ▶ Attitudes toward carbon markets are at a pivotal junction where real action is starting to be prioritised over target-setting.
- ▶ Current planned supply is critically insufficient to meet global offset requirements and will likely be the key driver behind price-growth.

1. Mckinsey & Company 2021: "A blueprint for scaling voluntary carbon markets to meet the challenge, 2021" and "Climate math: What a 1.5-degree pathway would take, 2020". 13Gt target (50x increase) is the upper-end of 7-13Gt range.
2. Ernst & Young 2022: "Essential, expensive and evolving: The outlook for carbon credits and offsets. An EY Net Zero Centre report"

ENVIRONMENTAL PLANTINGS (EP)

Planting a biodiverse mix of native tree species on cleared farmland is a high integrity carbon method, with prices to match.



A premium opportunity

- ▶ Carbon credit integrity has come under necessary scrutiny globally.
- ▶ Driving demand for higher quality removal-based methodologies.
- ▶ Scarcity of supply is exacerbated as methodology rules tighten.
- ▶ EP is a high-integrity method, with additional biodiversity value.
- ▶ Buyers will pay a premium for EP ACCUs (currently ~40-50%).
- ▶ Yield is a modelled outcome, meaning **payoff is known upfront**.

1. Summarised from Reputex data covering average pricing June 2023 – Jan 2024.
2. Reputex data 2023

AGRICULTURAL LAND AS AN INVESTMENT

Farmland has historically provided consistent capital growth with many diversification and defensive qualities.

Investment Performance¹ – Asset Class Comparison as of 2022.



1. Rural Bank (from Australian Bureau of Statistics, Reserve Bank, Investing.com, Pricedfind and Digital Agriculture Services).

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FINANCIAL REVIEW

This asset class has outperformed shares and property

Agricultural land is the quiet achiever, outperforming equities and housing over the longer term.

Pensions & Investments

ESG, stable returns moving pension plans to real assets

Timber, agriculture and farmland among areas attracting more interest

farmonline NATIONAL

Australian farms double in value every seven years, but sales volatility forecast for 2023

Stellar performance of last 3 years showing signs of trending downwards, towards longer term averages.

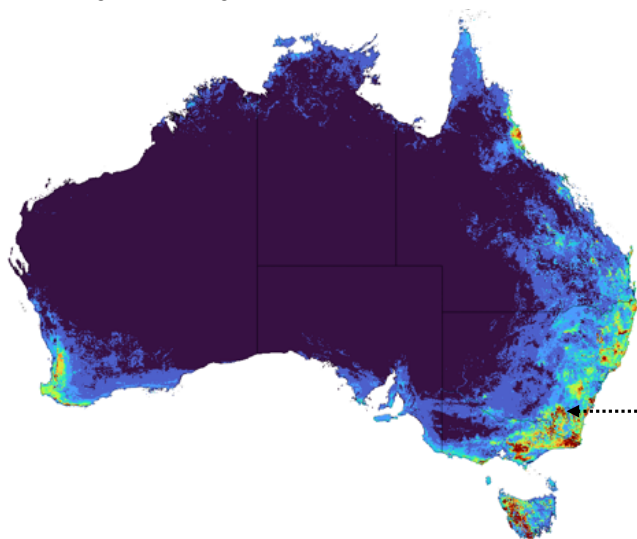
FARMLAND IS FREQUENTLY UNDERVALUED FOR CARBON.

Despite a period of record high farmland prices, strong carbon farming purchasing opportunities exist:

- ▶ Rural real estate agents and land valuers generally do not understand the carbon farming potential of an asset.
- ▶ Pricing is driven by traditional agricultural valuation methods based on primary production output (yield and carrying capacity).
- ▶ Frequent pricing miss-matches between carbon yield and agricultural productivity occur, presenting unfair buying opportunities.
- ▶ GIS mapping tools allow for pinpointing of target regions.
- ▶ Despite record high agricultural land values, properties frequently identified with > 20% property level IRR for carbon farming (see pipeline section).

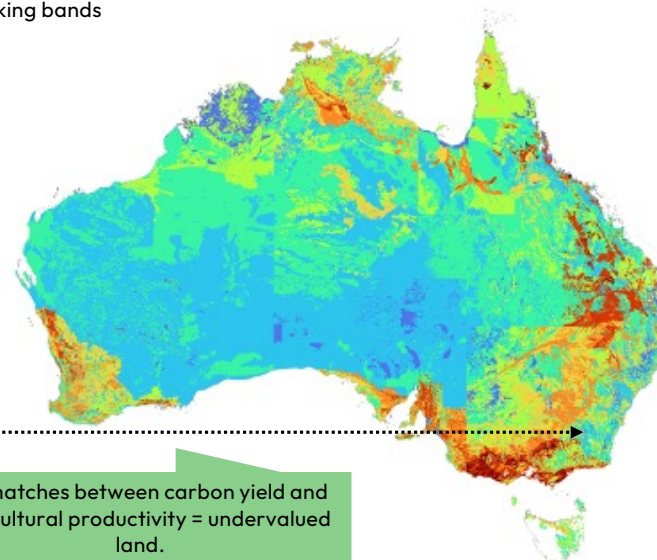
Carbon Yield Heatmap¹

Tonnes CO₂e gross (12 range bands)



Agricultural Output²

9 ranking bands



Mismatches between carbon yield and agricultural productivity = undervalued land.

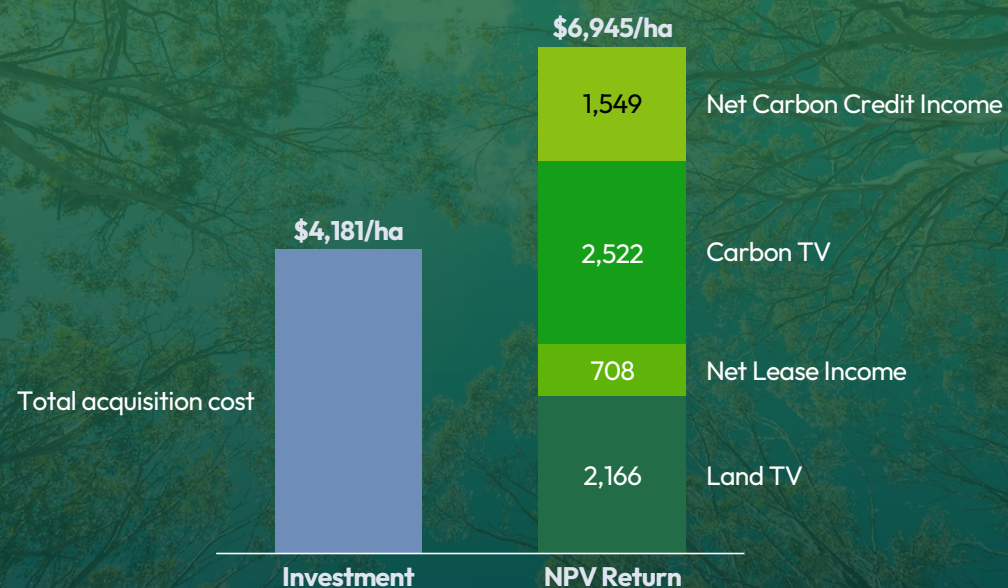
1. Derived From Australian Government Datasets and calibrated to FullCAM.
2. Source is confidential for commercial reasons.

PROJECT RETURNS:

The combined mispricing of farmland, diversification of revenue, and the value of the carbon project drives compelling project-level economics.

Indicative Land Investment Vs Net Present Value of Returns (10% Discount Rate) ¹

A\$ per Hectare



1. This example illustrates the estimated project level returns from an EP project, assuming ~35% of land area is used for carbon projects at a rate of ~20 ACCUs/ha (effective carbon yield of ~14 ACCUs/ha). The example assumes a 6-year hold, at which point the land is sold along with the carbon project. ~64% of ACCUs accrue over the first 10 years. The example excludes fund management fees and taxes.

Investment:

- ▶ **Total acquisition cost (land value)** includes stamp duty, transaction costs, and any initial property CAPEX required in the first 12 months.
- ▶ Note that capex for the carbon project is excluded, as it is funded by a third party.

Returns:

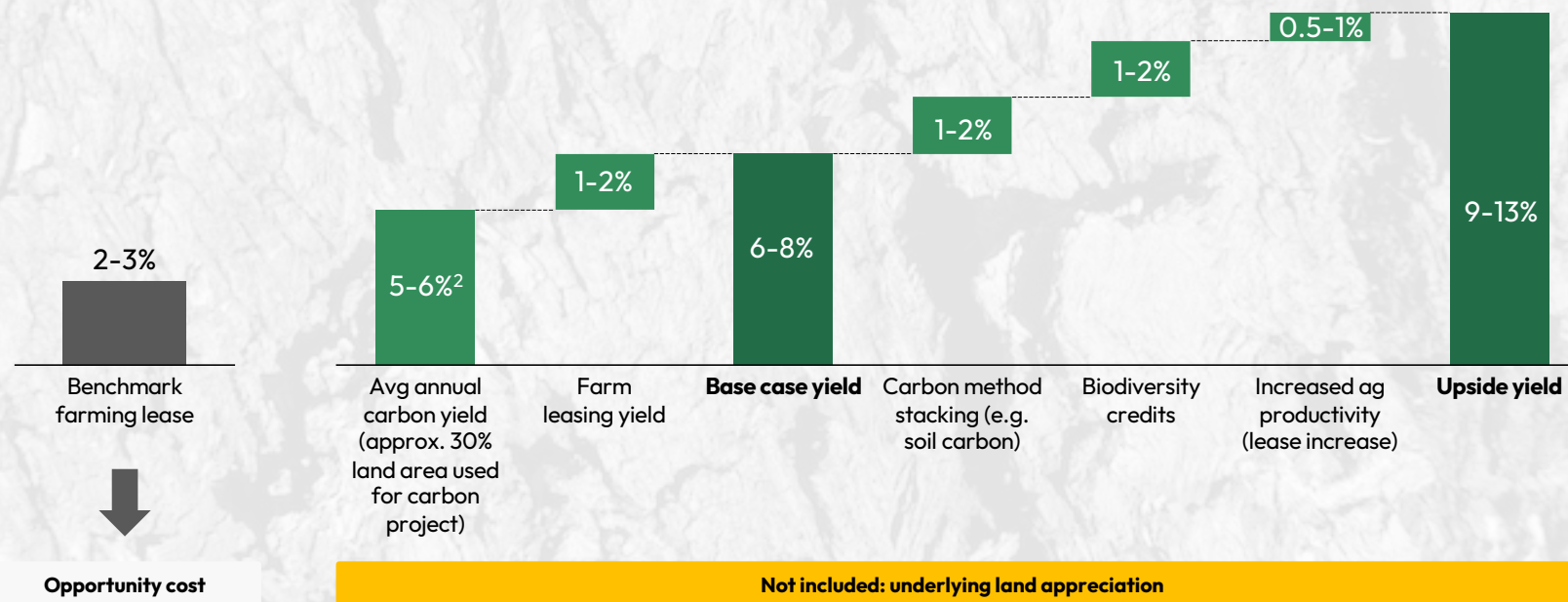
- ▶ **Land terminal value** assumed to appreciate at long term average of 5.5% p.a.; conservative 60% write-down applied for loss of value of farming area where trees are planted.
- ▶ **Carbon project terminal value** return is the remaining value of carbon streams at time of asset disposal. The calculation is based on discounting forward carbon cashflows to attain an assumed investment value.
- ▶ **Net carbon credit income** is based on a modelled yield with carbon credits assumed to be sold at spot-pricing. Modelled spot price commences at A\$45 escalating to A\$108 in FY34.
- ▶ **Net lease income** is the value of agricultural lease revenue assumes a cap-rate of 3.5% against land book-value, escalating at 3% p.a, netted against ongoing property costs on general maintenance. Only applies to farmable land area.

CASH YIELD UPLIFT:

Step change in land-use improves cash yield

Indicative Cash Yield Profile of a Typical Project¹

(avg % per annum)



1. Indicative illustration only, based on aggregated modelling across multiple projects. Results will vary. Yield is post-tax, pre-fees.
 2. There is a high degree of annual variability in cashflows from a carbon project, due to the cyclical nature of credit issuance.

CURRENT PRIORITY TARGETS: (Pipeline Export 17th Feb 2024)

A\$70 million potential deployment in high and med performing targets.

- ▶ Pipeline shows highest performing properties identified that exceed project-level modelled IRR target.
- ▶ Over 100 properties assessed in last 3 months.
- ▶ Further opportunities off-market.

	Property	State	Est. Value (A\$)	Area (Ha)	IRR (project level)
High	“Curlew Sandpiper”	NSW	4,500,000	7642	21.11
	“Regent Honeyeater”	NSW	6,500,000	1613	20
	“King Island Scrubtit”	NSW	4,000,000	6807	19.58
	“Sandplain Grasswren”	NSW	5,180,000	1956	18.9
	“Thick-billed Grass Wren”	WA	1,300,000	1814	18.83
	“Spotted qual-thrush”	NSW	13,250,000	3505	18.13
	“Coxens fig parrot”	NSW	1,880,000	3315	18
Med	“Capricorn Chat”	NSW	5,500,000	12020	17.83
	“Swift Parrot”	NSW	2,250,000	906	17.14
	“Helmeted Honeyeater”	NSW	5,670,000	2185	16.9
	“Yellow-tufted honeyeater”	NSW	4,950,000	1331	16.79
	“Tiwī Hooded Robin”	NSW	5,200,000	1533	16.34
	“Eastern Curlew”	NSW	7,600,000	4431	16.28
	“Plains-wanderer”	NSW	2,500,000	565	15.73

Selective Opportunities Under Review (~\$140m)

Total: ~A\$140m / 67k ha

Properties: 26

Median value: A\$3.3k/ha

Median IRR: 15.5%

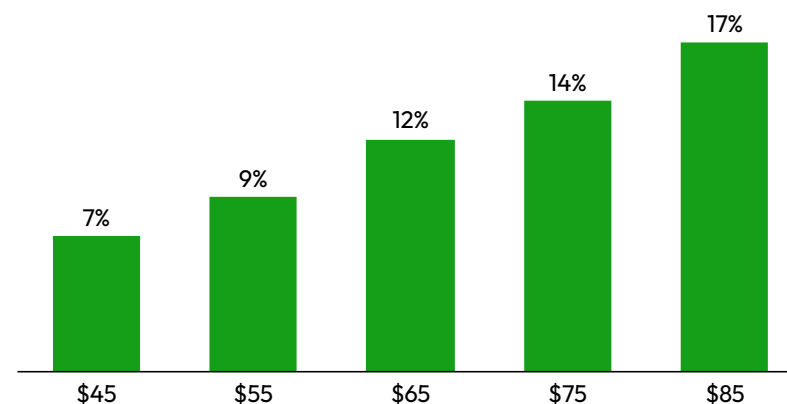
EXAMPLE ASSET

Return and Project Characteristics

“Regent Honeyeater” Project: Institutional grade plantings project in a strategic region

Region	One of the best areas for plantings in NSW High carbon yield, lower land value
Property Features	580mm rainfall Under-utilised farmland Excellent carbon development potential Attractive for farmland leasing
Property Size	>1,500ha for ~\$6m (ex-capex) NB – capex paid by developer and not by the fund
Abatement Potential	>7k ACCUs pa (gross) >203,000 ACCUs (Landowner share) over 25 years
Plantings Type	Low/mid density, biodiverse mix of native species
Project Economics	High teens IRR, at \$45 starting price, escalating at avg of three leading forecasts. >2x increase in cash yield vs agricultural leasing use post ramp-up Carbon income year 4+, Lease income from year 1
Optimisation	Biodiversity offsetting opportunities New carbon methods

Example Asset Yield Profile
Project Distribution Yield vs ACCU Starting Price (CY24)



1. Carbon price CY24 escalated at average of Reputex, MAG and EY carbon price forecasts
2. Post-tax yield relative to total property price plus transaction costs
3. Assumes carbon capex is funded by developer in return for share of ACCUs

INVESTMENT TEAM AND ESG IN PRACTICE

Investment Committee



Lachy Ritchie

CEO – Kakariki Land

Lachy is the co-founder and former CEO of The Carbon Farming Foundation, an organisation focused on rapidly scaling agricultural carbon projects across Australia.

Lachy brings 10+ years of regenerative agricultural and carbon project experience with deep exposure to various methodologies. In addition to his technical expertise, Lachy has a track-record of building successful ventures, partnerships and businesses across the carbon and agricultural space.



Adelaide Macdonald

Independent Member

Adelaide has over 15 years' experience in corporate advisory and equity research.

She is currently Executive Director of MDH Pty Ltd, one of Australia's largest integrated beef producers. She is also a Non-Executive Director of VGI Partners Global Investments, VGI Partners Asian Investments, and XTEK Limited (ASX:XTE). In addition, she has held roles as a Director at KPMG in the Mergers and Acquisitions practice with previous roles at Wilson HTM and BDO Kendalls.



Izzy Jensen

Founder of Kakariki Capital and 6+ years of dedicated carbon investing experience.



Danny Goldberg

Executive Chairman of Dakota Corporation, a global investor in hedge funds, PE and real estate.



Lillian Kline

Kakariki Capital
Chief Impact Officer

Former Head of Investor Relations at Impact Investment Group, Australia's largest managed impact fund.

Kakariki Capital is a leading carbon fund manager with experience in domestic and global carbon markets. Our team have deep experience partnering with carbon developers to deliver exceptional returns. Together we deliver:

- A rigorous investment process
- Highly qualified origination leads
- Fit-for-purpose capital
- Real ESG impact
- In-house expertise across the carbon value-chain
- Scalable funding and business models
- An adaptable proposition that can expand to new carbon methodologies

PARTNERSHIP STRUCTURE:

Project structuring to leverage partnerships, quarantine risk for LGF investors, and provide a platform for scale.

Carbon Partners:

- ▶ MOU's and service agreements in place with Australia's leading environmental planting project developers.
- ▶ Collectively bringing decades of carbon, ESG and restoration experience.
- ▶ Responsible for project origination, feasibility, establishing the carbon project, and managing the carbon project for its lifecycle.
- ▶ Receive a minor 5-10% share of carbon credits, or paid fees by Project Funders (no fees payable by LGF).



Farmer Tenants:

- ▶ Regenerative farmers sourced for long-term leases.
- ▶ Incentivised to ensure the farming operation is complementary to the carbon project, that firebreaks are maintained, and property is cared for.
- ▶ Reduces direct cash-outlay for property maintenance by ensuring property retains an active agricultural enterprise.

Carbon Partners have a secure stream of Project Funders ready to deploy capital.



Offtake:
LGF may elect to engage in Offtake Agreements to provide price risk security for investors.

Project Funders:

- ▶ Provide funding to cover CAPEX costs of carbon project establishment.
- ▶ Variety of funding structures, including pre-purchasing (for a set number of ACCUs) or direct project investment (for a 20-40% share of ACCUs).
- ▶ Take plantation establishment risk.

LGF investors have firsts-rights to also act as Project Funders or for Offtake agreements on carbon credits generated.

LGF Investors:

- ▶ LGF uses investor capital for the purchase of land, property costs, and fund costs only.
- ▶ Security of real asset ownership with no cash risk taken on carbon project establishment.
- ▶ LGF is entitled to the majority share of carbon credits (60-80%)¹.
- ▶ Distributions can be in cash or ACCU equivalent.

1. This is a project level figure only, it does not indicate an expected share of credits to flow to investors.

ASSET CLASS PROFILE

	Carbon Credits	Carbon + Land Fund	Farmland	Real Estate	Infra/ Renewables
Annuity cashflows	-	✓	-	✓	✓
High margins	-	✓	-	✓	✓
Inflation protection	✓	✓	✓	-	✓
Tangible assets	-	✓	✓	✓	✓
A-cyclical	✓	✓	-	-	✓
2050 tailwinds	✓	✓	✓	-	✓
Price optionality	✓	✓	✓	-	-
Typical return objective	High	Medium-High	Medium	Low-Medium	Low

THANK YOU!

Contact Us



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www.kakarikicapital.com/LGF

APPENDICES

ADDITIONAL DETAIL

MASTERPLANNING FOR THE FUTURE OF FARMING.

Redesigning the farm to integrate food production with carbon farming and biodiversity:

- ▶ Most Australian farms have been excessively cleared of trees and have large sections of underperforming land.
- ▶ The emergence of carbon and biodiversity markets provides a once in a generation restructuring of profit drivers.
- ▶ The careful re-integration of trees into the landscape can have a raft of flow-on benefits to agricultural productivity and resilience.
- ▶ This **great transformation** of Australian farmland has only just begun to gain momentum, significant untapped opportunity exists.

Example layout of **current conventional broadacre farm**



- ▶ Disconnected islands of remnant vegetation.
- ▶ Poor performing pockets of land.
- ▶ Huge paddocks with limited wind / shade for livestock.

Example layout of the **broadacre farm of the future**

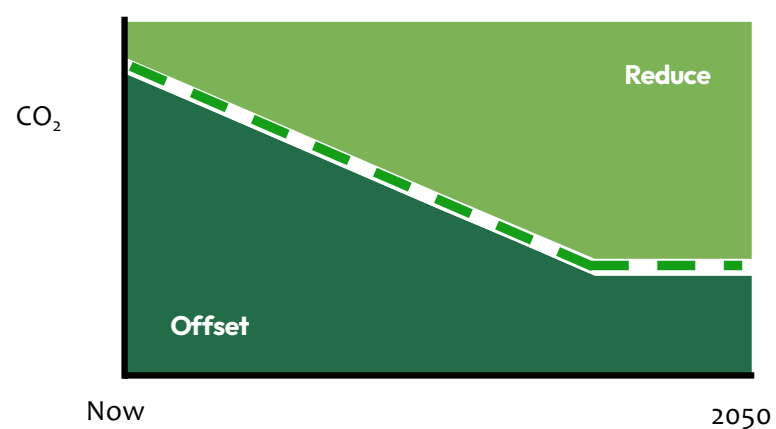


- ▶ Restoration of waterways and wildlife corridors for connectivity.
- ▶ Highest value food production land retained for farming.
- ▶ Smaller paddocks, with shelterbelts / windbreaks on contour¹.

1. Belt planting can receive a 20-30% carbon yield uplift. Shelterbelts also reduce evapotranspiration from wind and can reduce livestock mortality rates.

A CRITICAL TOOL FOR DECARBONISATION

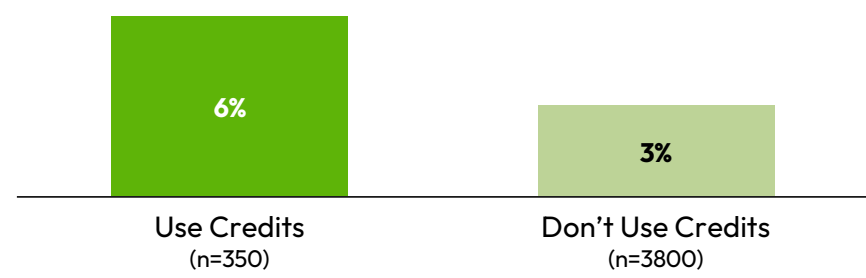
There is growing understanding that carbon credits are a critical part of the solution to solving the challenge of climate change. With the world now on track for at least 2.8 degrees of warming by 2050¹, the mantra that ‘we need everything, everywhere’ remains clear. Fortunately, carbon credits are a statistically validated driver of corporate decarbonisation.



The Theory: Why we need carbon credits:

Offsetting now **AND Reducing** emissions towards 2050, aims to address all emissions and has immediate impact.

Mean Annual Reduction in Emissions (2017 – 2022)²



The Facts: Carbon credits incentivise emission reduction:

Corporates who use carbon credits are **decarbonising** at **twice the rate** of those who don't.

¹As reported at COP28.
² Trove Research, Corporate Emission Performance and the use of Carbon Credits, June 2023