STRICTLY CONFIDENTIAL

Silva Capital

Silva Carbon Origination Fund

March 2025

Expressions of interest in Silva Carbon Origination Fund (**SCOF**)

SILVA CAPITAL

Carbon an Investment Grade Asset Class

- *Carbon is now an investment grade asset class, with projects attracting corporate finance and private equity on stand alone returns from Carbon income.*
- *The industry has evolved from "Venture capital" only investments to investment bank and private equity level investment.*
- *Whilst investment usually requires revenue from non carbon commodities (timber and agriculture) or co-benefits (indigenous impact and biodiversity) projects are now being financed on the carbon income alone.*
- *To scale this investment, further certainty is needed around methods, biodiversity and FullCAM assurance.*

Factors leading up to this moment: Carbon Industry has fought to solve investment risk

1. **An important milestone:** over the last 18 months, carbon projects (specifically plantation forestry and Environmental Planting projects) have a reached an important milestone, being that they have reached 'Investment grade' status, **several billion dollar have been invested to date**. This is no small thing and has required huge problems to be solved.

2. **Policy Certainty:** The Safeguard Mechanism; a baseline and credit scheme, with all its faults, is probably "baked in" as Australia's long term carbon policy. It is simple and effective finding the political middle-ground solution that neither side would spend the political capital to repeal.

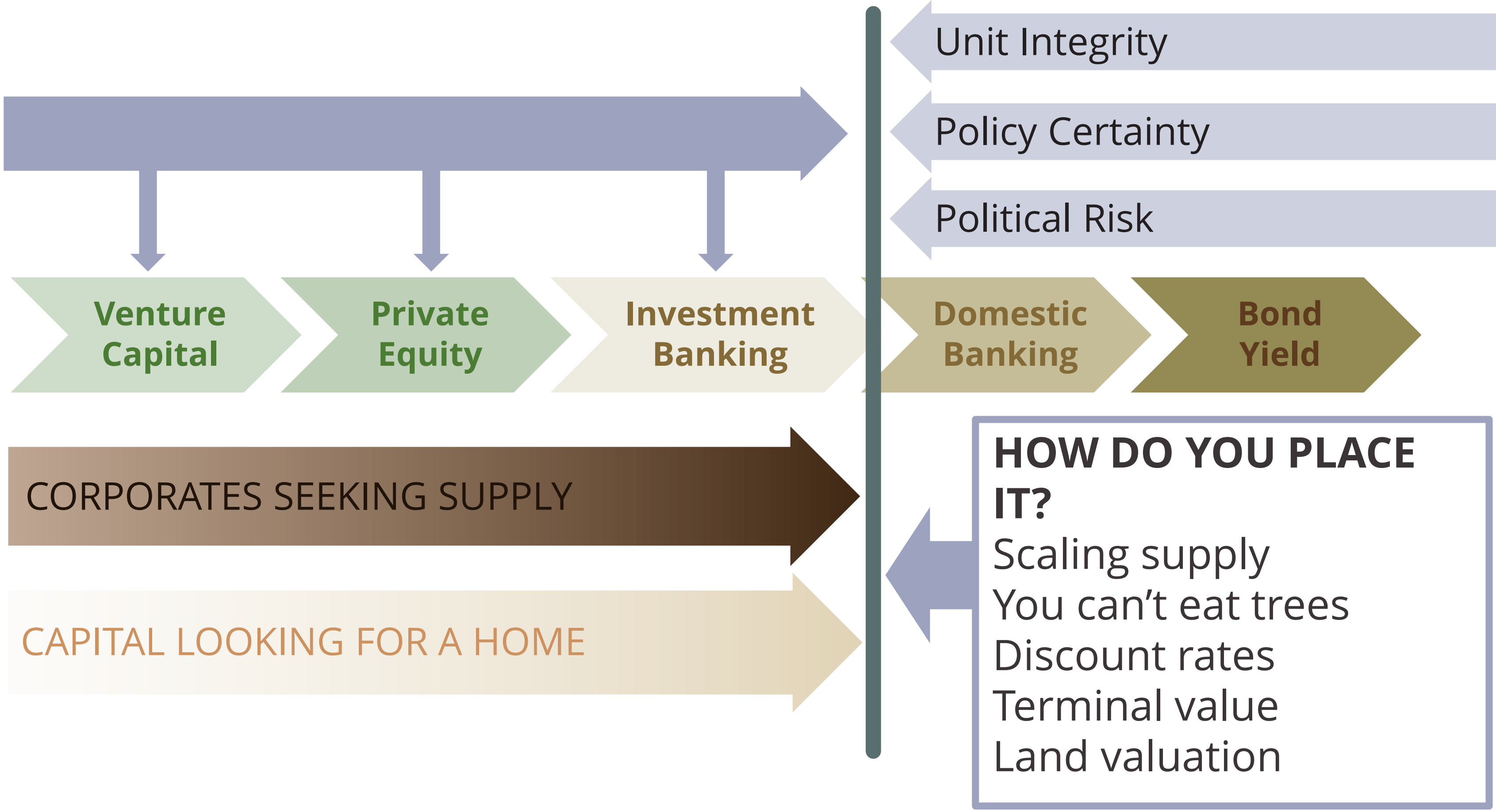
3. **The Cap-ex Hurdle**: Since 2014, projects with low Cap-ex or alternative revenue dominate the project landscape. Avoided Deforestation, Human Induced Reforestation and Land Fill Gas provided ~80% of all ACCU generation. Projects requiring Cap-ex such as forestry struggled to compete being impeded by policy, methodology and regulatory risk. Cap-ex projects require a level of investor due diligence unlike others

4. **Price certainty**: Undoubtedly the emergence of several quantitative price forecasts emerging in 2019 helped to solve for the main risk, price uncertainty. It is now largely agreed that ACCU prices should rise later in the decade and continue for decades.

5. **Alternative Revenue**: Projects generating revenue from alternative commodities (Timber, biodiversity agriculture and Indigenous involvement) where the first to leap over the Cap-ex hurdle.

6. **Commercial Banking**: Banks (CBA) have begun lending to carbon projects, albeit against land value alone.

The road to scale: Where are we right now?



Challenges to scale: There are still big problems to solve.

1 **Methodology certainty and FullCAM:** The issues with FullCAM need to find a middle ground solution. The use of other models would be helpful.

2 **Integrating Agriculture:** To achieve large scale environmental plantings implementation, the integration with Agriculture and the impact on productivity and final value of property needs a solution.
We think we have cracked it, but it will require long term "learning by doing".

3 **Biodiversity Value**: The nature repair market will need to evolve and change in order to support bankable revenue projections. I dentifying the problems are easy, solving them is a big challenge.
It is not a market yet and is probably 5 - 10 years away from where carbon is.

4 **Integrity**: The challenging integrity questions currently plaguing the industry need to be solved before investment can truly scale. Agree and set expectations. Compromises need to be made.
Do we want carbon sequestration, biodiversity conservation or don't we?

5 **Time**: To reach bond yield risk weighted returns, projects need time to prove themselves and reduce the discount rate applied for uncertainty. Trees need to grow, agriculture needs to integrate.
De-risking through experience is at best 5 years away.

6 **Financing**: Banks need to reach a point of lending on ACCU revenue. The finance sector needs to develop tailored financing solutions and insurance products to reduce costs and de-risk leading to increased investment.
There is appetite, the problems just need to be solved first.

300,000 trees planted YTD
Questions?