



On-Country Carbon

Business Model and
Feasibility Assessment



ABC
Foundation

On-Country
CARBON

Acknowledgement

We acknowledge that our services expand across traditional lands and as a majority Aboriginal owned social enterprise, we are committed to working with all traditional custodians of the land on which we operate. We are proud of the diversity that flow within our vibrant workforce and respect the First Nations Peoples of Australia. We pay respect to their Elders both past, present and emerging, our Aboriginal staff and all Aboriginal communities we interact with.

We advise that this document may contain images of people who have passed away.



Executive Summary

Through the work of ABCFL with Aboriginal pastoral lease holders an opportunity was identified to utilise the emerging carbon farming sector to enhance the scale, diversity, and structure of the ABCFL's social and environmental vision. From this opportunity the On-Country Carbon (OCC) Business Model and framework was born.

ABCFL's OCC Business Model has been specifically designed to deliver triple bottom line benefits to Aboriginal communities: (1) Economic benefits are derived from the sale of carbon credits, presenting opportunities for alternative and additional income sources on pastoral leases. (2) Environmental benefits are derived from the delivery of on-ground works such as sustainable grazing management, removal of grazing pressure on native vegetation, pest plant and animal management and revegetation. These activities result in the sequestration of carbon (mitigating climate change impacts), increased groundcover, biodiversity and reducing erosion. (3) Social benefits are derived because of alternative and additional income sources enabling the delivery of sustainable On-Country social programs including training and employment opportunities.

At the core of this model is an unwavering focus on ensuring ownership of lease holdings are retained by Aboriginal people with opportunities and dividends from the carbon projects utilised for social impact programs.

This document outlines in detail the OCC business model, its structure, focus and dividend distribution between all project partners. It also provides detailed modelling to be used when evaluating potential carbon projects and the cost of providing various levels of programs to Aboriginal people and communities.

Finally, it is hoped, that this document will serve as a benchmark within the carbon farming sector to identify, develop and manage Aboriginal lease holdings to maximise Aboriginal benefits throughout the life of a carbon project.

ABCFL ON-COUNTRY SOCIAL BENEFITS



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Introduction

The vision of the ABC Foundation Limited's (ABCFL), On-Country Carbon (OCC) Business Model and Framework is to maximise 'On-Country' Aboriginal benefits for its Aboriginal leaseholder partners. We aim to achieve this by creating an overarching Aboriginal Controlled Carbon Aggregator Services model, providing individual 'project' partner ownership, and leveraging overall social impact delivery through the foundation.

The point of difference of our model is that we put the Aboriginal leaseholder, their future aspirations, and strategies, funded by the carbon opportunity, first and foremost. We achieve this by ensuring that Aboriginal people retain ownership and management control of their carbon projects while providing investors the opportunity to contribute to positive social and environmental impact programs while lowering their overall carbon footprint.

The OCC framework incorporates three core elements ensuring Aboriginal people are involved in the overall decision-making process when it comes to carbon and related income activities on their pastoral leases. The model has been designed with flexibility in mind, this is not a one size fits all model. The following detailed business model and feasibility assessment will inform the reader on how the ABCFL aims to maximise the On-Country Aboriginal Benefits through carbon farming, by providing holistic socio-economic and environmental investment ready projects for social and environmental investors, carbon off-takers, government funders and community collaborators.

This model and ABCFLs associated Impact Measurement Strategy (IMS) and investor prospectus is a game changer when it comes to measuring and investing in On-Country Aboriginal and environmental benefits through a socio-economic and environmental impact model.

The ABCFL is committed to innovation and inspiration in connecting people to Country for their physical, spiritual, and cultural well-being.

What is Carbon Farming?

Carbon farming seeks to reduce and mitigate the impacts of global warming by implementing agricultural or land management practices that increase the amount of carbon stored in the soil and vegetation. In Australia, carbon farming is regulated by the Clean Energy Regulator through the Emissions Reduction Fund (ERF). The ERF is a voluntary scheme that aims to provide incentives for land managers to adopt new practices and technologies to reduce emissions or increase the capture of atmospheric carbon. Several activities are eligible under the scheme and participants can earn Australian carbon credit units (ACCUs) for emissions reductions. One ACCU is earned for each tonne of carbon dioxide equivalent (tCO₂-e) stored or avoided by a project. ACCUs can then be sold to generate income, either to the Australian Government through a carbon abatement contract, or in the secondary market (businesses seeking to off-set their carbon emissions).

Carbon Farming activities that are eligible under the ERF include:

- Agriculture methods - Implementing agriculture methods that reduce the amount of methane entering the atmosphere, reduce greenhouse gas emissions or increase storage and capture of carbon in soils.
- Vegetation methods - Implementing activities that remove carbon dioxide from the atmosphere and store it as carbon in plants as they grow. Vegetation methods include Human Induced Regeneration (HIR), Reforestation/ revegetation and Avoided deforestation.
- Savanna fire management methods - Implementing fire management practices that reduce the frequency and extent of late dry season fires in savannas, resulting in fewer greenhouse gas emissions and more carbon being sequestered in dead organic matter.

The ABCFL OCC framework is primarily focussed on implementing 'Vegetation Methods'. Further information on the ERF and carbon farming methods is available at the Clean Energy Regulators website:

[Clean Energy Regulator Clean Energy Regulator - Home](#)

On-Country Carbon Framework

The following business model and associated feasibility assessments undertaken on the initial pilot sites, incorporates the three key elements offered under the OCC Framework:

1. Costing out what is required to deliver an 'On-Country Carbon' project on Aboriginal Held pastoral leases. It is expected that On-Country employment is the key driver and as such the cost benefit analysis looks to maximise employment opportunities for the Aboriginal Corporations members and the associated community, through several carbon related activities. ABCFL has the ability through its business partnership model to support the Aboriginal corporation by providing overall management and administration services as further explained below.
2. The Aboriginal Carbon Environmental Services (ACES) project proponent entity, held by ABCF Holdings Pty Ltd (wholly owned by ABCFL). Each Carbon Project will be owned jointly as a 'project subsidiary' between ABCF Holdings and the associated 'pastoral lease holder' (Aboriginal Corporation). This provides a 'fit for purpose' transparent carbon services platform responsible for separating and managing the project risk, trading requirements and overall complexities associated with undertaking Carbon Farming projects. This also provides a place for all key stakeholders at the decision-making table.
3. As a partner with ABCFL, the OCC framework and business costings model, looks at incorporating the ABCFL social and environmental benefit programs within the carbon financial projections, focusing on benefits supporting both the Aboriginal Corporation and Native Title group. This focus aims to demonstrate what is achievable through both a commercial lens and for those looking to invest in the overall 'On-Country Impact'. This also provides an opportunity for existing and future funders to provide financial contributions to the partnerships On-Country social and environmental benefits programs and aims to minimise the partnerships reliance of government and/or ad-hoc funding.

CARBON SERVICES STRATEGIC PHILOSOPHY

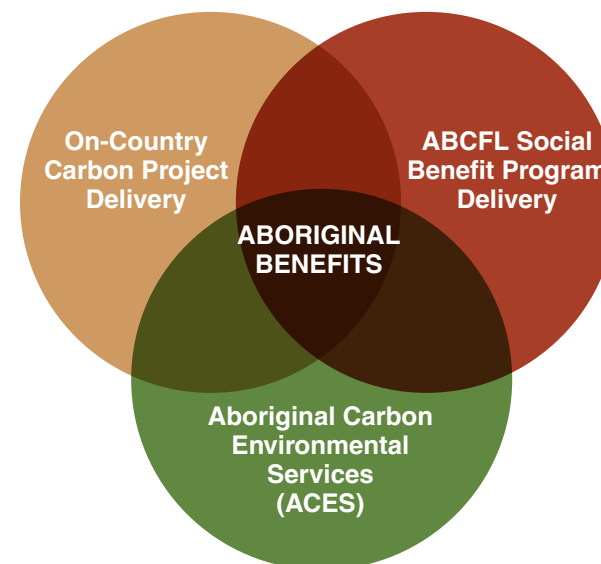


Figure 1: ABCFL On-Country Carbon Framework

ABC Foundation Role

The ABC Foundation Limited (ABCFL) mission is for Aboriginal people to lead the growth of a sustainable land and sea economy. One way we achieve this mission is by working in partnership with Aboriginal Corporations and Native Title Groups (PBCs), through our Partnership Model:

1. Business Partnership – providing tailored management and administration services to support overall governance, relationship management and contract operations of the partnering entity; and/or,
2. Community Partnership – providing funding for partnering organisations to deliver a range of ABCFL On-Country programs and services, maximising local employment opportunities and creating social benefits.

The focus for ABCFL and its partners when it comes to OCC, is to maximise opportunities for Aboriginal people to be engaged On-Country through carbon projects. This ensures a holistic socio-economic and environmental model is developed and implemented through the revenues generated from ACCUs (Australian Carbon Credit Units).

The point of difference for ABCFL and its partnering entities, is that ABCFL will work to build the capacity and capability of its business partners, through its social-enterprise approach, creating independence through a diversified revenue portfolio.

ABCFL also independently works to develop additional On-Country initiatives, which are delivered through its Aboriginal community partner organisations. It is our vision that these programs and services will become imbedded into our partner entities, providing business services work that create sustainability and capability long-term.

Therefore, establishing a self-managed Aboriginal Carbon Aggregator Services model that is accessible and project owned with its Aboriginal lease holding partners exemplifies how the ABCFL continues to strive to maximise On-Country Aboriginal Benefits through mainstream income sources.

Further information on ABCFL Strategic Plan and Partnerships Model Policy can be found at our website www.abcau.com.au

Aboriginal Carbon Environmental Services (ACES) Role

ACES is more than a carbon aggregator set up to manage the risk and complexities related to carbon farming. It represents a holistic governing philosophy that will create a transparent and owner-controlled platform for carbon commerciality and not-for-profit social and environmental benefits to maximise Aboriginal benefits. The ACES legal and governance structure will sit under ABCF Holdings P/L to be transparent, respectful and offer a 'project control model' with each partner delivering its On-Country Carbon activities. It is hoped this approach will ensure a flexible, scalable, and successful platform that delivers benefits to Aboriginal people and communities.

ACES originally evolved in 2019 from an acknowledgment, that existing for-profit carbon development models, were not well aligned with Aboriginal On-Country aspirations and values. ABCFL and its pilot project partner have spent over 18 months working to build a collaborative model that maximises Aboriginal benefits for both the leaseholders, Native Title Members, and associated community. The pilot site will be the first of its kind and a proud moment for our partnership – as the first jointly held project becomes registered, with additional properties to follow.

Whilst significant social benefits will be achieved for the Aboriginal pastoral leaseholders engaging in the complete OCC Framework, ACES can also be engaged independently to meet the needs of the Aboriginal leaseholder and/or neighbouring non-Aboriginal leaseholders, providing benefits for an 'owner' project-

controlled model.

Under the 'owner' project-controlled model, the leaseholder can engage ACES to undertake a range of services including, initial carbon assessments, infrastructure development, pest plant and animal management and other carbon farming activities. Existing Carbon Developers also currently offer similar services however the ACES model is focussed on being fully transparent and project integrated. Another key point of difference in the ACES model is that Native Title Groups will receive a fixed financial incentive over the life of the project and Aboriginal pastoral leaseholders can also work with the ABCFL to develop additional social benefits programs that can be incorporated into the carbon project cost modelling.

The initial feasibility stage of the pilot project identified that if ACES was to provide a low-cost service to its project partners, it would need to bring in strategic service partners and outsource some key technical services when local capability and expertise was not available. Once the initial pilot property and associated phase A growth strategy role out is complete, the requirement for external or outsourced expertise can be reassessed and additional Aboriginal benefit training and skill development initiatives can be implemented to increase community employment opportunities. An overview of the ACES financial projection for a carbon project is shown in detail within Appendix 4 of this document.

On-Country Carbon Framework Goal and Objectives

At the heart of all On-Country Carbon projects and more specifically ABCFL Social and Environmental Benefit programs, is firstly, a desire to incorporate and implement Traditional Ecological Knowledge wherever possible (ABCFL 2021-2025 Strategic Plan). The On-Country Carbon Framework will ensure it meets the ABCFL Strategic objectives, to assist and inform our partners and wider community in understanding the use and benefits of TEK, incorporating it within mainstream western science and programs. This will result in developing a

culturally appropriate place for learning and knowledge transfer.

Secondly, to mitigate financial and capital start up risks identified such as, ACCU allocation, lead times and drawdown capability of revenue (which varies significantly within each carbon project life cycle) the OCC has conducted a detailed scientific, commercial, and cultural due-diligence process on all targeted projects. The early identification of risk allows suitable mitigating strategies to be agreed and planned by relevant stakeholders. Complex projects will require the support, stability and trusted financial management and governance structures, which forms the basis for the 'ABC Future Fund'.

Our Goal:

To establish an Aboriginal Carbon Services Aggregator model, providing a place-based solution for Aboriginal leaseholders while ensuring it can create a national narrative for investment and partnerships.

Our Objectives:

1. Create socio-economic value for TEK through a tangible and flexible investment model.
2. Create a growth model that provides consistent revenue streams for ABCF partners.
3. Provide avenues to access upfront capital investment to support project start up - e.g., ILSC, corporate sector and Carbon bank when created etc.

Incorporating Traditional Ecological Knowledge

It is ABCFL’s belief that the endorsed use of Traditional Ecological Knowledge (TEK) is essential for leading OCC activity, ensuring it is valued and aligned both in the Aboriginal and western socio-economies. The role of the OCC business model is to align income from carbon offset projects with TEK activities thus creating an increased economic value for the social- ecological benefits derived from looking after country.

What the OCC Framework has considered is how Aboriginal benefits can be offered to Native Title members and Aboriginal leaseholder members. As in most cases, not all members of the pastoral leaseholders are native title members. Therefore, what our framework aims to achieve would be to create opportunities for Native Title members to incorporate TEK into the carbon projects. Table 1 is an example of what could be achieved through genuine partnerships.

Table 1: Traditional Ecological Knowledge Transfer on Carbon Projects

Native Title Members	Aboriginal Leaseholder
Incorporating traditional ecological knowledge through engaging Rangers on the project i.e., undertaking heritage surveys.	Managing the carbon project requirements to deliver the project i.e., ecological surveys, field assessments, infrastructure development.
Managing TEK activities that support knowledge sharing and aligning the using of both Aboriginal and Western methods.	Undertaking pastoral and infrastructure works through the training and mentoring of local Aboriginal people.
Utilise the carbon project to run cultural benefit programs for Aboriginal traditional owners.	Utilise the carbon project to run social benefit programs for all Aboriginal people.
Revitalising the connection to country for local Aboriginal people and communities.	Providing agreed access to traditional owners to access the pastoral lease for 'connection to country' projects.
Developing, documenting, and passing on fire management skills and knowledge through a dedicated Aboriginal Ranger and/or Pastoral management teams.	Improving the sustainability and regeneration by restoring natural habitats, through employing local Aboriginal people.

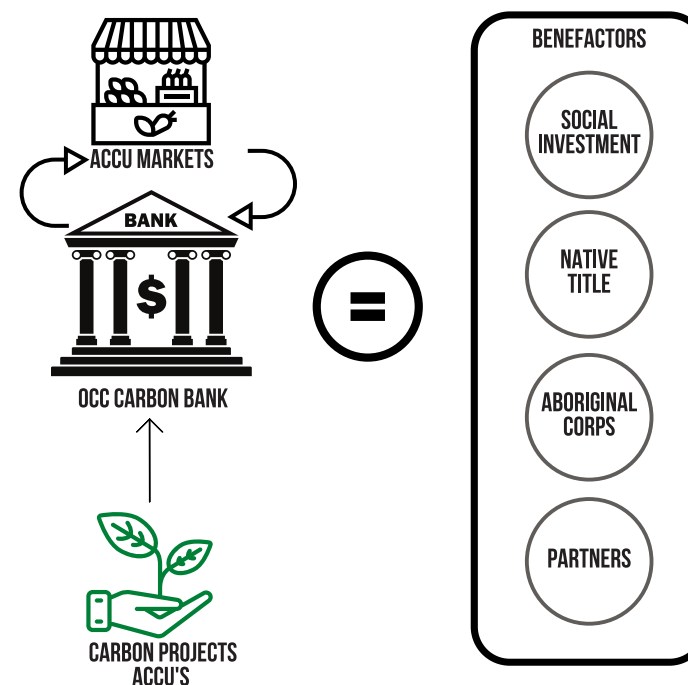
ABCFL Future Fund 'Carbon Bank'

The ABCFL Future Fund Carbon Bank aims to create a sophisticated and transparent trading platform through the agreed storage and sale of ACCUs on behalf of clients. This platform will access all market platforms, to ensure that our project stakeholders will have access to a regular income flow, mitigating against market fluctuations and associated risks. This security will assist in managing the CAPEX and OPEX costs associated with their carbon and social benefit programs, including the ability to leverage their ACCU value for upfront investment. This approach is further explained in this plan.

The pool of carbon credits which will sit in the carbon bank, will not impact on the ACCUs allocated out to each individual project at a "base case" level. Any ACCU's above this level may participate in the carbon bank strategy to manage risk and leverage opportunities to support social investment.

It also allows for project financial stability. Our research indicates that ACCUs across all projects will be issued inconsistently and that without strong financial management processes in place, this can be a significant risk. Ideally, the Carbon Bank will seek investors willing to purchase ACCUs and/or provide the upfront financial security required to support 'project partners' to deliver their carbon project.

OCC CARBON BANK OVERVIEW



Global Carbon Market Overview

Global carbon pricing initiatives have been strengthened as jurisdictions adopt more ambitious mitigation targets and introduce associated policy tools. This is particularly crucial as 2020 and 2021 are critical years for countries to ramp up their emission reduction pledges under the Paris Climate Agreement.

The value of the global carbon market increased by 20% in 2020 to Eur229 billion (\$272 billion), financial analysis company Refinitiv reported in January 2021. The growth in market prices and volumes is expected to continue as emission reduction targets tighten and climate change mitigation goals become increasingly ambitious.

Currently the EU Emissions Trading System accounts for ~90% of global volume and trade of carbon credits. The North American regional carbon markets – the Western Climate Initiative and the Regional Greenhouse Gas Initiative – showed a similar trend to Europe, with carbon credit growth rates of 16% from 2019 in market values and an increase of 22% in trading volumes.

Meanwhile, the Chinese government published long-awaited rules for China's national Emissions Trading System in Q4 2020, after President Xi Jinping's unexpected pledge in September to step up the country's climate change mitigation targets. It is expected that China's carbon credit trading platform will be ready by Q2 2022. All the groundwork is in place for the world's biggest emissions trading system to finally see transactions and increase global trading volumes rapidly.

It is estimated that the market demand and supply avenues will increase in volume and value in the medium term. It has been predicted that a plateau of market volume and price after 2030 may occur as global climate targets are being realised and carbon credit projects come online and are absorbed into trading markets.

**Source: SP Global Carbon report – author Frank Watson*



Global Carbon Market Drivers

The continued demand for carbon credits through global markets is primarily driven by the following key factors:

1. The Paris Agreement was reached in December 2015 and is a global agreement which aims to limit global temperature increase to 1.5 - 2°C degrees Celsius. It is based on voluntary emission reduction commitments made by each country in the form of Nationally Determined Contributions (NDC's).
2. Post-2020, it is expected that global climate policy developments in the form of market mechanisms under the Paris Agreement will drive increased international demand for carbon credits, particularly high-quality credits that demonstrate sustainable development outcomes.
3. There is an opportunity for governments to engage with international market developments, to provide additional sources of demand and future export opportunities of ACCUs from domestic carbon farming projects.
4. As the world transitions to a zero-net emissions economy, global emitters are looking to new and innovative ways to lower their emissions, as well as providing access to offsets for the remaining emissions. The Carbon Offsetting Scheme for International Aviation (CORSIA) is an example of how international developments in the aviation industry's response to climate change could create additional sources of international demand.
5. It is expected that there will be increased voluntary demand from multinational corporations for premium, verifiable carbon credits with co-benefits for social licence purposes.

Australian Carbon Market Overview

The Carbon Farming Initiative (CFI), which commenced operation in Australia on 8 December 2011, was a Federal Government carbon offset scheme established by

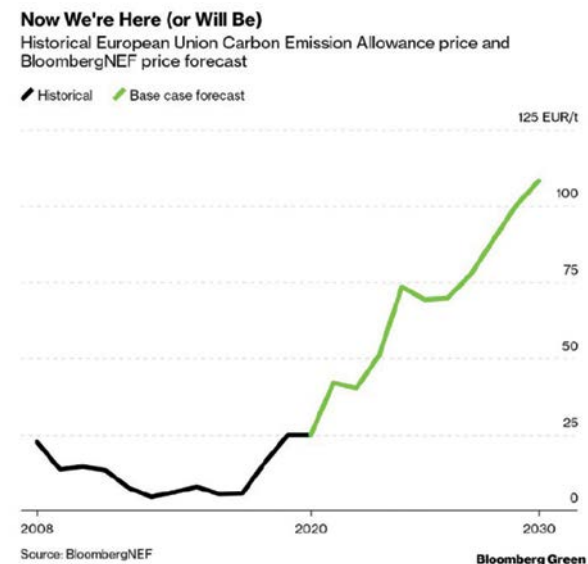


Figure 3: European Union Carbon Price Index

the Carbon Credits (Carbon Farming Initiative) Act 2011 (the CFI Act). In 2014, the CFI was transitioned into the Emissions Reduction Fund (ERF) via amendments to the CFI Act. The ERF has three components whereby the government credits, purchases, and safeguards emissions reductions.

Currently, the ERF is the primary source of demand for ACCUs for projects that reduce emissions or enhance carbon storage on the land. Since October 2017, the Clean Energy Regulator has held five ERF auctions, with the total contracted abatement, approximately 189 million tonnes and over 153 million tonnes (81%) awarded to projects utilising land sector methods.

Table 2: Australian Carbon Market Trends

MARKET FACTOR	TREND
ACCUS ISSUED	16 million ACCUs were issued in 2020, growth of 8% from 2019. In 2021, expected growth is 17 million ACCUs.
PROJECTS REGISTERED	As of the end of 2020, there are 922 registered carbon farming projects.
PROJECTS CONTRACTED UNDER ERF	In 2020, the ERF contracted 44 projects, taking the total to 499. Auction 12 in April 2021, saw 10 additional projects contracted to the ERF.
AUCTION PRICE OF ACCUS	The average price for ACCUs received at auction increased from \$14.17 in Auction 9 to \$15.99 in Auction 12 (April 2021).
VOLUNTARY DEMAND	In 2020, approximately 800,000 ACCUs were traded on the voluntary market. This is an increase of 74% from 2019.
SPOT PRICE OF ACCUS	The end of May 2021 spot price is \$18.60.

The growth of the Australian Carbon Market is underpinned by several demand and supply-side trends. On the demand side:

- 1. Global (re)commitments to international climate agreements:** The United States have recently recommitted to the Paris Climate Agreement sending a global signal towards pro-climate friendly policy. This is being reflected in the international and domestic discourse on climate policy.
- 2. Australian domestic emissions targets and climate change policy:** Australia's Federal Government has a commitment to reduce carbon emissions by 26 to 28 percent below 2005 levels by 2030. Additionally, each State and Territory have established net-zero carbon emission targets by 2050. To directly address this, the ERF and CER were established at a federal level. Various States and Territories, including the Western Australian government are purchasing ACCUs on the voluntary market.

- 3. Private sector regulatory obligations to offset/reduce emissions:** Through the Safeguard Mechanism, Australia's largest emitters (those exceeding 100,000tCO₂-e a year) are obligated to keep their net emissions at or below this level. They can do this through offsetting their emissions through purchasing ACCUs.
- 4. Increasing voluntary response to climate change from the private sectors:** increasing number of large emitters and other private businesses across a range of sectors have voluntarily established targets to achieve carbon neutrality.

On the supply side:

- Future expectations of price:** There is an expectation that the average price of an ACCUs will continue to rise into the future. This expectation incentivises the establishment of carbon farming projects across Australia.
- Government policies, subsidies, funds, and grants:** Federal, State and Territory Governments, including the Western Australian State Government have established schemes to encourage the development of more carbon farming projects and new methodologies. This includes the Western Australian \$15 million Carbon Farming and Land Restoration Program.
- International ACCU trade:** if domestic policy evolves to allow the export of ACCUs, Australia is well placed to supply this market given its mature, well-designed regulatory approach to carbon credit creation and verification, low sovereign risk, defined land tenure and ownership arrangements and processes, scientific expertise, and biophysical capacity.



Figure 4: *Source: Carbon Farming Industry Roadmap 2019

Voluntary Market for ACCUs

The voluntary market for ACCUs is a small but growing proportion of demand for ACCUs. In total over 2020, 841,000 ACCUs were traded on the voluntary market up from a total of 477,000 in 2020. The CER predicts this to grow to over 1 million in 2021. As seen in Table 3 Demand has generally been growing quarter on quarter.

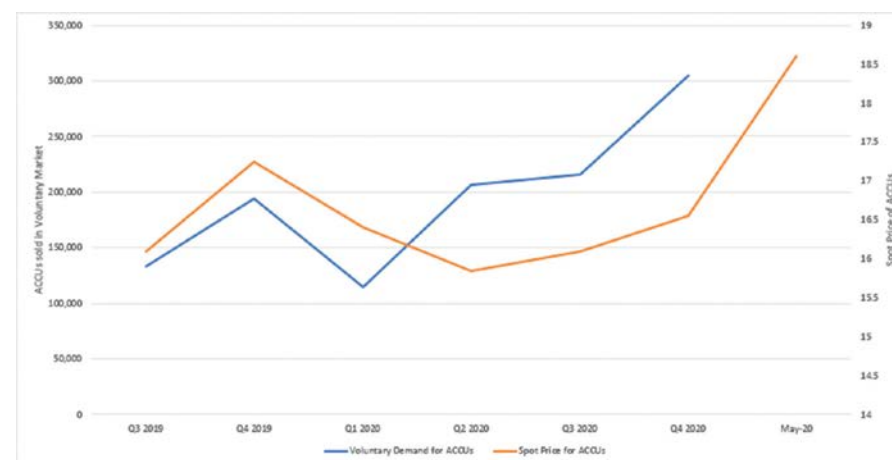


Table 3: Quarterly ACCUs demand

As seen in Table 3, the price of ACCUs has seen some fluctuation over the past six quarters, partially due to COVID-19 disruptions. However, along with the average price received on ACCUs in the ERF Auctions, the spot price is on an upward trend through 2020 and the first parts of 2021. The spot price for ACCUs at the end of January 2021 was \$16.90. This upward trend is expected to increase with demand for ACCUs in the voluntary market.

Voluntary demand for ACCUs is underpinned by both large emitter's regulatory requirements, but also their own voluntary commitments to achieve carbon neutrality. Australian and international companies with Australian headquarters such as Woodside, Origin Energy Limited, AGL Energy Ltd, Royal Dutch Shell and Rio Tinto have set goals to be carbon neutral by 2050. Others, such as BHP, Alcoa, and South32 have set less ambitious goals to reduce emissions by 2030.

Climate Active also represent a primary contributor to the increase in voluntary demand for ACCUs accounting for 64 percent of demand growth. Climate Active is an Australian government-backed initiative that certifies businesses who have credibly reached carbon neutrality – either by purchasing ACCUs or working to reduce their emissions. Climate Active has certified organisations such as Australia Post, Austral Fisheries, and some of the major banks.

Western Australian Carbon Market Overview

Western Australia also presents a growing carbon farming market opportunity, particularly in the number of vegetation and Human Induced Regeneration (HIR) projects being proposed. As outlined within the Clean Energy Regulator an HIR carbon method applies to projects that store carbon by regenerating native forest using one or more eligible activities. Project activities must occur on eligible land where growth of native forest has been suppressed for at least 10 years.

Human-induced regeneration activities include:

- excluding livestock and taking reasonable steps to keep livestock excluded.
- managing the timing and extent of grazing
- managing feral animals in a humane manner
- managing plants that are not native to the project area, and
- implementing a decision to permanently cease mechanical or chemical

destruction, or suppression, of native regrowth.

Australian carbon credit units (ACCUs) are earned when carbon is stored because of the project activities. The carbon store is calculated using the Full Carbon Accounting Model (FullCAM) tool. Additional benefits of running an HIR project include improved quality of your land and water supply, increased biodiversity and groundcover, reduced erosion and the provision of shade and shelter for stock.

As of March 2021, there were 124 registered projects in WA that had been credited a total of 5.1 million ACCUs. 66 of these registered projects involved HIR. The State Government is continuing to support and incentivise the growth of the carbon farming market as shown in their launch of the Carbon Farming and Land Restoration Fund to support their carbon neutral aspirations.

Social Premiums, Trends and Precedent

There is an increasing focus on improving social, economic, and cultural outcomes for Aboriginal and Torres Strait Islander people through investment into their businesses. This occurs through targeted procurement policies, impact investing, the rise of Supply Nation certification and consumer trends.

Within the carbon farming market, this occurs through the purchase of ACCUs from Aboriginal owned, managed, and operated carbon farming projects. This sometimes occurs with a social premium attached where co-benefits of the carbon farming projects can be demonstrated.

Co-benefits often include additional social, environmental, and cultural benefits that occur from the establishment of carbon farming projects. Co-benefits includes, but are not limited to, improvements in wellbeing of Aboriginal rangers and landowners, increased biodiversity through land restoration, protection and rehabilitation of culturally significant locations, increased use of TEK and spiritual connection to Country from employment On-Country.

There is precedent in the Northern Territory and Queensland for social premiums to be paid on ACCUs from Aboriginal projects. There are reports that this is a 20 percent premium.



Total OCC Market Opportunity

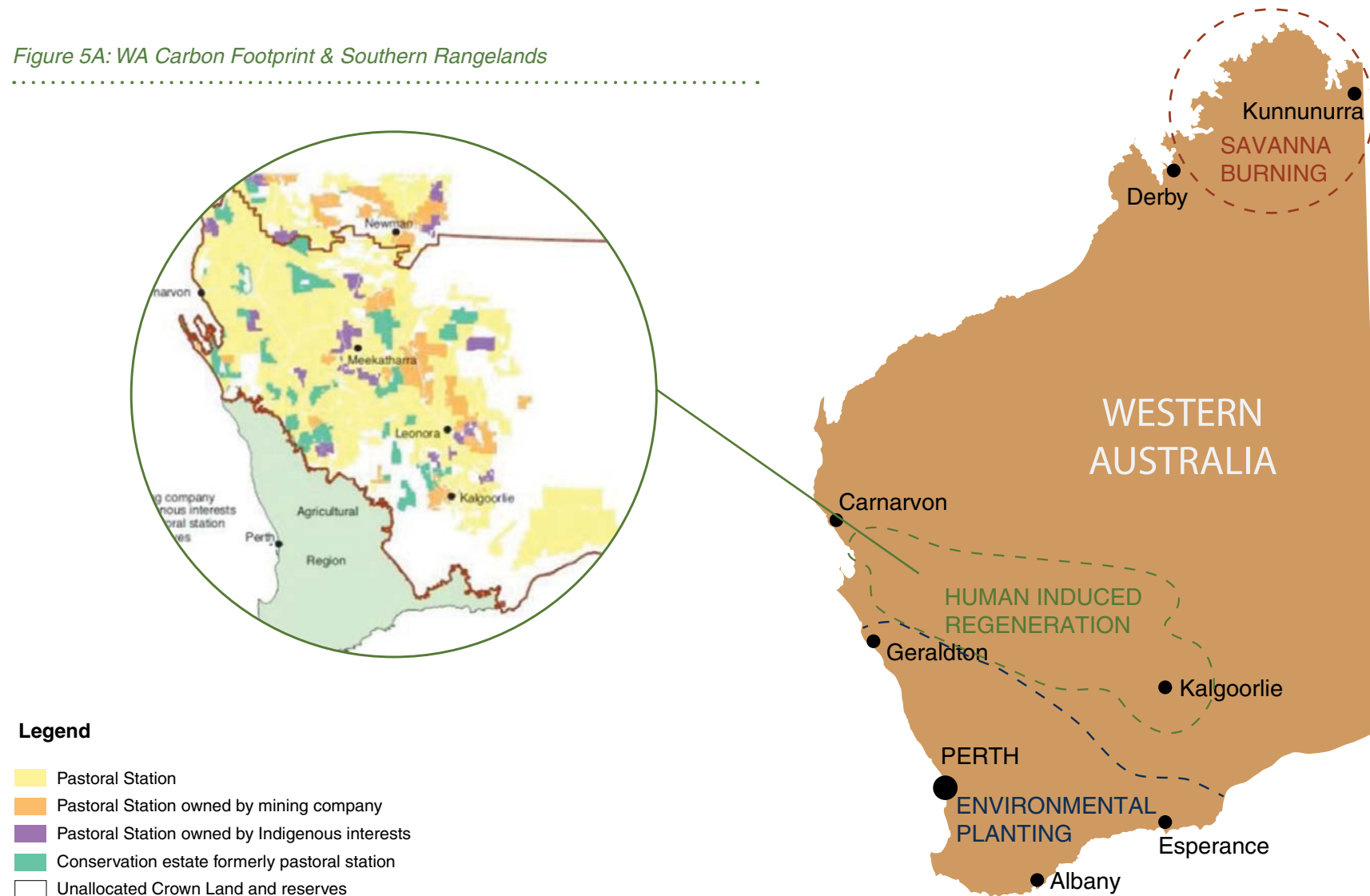
The On-Country Carbon model targets Aboriginal pastoral leaseholders in Western Australia to establish HIR carbon farming projects. Generally, the Southern Rangelands have been identified as a high potential area for HIR due to its suitable native bush (to meet HIR requirements) and historical suppression of the native bush through pastoral grazing.

The Rangelands cover approximately 2.2 million square kilometres (87 percent of WA), of which pastoral stations cover approximately 40 percent. The Northern Rangelands cover the Kimberley and Pilbara regions. The Southern Rangelands are largely south of the Pilbara containing the Gascoyne, Murchison, and Goldfields-Nullarbor. The Southern Rangelands are predominately characterised by shrublands.

In 2016, there were 491 pastoral leases in Western Australia on 436 pastoral stations - 152 of these are in the Northern Rangelands and 284 of these in the Southern Rangelands. Lease ownership includes large corporations, private companies, family operations, Aboriginal organisation and in the Pilbara and Goldfields, mining companies.¹

Based on Department of Primary Industries and Regional Development (DPIRD) maps, there are 21 Aboriginal Pastoral Leases throughout the Southern Rangelands of Western Australia. Continued due-diligence and dialogue with Aboriginal Corporations and Native Title groups are assisting in identifying viable carbon projects.

Figure 5A: WA Carbon Footprint & Southern Rangelands



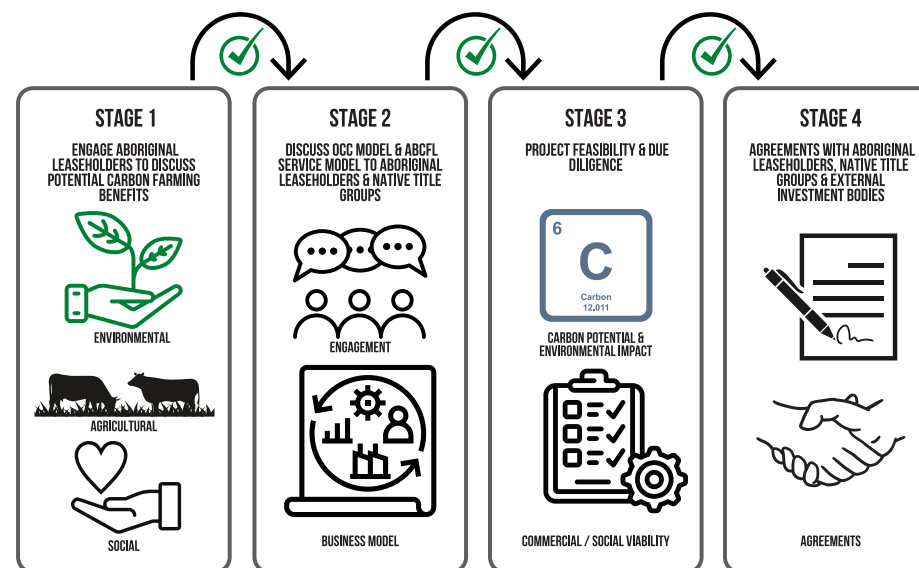
OCC Development Process

To determine overall viability of projects ABCFL with the support of the Indigenous Land and Sea Corporation (ILSC), its investment partners and associated external advisors, OCC has undertaken the following process:

1. Engaged with Aboriginal pastoral leaseholders to communicate the potential benefits of carbon farming.
2. Communicated the proposed On-Country Carbon Framework and what partnership service ABCFL offering to Aboriginal leaseholders.
3. Completed desktop due diligence on projects in Southern Rangelands to determine overall carbon viability, estimated project area, estimated ACCUs, and potential carbon revenue. Further 'boots on ground' due diligence on projects within the identified project area is ongoing. This detailed analysis included assessing biomass through extensive geospatial analysis, ecological assessments, eligibility assessments, mapped the Estimation Areas, and projected carbon yield and ACCU forecasts.
4. Developed agreements with pastoral leaseholders, Native Title groups, other eligible interest holders, investors, and specialist support services to establish the proposed business model.

This development process has resulted in key investment and advisory partners being confirmed to maximise the potential carbon opportunities and social impact benefits.

OCC DUE DILIGENCE OVERVIEW



Competitor Analysis

As the Australian carbon farming market develops, the number of project developers and service providers is growing. The notable carbon project developers within Australia who are operating within this sector include:

Table 4: Australian Carbon Farming Market Developers

COMPANY	DESCRIPTION	COMPETITION TO ON-COUNTRY CARBON
CORPORATE CARBON ADVISORY	Not Aboriginal owned or managed. A project developer specialising in all carbon farming methods, excluding soil carbon. They provide end-to-end services as a project developer as well as project financing. Operating Australia-wide established 48 projects to March 2021.	Currently one of the major HIR project developers in the Southern Rangelands of WA. Corporate Carbon have a close working relationship with OCC and talks are underway towards a formal investment partnership.
GREENCOLLAR (TERRA CARBON PTY LTD)	Not Aboriginal owned or managed. A project developer and environmental market developer. Founded in 2008, they operate Australia-wide. They specialise in vegetation, HIR and soil carbon methods. They provide end-to-end services as a project developer. They are Australia's largest carbon developer having established 134 projects to March 2021. They are a certified B-Corporation.	Currently one of the major HIR project developers in the Southern Rangelands of WA. Overall, off take agreement percentage is higher than OCC proposal.
SELECT CARBON	Not Aboriginal owned or managed. 100 percent owned by Shell and intends to offset their carbon emissions. They provide services across HIR, soil carbon, vegetation, and other agriculture-related methods.	Currently small, but rapidly expanding in the Southern Rangelands of WA.
AUSTRALIAN INTEGRATED CARBON FINANCIAL SERVICES	Not Aboriginal owned or managed. Project developer with a presence in WA, SA, and NSW. A newer project developer having established 6 projects to March 2021.	Several of their registered projects are HIR projects based in Murchison region of WA.
ABORIGINAL CARBON FOUNDATION	A project developer specialising in partnering with Aboriginal carbon farming projects. Specialise in establishing ranger-led savannah burning projects.	Aboriginal owned and managed. Generally, focus on NT and QLD using savannah burning methods. Has a track record of successfully achieving social premiums on ACCUs through their core benefits framework.
AGRIPROVE SOLUTIONS	A spin-off of Corporate Carbon specialising in soil carbon. Established in 2018. One of the largest developers having registered 73 projects. Appear to sell ACCUs to ERF and private market.	Specialises in soil carbon. Operates nationally.
COUNTRY CARBON	A project developer working across the full range of carbon farming methodologies. One of the largest developers in Australia having established 27 projects to date.	Predominately working in the NT and northern QLD. Primarily working in savannah burning.

OCC Competitor Advantage

Initial research and comparison to existing project developers within Australia and predominately within WA, suggests that On-Country Carbon's competitive advantage is clear and strong in the following areas:

- Majority Aboriginal Owned and Operated: Currently appears that there are no other Aboriginal owned and operated project developers operating within the HIR carbon farming sector in Western Australia.
- Ability to Create Genuine Social, Environmental and Cultural Impact Aboriginal Communities: through their existing work and expertise ABCFL are well positioned to partner with Aboriginal pastoral lease holders to deliver genuine social and environmental benefit programs.
- Existing relationship with Aboriginal Pastoral Lease Holders: ABC Foundation has spent time and resources establishing relationships with Aboriginal pastoral lease holders for potential carbon farming projects.
- ABCFLs willingness to ensure Native Title Bodies and its members also benefit from the OCC Framework, maximising income opportunities to assist in funding Ranger projects and/or other agreed TEK benefits.
- Ability to source capital infrastructure finances; what all carbon projects need to get off the ground is access to finance to establish the capital they need i.e., fencing, water points, trap yards/portable yards, ABCFL has worked to identify and secure finance opportunities.

The ability to show product and service differentiation is important to ABCFL. What has become evident from the current due diligence process and research in establishing this model, is that Carbon Developers have swept through WA and signed up projects with pastoral leaseholders without Native Title consent. It is also evident that the not-for-profit vision of ABCFL, through its social impact programs,

is not a priority for the commercial carbon service providers.

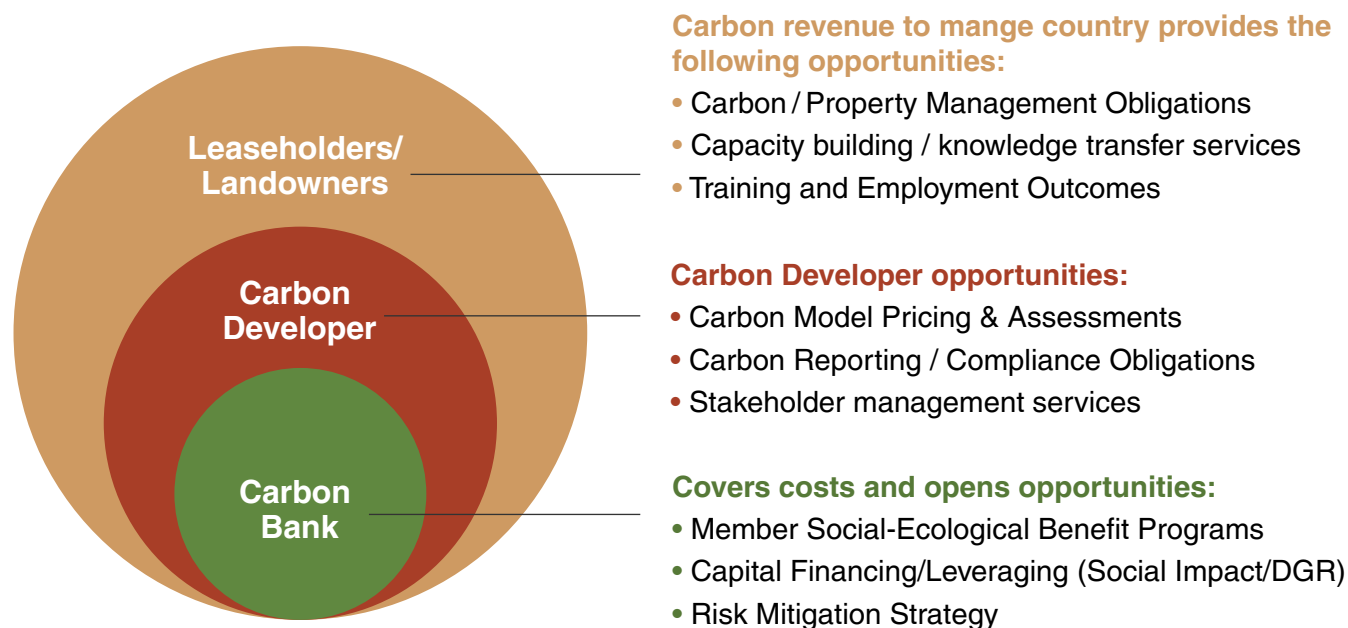
The OCC Framework and ACES 'service model' will include but is not limited to:

1. Prioritise socio-economic and environmental outcomes for Aboriginal people throughout the project life cycle.
2. Provide a transparent platform to trade ACCUs identifying strategies to maximise social benefit revenue while managing risk.
3. Ensure each project is managed individually but optimise on benefits that come from an 'aggregator service model'.
4. Ensure Native Title Consent and member aspirations are incorporated in the project.
5. Ensure the Aboriginal Pastoral leaseholder has a seat at the decision-making table.
6. Provide carbon off takers, social investors, and other key stakeholders with a flexible investment model to suit all needs.
7. Create a one stop shop for all Carbon service delivery.

What will be key for ABCFL when delivering this model is to ensure it:

1. Provides a firm commitment to the identification, documentation, training, and succession planning for Traditional Ecological Knowledge (TEK) practices within all carbon farming projects.
2. Offers ABCFL social benefit programs by working in partnership with Aboriginal pastoral lease holders and community.

Figure 6: On-Country Carbon Service Delivery Model



OCC Partnership Approach

The OCC framework follows ABCFLs partnership model, which actively seeks to develop and manage strategic government and private sectors relationships to deliver carbon projects and maximise Aboriginal benefits.

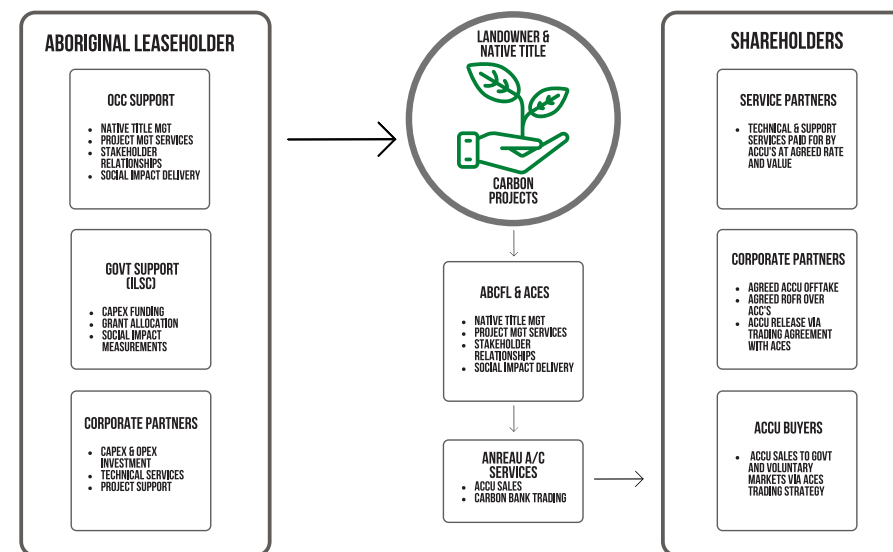
Our strategy for engaging and securing partnerships is ongoing but ideally any potential partner will commence our relationship within the due diligence period of a potential project. This entry point allows all parties to analyse, develop, and potentially commence a project under transparent and parallel journeys. OCC is committed to establishing transparent, respectful, and timely engagement with all stakeholders to ensure maximum success and benefits.

In line with developing partnerships interested in the carbon feasibility, we will also work with our Aboriginal leaseholders and/or other landholders, to ensure they align with our complete partnership approach.

Part of the feasibility process was to also consider the risks and costs with establishing the model, and more specifically ACES as a project proponent. The pilot and future growth model provides strategic service partners with an opportunity to come on board and assist ABCFL and its project partners to scale up and secure suitable investment.

Support from Indigenous Land and Sea Corporation (ILSC) is an example of the investment required to help our Aboriginal Project partners get access to capital investment to cover start up infrastructure costs. Additionally, 'carbon off-takers' or 'carbon service providers' working to provide initial financial capital in exchange for future ACCUs are also seen as an important investment element of our model – as shown below.

OCC PARTNERSHIP OVERVIEW



OCC Business Model

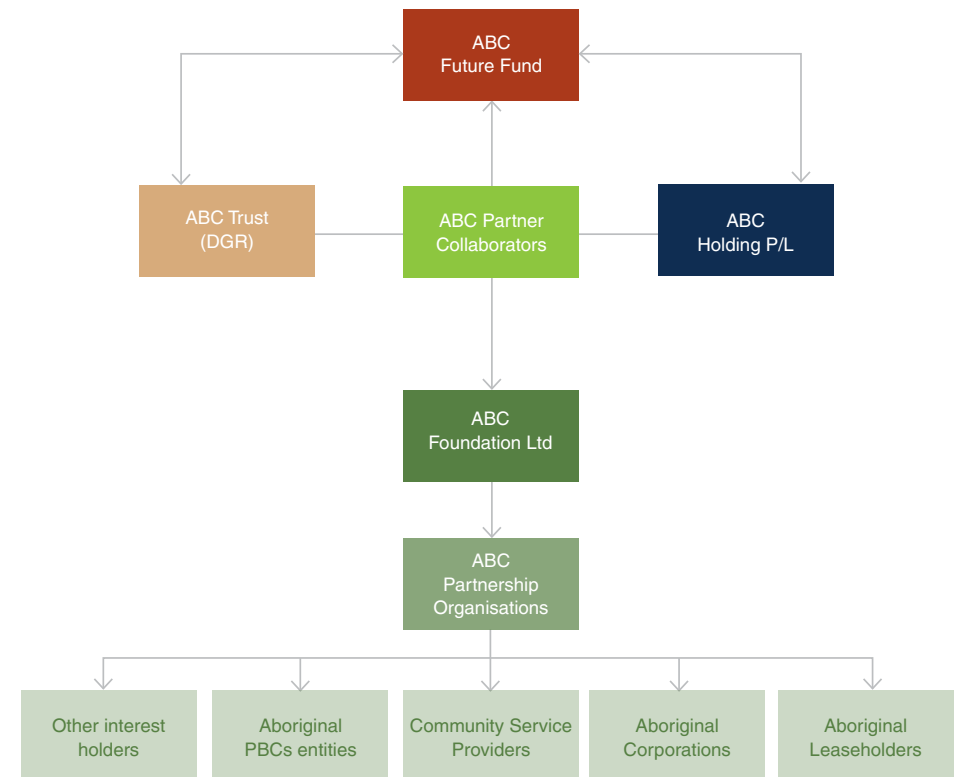
This section sets out the three key elements within the OCC framework, including the governance structure, the proposed growth model, and the economic and social impact delivery strategy. This section also explores the risk strategy associated with Carbon farming and the OCC framework, and the overall feasibility of the OCC business model using project scenarios and the pilot phase to quantify our approach.

OCC Governance Structure

The OCC Governance Structure will align within ABCFL Company Structure as reported in its 2021-2025 Strategic Plan and below in Figure 8. Depending on how ABCFL is engaged by its Aboriginal leaseholder partner, the governance structure will support either a partnership approach through the Foundation, or independently as a subsidiary partner only via ACES, as referred to in Figure 8.

Being independently engaged to manage Aboriginal leaseholder carbon projects through the ACES enterprise arm, will limit the Aboriginal benefits made available to project partners, as the ABCFL has several governance structures set up to support increased social investment, grant funding or donations through its Trust (DGR eligibility). Therefore, the OCC Framework, has been designed to maximise the Aboriginal benefits through a holistic not-for-profit approach to carbon farming.

Figure 8: ABCFL Company Structure, Subsidiaries and Partnerships



OCC Project Aggregator Approach

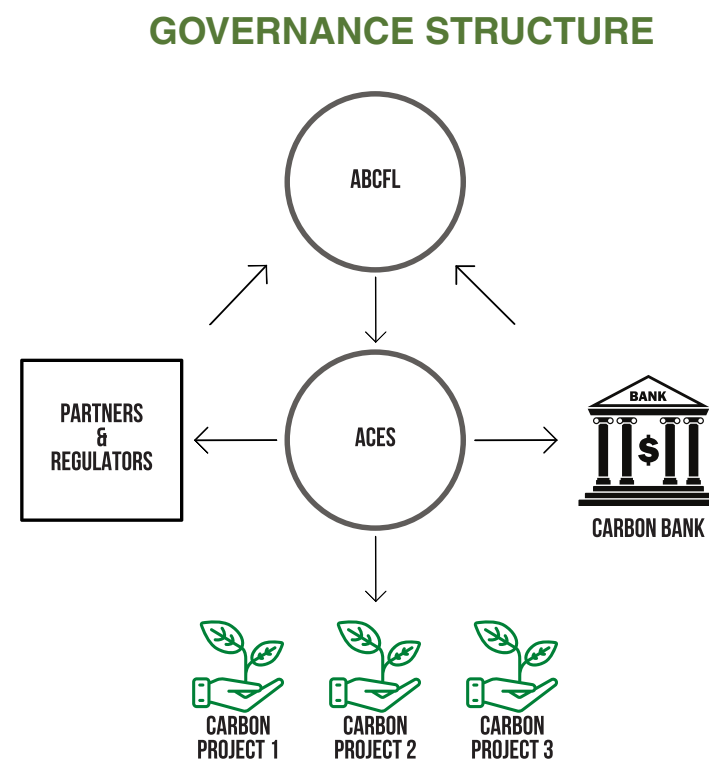
The founder philosophy applied when developing the OCC structure was used to ensure that Aboriginal people retained ownership and control of their projects, and that flexible, accurate and timely processes are in place to meet CER regulations. Placing the advancement of Aboriginal people, through their carbon projects, at the heart of our structure has allowed government and private sector investment to support these projects from conception. Additionally, we knew that each project would need to be managed independently therefore the structure is independent of ABCFL and its Aboriginal Partners.

As ABCFL already has a wholly owned 'enterprise arm' called ABCF Holdings Pty Ltd, it was the appropriate structure to support ACES as it allows 'project subsidiaries' to be set up independently of other projects. This also allows for each project to hold project specific directors, providing a seat at the decision-making table for its Aboriginal Corporations (project partners). This structure also reduces the risk associated with Aboriginal Corporation governance and committee member instability and provides consistent governance throughout the 25-year project and beyond.

It is proposed that each ACES subsidiary Board will include a minimum of three (3) Directors; one representing ABCFL, one representing the 'Aboriginal Project Partner', and one independent.





Typically, a carbon aggregator will take full control of the project development and management, while overseeing the sale of the carbon credits and third-party interests. The point of difference for our model is that the project partners are both the leaseholder and the proponent who have a vested interest in maximising social benefits for their people. The OCC platform achieves this through a transparent, respectful, and ethical approach to Aboriginal people, their land, and their vision for advancement.

Figure 9: OCC Project Aggregator Governance Structure



What our model aims to achieve, is to turn the threats identified below from the DPRID publication into opportunities by providing full transparency to the Aboriginal Project Partner and by creating place specific Project partner Aboriginal Benefits.

Figure 10: SWOT Project Aggregator Model - source DPRID Setting Up for Success Carbon Farming Guide

Business developer model 2: Project Aggregator			
 Strengths	 Weaknesses	 Opportunities	 Threats
<ul style="list-style-type: none"> • Legal and project risk held by the project aggregator. • Project aggregator manages all interactions with government. • Project aggregator enters contracts with the Australian Government and/ or other third-party buyers (called counterparties) on the lessee's behalf. • Project aggregator may group carbon credits from multiple properties together under a single sale. 	<ul style="list-style-type: none"> • The project aggregator is the project owner. • The lessee has a low level of control. • Aggregator fees are paid as a percentage of the number of carbon offsets generated or; a percentage of the value of carbon offsets sold over the project life. 	<ul style="list-style-type: none"> • The project aggregator may contribute more capital, freeing up the lessee's resources. • Project aggregators can absorb up-front costs. 	<ul style="list-style-type: none"> • Carbon credits are issued to the project aggregator. • Grouping of carbon credits from multiple properties could reduce the value received for co-benefits.

OCC Growth Strategy

The OCC growth strategy will be to roll out carbon farming projects on a scale that is sustainable, efficient, and fully funded by ongoing commercial activities, social investors and/or partnership funding and investment. The phases of the growth strategy rely on the viability of the stage prior which will give confidence to initial partners and investors involved in phase A.

Our overall risk appetite is purposely conservative to ensure that social benefits to Aboriginal people are secured at a sustainable level without compromise to program value.

The specific OCC expansion strategy will compliment current and pipeline carbon farming project requirements to ensure a cost-efficient product is produced to maximise profit. A “start-up” mentality has been assumed until otherwise affordable with capability and capacity being leveraged from strategic partners. These relationships allow a full life cycle carbon project to be delivered under “payment for service” terms.

Any further expansion of the OCC operation may include bringing technical and scientific activities “in house”, additional support staff, up-grade of project related assets, increased lease acquisitions and widening the benefit programs for Aboriginal people. The table below outlines the high-level costs projected by OCC for a “start-up” and “diamond class” solution, although it is anticipated that a phased approach to this expansion will occur.

The assumptions made to quantify the On-Country Aboriginal Benefits is based on a formula that 25% of the Carbon revenue and/or ACCUs accumulated will be used to cover costs associated with the administration and management of the Carbon project (ACES), with 5% going directly to the Native Title Groups. This includes the costs of any outsourcing and in-house costs to get the product to market, validate the project and manage the on-going compliance and technical expertise. The remaining 70% of the revenue generated will be invested within the OCC Carbon Project Activities and ABCFL Social Benefit Programs, as highlighted in the following feasibility assessments.

OCC GROWTH STRATEGY

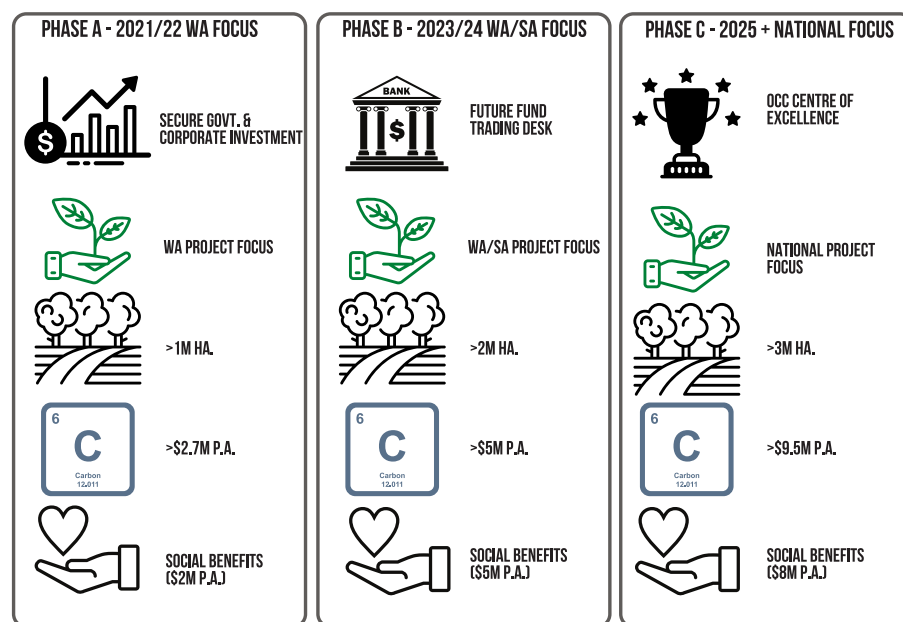


Figure 11: OCC Proposed Growth Strategy

OCC Aboriginal Benefits Strategy

As a not-for-profit social enterprise, it is important to ABCFL that all projects we invest in are economically viable and able to fund our social impact strategy and reduce the reliance on grant funding. If projects are not viable, then they are not suitable for a sustainable social enterprise model. ABCFL considers two things when assessing the economic impacts on projects. Firstly, will it generate profit to invest in other social benefit projects? and/or secondly, will the project only cover cost? therefore the benefits need to derive from the commercial project only i.e., project employment outcomes.

This section better explores the socio-economic impacts we expect will be derived from the OCC Framework and associated projects, looking at the impact from both a regional and a community/project specific perspective. Our criteria for project investment help's to better articulate to our 'project partners' what will be achievable on their property and for their organisation, after we complete a feasibility and due-diligence process. It also helps us to better understand how we can support our project partners to maximise Aboriginal benefits.

A Carbon project which can achieve profits and allows ABCFL to consider partnership investment into additional Aboriginal social benefits is ideal. Alternatively, a project which only covers cost will determine how we work with our partner to achieve 'Aboriginal Benefits' through On-Country Carbon Projects, as demonstrated above in Figure 1. Properties that cannot generate suitable profits from the carbon project require ABCFL to seek social investors willing to contribute.

Ultimately, our feasibility processes allow ABCFL and its project partners, to consider the viability of a carbon project. However it needs to be understood that this model is interchangeable with other non-carbon farming economic drivers such as grazing, waste management and cultural tourism opportunities.

To assist us in ensuring our socio-economic impact is both measurable and achievable, we have listed our benefit indicators below and this section is further discussed in greater detail in the Impact Management Strategy (IMS). The proposed outcome targets against these indicators are also discussed in the pilot proposal on the next page.

Table 5: OCC Aboriginal Benefits Indicators

Aboriginal Benefits Indicators	Economic Activities	Social Activities
Regeneration of Country	Vegetation Management Pest Management Ecological Assessments GIS Spatial Data Mapping	Cultural Resource Mapping Traditional Fire Management Bush Classrooms Increased Flora & Fauna
Aboriginal Training & Employment	Pastoral Maintenance Fencing & Infrastructure Livestock Management Fire Management	Ranger Training Project Heritage Site Surveys Elder Knowledge Transfer Social Benefit Programs
Aboriginal-Led Project Decision Making	Make financial decisions Increasing asset value Skill Development	Site Heritage Research and Monitoring Providing Access to Country Funds to support Community
Value Add Business opportunities	Sustainable livestock Cultural Tourism Business Horticulture / Bush Foods	Health and Wellbeing Programs Cultural Camps Community based social enterprises

Impact Management Strategy

Creating social, environmental, and economic impact by Aboriginal people, for Aboriginal people has always been central to our establishment, development of programs and ongoing operations.

The establishment of the On-Country Carbon program is no exception. Our approach will measure both the impact of the carbon farming projects but also ABC Foundation's On-Country programs it will financially support. We will create a space to measure genuine social, economic, and environmental outcomes without requiring Aboriginal people to share their intellectual property or significant personal and private details, thus, respecting their knowledge sovereignty.

The Impact Management Strategy (IMS) provides a 'north star' for On-Country Carbon program and its partners. It outlines the intended impact, the way in which it is measured and supports all partners in reflecting on and improving impact into the future. Our IMS strategy is governed by the following structure:

1. **Our Impact Management Approach** outlines why we measure our impact and how we define it. It also outlines some core principles that we will follow as we measure, manage, and report our impact.
2. **The Vision and Purpose of On-Country Carbon** establishes what we hope to achieve through establishing On-Country Carbon within the greater context of Aboriginal social and economic inequality and degraded environments. It outlines the opportunities that are presented to us, from an impact perspective, from establishing On-Country Carbon. We also have set some high-level goals we hope to achieve.
3. **The Impact Priorities** discuss the three core actions that we will be undertaking within the wider On-Country Framework to generate our intended impact. This section also includes our Program Logic which explains how these actions are expected (based on experience and research) to contribute to short, medium and long-term benefits for Aboriginal people.

4. **Our Track Record in Creating Aboriginal Benefits** is outlined, demonstrating our long running success in working with and supporting Aboriginal communities.
5. **Implementation** details the impact metrics and data sources that will be used to collect our impact. It also aligns our impact collection and reporting to several external frameworks such as the Sustainable Development Goals and Closing the Gap.

Why We Measure Our Impact

The core reasons why ABC On-Country Carbon is engaging in Impact Measurement are:

- It is good business practice to understand and make decisions based upon the intentional and unintentional impact created. This helps to guide our business decisions, maximise potential impact and avoid unintended negative impacts.
- To articulate impact created to help to raise investment from impact investors.
- To articulate the socio-economic impacts for Aboriginal people through our carbon farming and restorative land management practices to our project partners including Aboriginal Pastoral Leaseholders and Traditional Owners.
- To measure and report co-benefits of the carbon farming projects and ABC Foundation's On-Country programs to be able to achieve social premium on Australian Carbon Credit Units (ACCUs).
- To contribute to the evolving practice of measuring and reporting of Aboriginal social impact.
- Articulate and demonstrate ABCF's competitive advantage to investors, buyers of ACCUs and pastoral leaseholders.

A detailed Impact Management Strategy document is available on our website www.abcau.com.au

Investment Strategy



For an investor, the OCC model offers a unique opportunity to fund a range of socio-economic-environmental projects that will provide measurable outcomes within a small timeframe.

Additionally, ABCFL's flexible approach to investor funding will also allow a "tailor-made" investment proposition to be considered. This holistic approach to investors is aimed at maximising Aboriginal benefits either through OCC or to the Foundation as a whole. This model can support key target areas for investors as set out within their own Aboriginal Employment strategy or Reconciliation Action Plan (RAP). An investment can take advantage of the 'public fund' and receive a financial tax incentive (DGR), or they can strategically work with us to view their investment through ACCUs i.e., increasing the value of ACCUs by including social benefits, as explained in the feasibility assessment of this document. Individual components of the portfolio investment include:

1. OCC Start-Up Investment: each carbon project will require start-up capital. Funding received with or without obligation will assist significantly in maximising Aboriginal benefits. Working with Aboriginal leaseholders to create social impact outcomes, our model has already received significant support from State and Federal government departments to develop this 'not-for-profit' approach to carbon projects. As stated in the feasibility assessment, maximise Aboriginal benefits comes from a minimum 50% of the start-up costs being funded without obligation.

While project funding requirements will vary for a private investor the start-up phase of OCC offers an "entry point" to participate in a growing sector, delivering tangible outcomes for the investor, the environment, and Aboriginal people. For the investor, these outcomes include the recognition of their participation to deliver social impact outcomes for Aboriginal people, and the ability to have a guaranteed ACCU offtake supply from their investment at an agreed value.

2. ABCF Investment: the social impact component of OCC represents an



opportunity for investors to fund programs that are already being delivered, providing tangible socio-economic outcomes that are scalable and meet their preferred audience or On-Country footprint. An agreed investment amount will vary depending on projects supported and the investment term (annually or for the life of the project).

3. Carbon Off Take Agreement: whether an investor is funding a component of the OCC model, or requires ACCU's to offset their carbon footprint, the potential to negotiate a long-term offtake agreement exists. The expansion model of OCC will ensure that a strong supply of ACCU's, over the next twenty-five years will continue to be available. As outlined within this document ABCFL believes the creation of ACCU's through our focus on TEK ensures that these ACCU's will be viewed as a premium product.

OCC Risk Approach

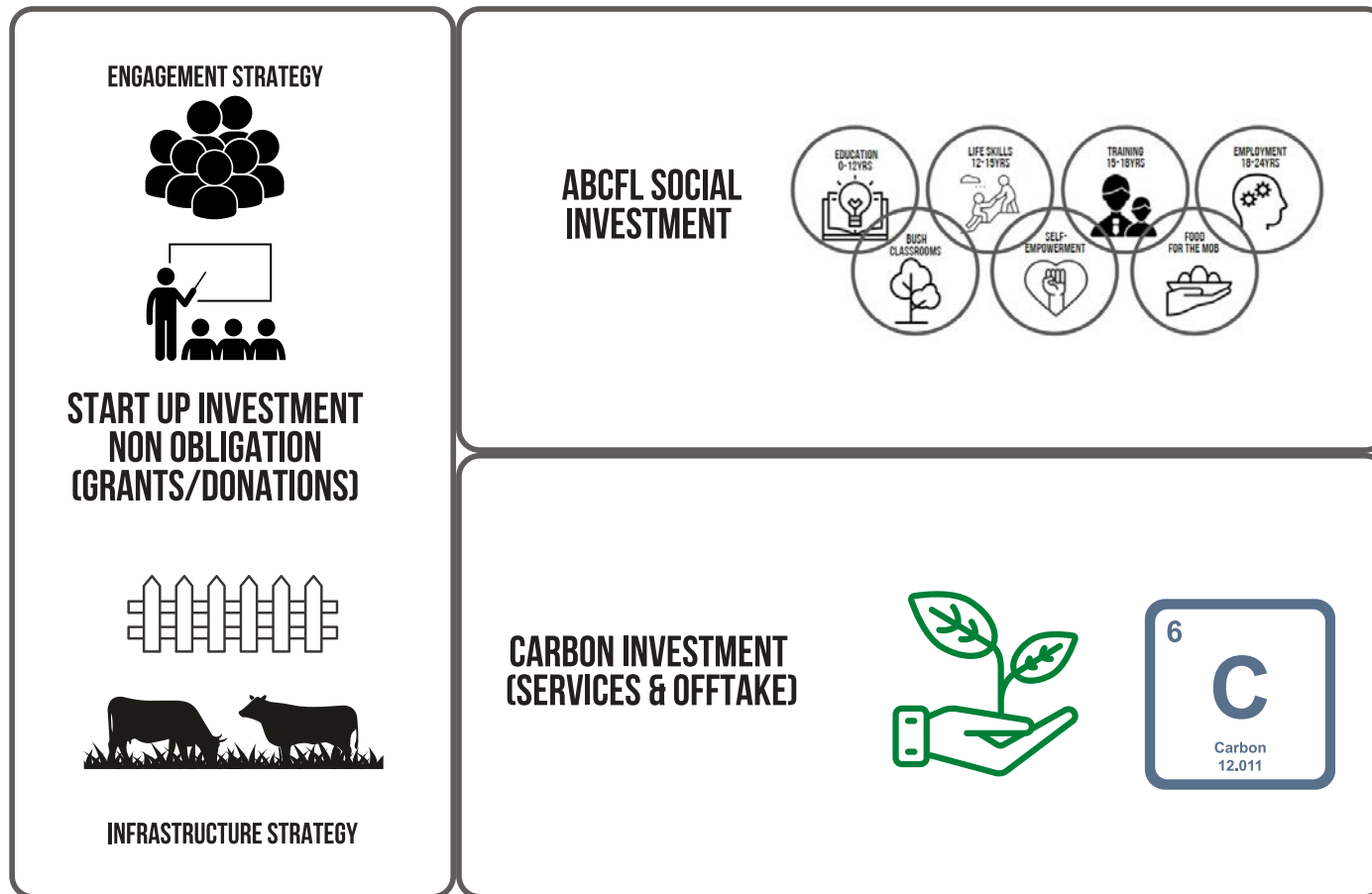
All carbon projects come with a range of risks that require identification and mitigation management where possible. These risk types include, but are not limited to climatic, technical, employee, supply chain, market and regulatory. Because of the complexity of carbon farming a detailed five step approach to risk management will be applied:

1. Identify the risk: identify and document all risks that a business is exposed to in its operating environment. A transparent and accessible risk management system is to be employed to ensure an efficient risk strategy is delivered.
2. Analyse the risk: the scope of the risk must be determined to understand the link between the risk and different factors within the organization.
3. Evaluate the risk: quantified ranking of risks allows OCC to gain an accurate view of its risk exposure.
4. Manage the risk: every risk needs to be eliminated or contained as much as possible. This will be done by connecting with the experts of the field to which the risk belongs and agreeing on efficient mitigation strategies.
5. Monitor and review risk: within the carbon farming sector some risks are always present –weather and market fluctuations are just two examples of risks that will always need to be monitored.

A summary of OCC's current risk profile is outlined on the next page. A detailed risk matrix is shown in the Appendix section of this document - (Appendix 1).

Figure 12: OCC Investment Overview

OCC INVESTMENT OVERVIEW



OCC Risk Mitigation Strategies

As outlined in the risk analysis and within the associated appendix, carbon projects have a range of risks throughout their life cycle that vary in their complexity, impact, and ability to mitigate. The depth of our understanding of these risks will drive our due-diligence and planning phases for all projects. Listed below are the main risks that have the potential to impact any of our carbon projects and the overall OCC growth strategy:

Climate change/impact

The changing climatic patterns (e.g., rain and temperature) have the potential to directly impact the viability of a carbon project. The changing climate may also impact established projects through reduced rain fall and/or increased risk of fire. A mitigation strategy centred around climatic science will be developed to identify the likelihood and severity of climate change impacts. The strategy will utilise relevant data to identify and analyse potential properties and carbon farming types. Further mitigation strategies in the form of supporting infrastructure, training and ecological strategies are to be rolled out in expectation of predicted climate change impacts.

Capital Infrastructure Requirements

Due to the size and frequent lack of required infrastructure (e.g., fencing) the set-up costs for carbon projects are potentially prohibitive. Therefore, as part of the due-diligence process for all projects, a detailed cost analysis is undertaken to accurately predict the infrastructure cost of a project, the likelihood of funding from government or non-government bodies and the social impact value that infrastructure development can deliver. This analysis is central to all strategic lease acquisitions, sub-lease or management agreements and conducted with the full engagement of our partners.

Gaining Native Title Consent

As a majority owned and managed Aboriginal not-for-profit the ABCFL, through its OCC framework, is driven to maximise the social impact benefits for local Aboriginal people impacted by a carbon project on their Country. To this end OCC recognises and respects the important role Native Title groups play in overseeing the consent to undertake these projects on their land. The OCC strategy ensures that Native Title groups have direct and indirect access to the ACCU value created through the project, at an agreed level, to fund or partially fund programs that deliver social impact outcomes.

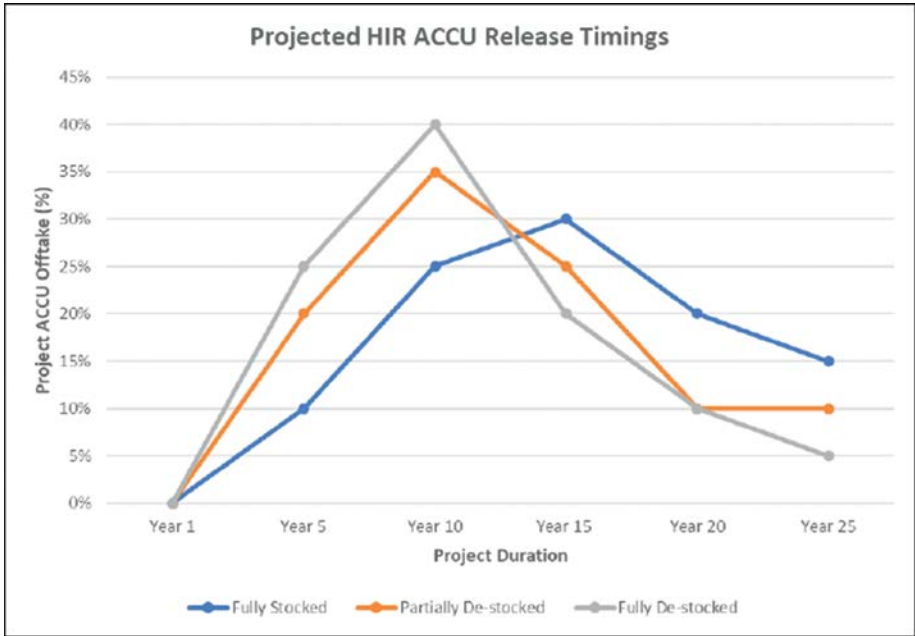
The strategy to engage Native Title groups ideally commences after due-diligence stage to ensure that respect is given, transparency is assured, and opportunities are identified to maximise the social impact value that may flow from a carbon project. It is the intent of OCC to have a suitable Board, governance and reporting strategy that includes Native Title groups throughout the life of a carbon project.

If Native Title consent for a project is delayed or rejected, OCC will endeavour to continue to liaise and discuss opportunities and outcomes with the Native Title group to potentially progress towards consent. Ultimately though, if Native Title consent is not given to an OCC carbon project, we will respect this decision and focus on other opportunities.

Financial Implications due to the timing of ACCUs

Because OCC funds a not-for-profit (ABCF) the timing and quantity of ACCU creation, particularly within the first five years of a carbon farming project is critical to its viability. Therefore, to accelerate ACCU creation, income for our clients and the delivery of social impact outcomes our focus for potential carbon farming projects is on de-stocked or partially de-stocked leases that have a suitable bio-mass potential and that are suitable for government and non-government funding for infrastructure. These types of projects allow for a suitable return on investment (ROI) for investors, fast-tracked social impacts programs for local Aboriginal people and quickly open options for further grazing strategies. Failure to identify these projects, while not reducing potential ACCU creation from projects, will impact the growth strategy of OCC and the social impact value it is able to deliver.

Table 6: Project HIR ACCU Release Timings



Managing Regulatory Requirements

It is recognised that established Carbon Developers have specific capability and capacity to manage the Clean Energy Regulatory requirements. These include project due diligence, carbon feasibility assessments, project registration and set up, project management (including annual off-take assessments), managing audits and expectations, risk mitigation, managing ANREU accounts via an Australian Financial Services Licence (AFSL) and trading desk services. Traditionally, these

carbon developers offer these services, including the role of ‘project proponent’ in exchange for 25-30% of the ACCUs value.

When establishing the OCC Framework, at the forefront of creating a ‘social benefit’ focused model, is to ensure ABCF and its associated Aboriginal leaseholder partners, can establish an entity that will take on the responsibilities listed above. Hence, ACES was established.

Initially, ACES partner with a carbon developer to provide the associated services at an agreed fee. This will result in ACES, along with its Aboriginal leaseholder project partners ‘buying in’ AFSL, technical services including GIS data capability, ecological assessments, carbon estimation and field assessment capabilities. These external partners will work with ACES and its allocated project Board. This would allow ACES projects to have the overall responsibility for managing its technical carbon services partner(s), hold the ANREU account and manage ACCU trading etc.

Aboriginal Corporation Governance Structures

As a Foundation, ABCFL continue to work with and build capability with our Aboriginal Business Partners. An on-going risk we face is the governance structure of ORIC and the rules that govern the Aboriginal Corporation which has an on-going impact on the overall sustainability and management of the organisation. To overcome the risk associated with a change in Directors or Committee Members of the Aboriginal Corporation, it is important to ensure continuity of the governance structure within ACES. Therefore, for each Aboriginal identified project, two directors and/or key representatives from the Aboriginal Corporation will be identified to sit on the ‘project subsidiary’. This will ensure that if changes occur at a committee or Board level, due to its constitution and governance processes, there are strong corporate governance processes in place to manage long-term carbon projects.

Meeting the Pastoral Lands Board Expectations

HIR Carbon Farming has been recently added as a reportable activity in the WA Pastoral Lands Boards Annual Pastoral Returns, which shows that Carbon Farming is being acknowledged as a viable activity for pastoralists. The Pastoral Lands Board and its associated policies still require pastoral stations to be run for livestock. This can have its complexities for Aboriginal de-stocked stations, especially when the data shows that HIR is more viable on a particular property. Therefore, to be successful in delivering a HIR project, we must consider the entirety of the leaseholder obligations. This means that the On-Country Carbon projects will have to understand and manage the requirements for maintaining a pastoral lease. At the heart of this strategy is the development and management of a productive and respectful relationships with the Pastoral Land Board.

Property Availability in WA

Due to the initial surge in Carbon Developers signing up pastoral lease holders and registering HIR projects across the Southern Rangelands, a significant risk was created with regards to available properties. However, there is currently only one registered carbon project on an Aboriginal property in the Southern Rangelands, and another on a property within the desert/goldfield's region. For ABCFL to make its aggregate model viable, it is estimated that up to 5-10 properties will be required in its initial pilot phase and a further 25-30 properties to reach its proposed growth strategy. Therefore, ABCFL is working strategically with its investment partners to explore other state-based opportunities and other carbon farming project methodologies.

HIR Feasibility Analysis

This section provides a broad overview of an HIR Carbon Farming project throughout its life cycle including costs, project timelines, funding requirements and social benefit realisation. This modelling has been determined by undertaking 25 desktop property assessments for Carbon and then further exploring three properties in a comprehensive due diligence process.

During the due diligence phase, we took into consideration two investment opportunities. Firstly, supporting Aboriginal Corporations already holding a pastoral lease and secondly, Aboriginal Corporations considering acquiring a pastoral lease for the benefit of Carbon. We will call the options Scenario 1 (Aboriginal Held) and Scenario 2 (Proposed Acquisition). The three properties we completed the comprehensive due diligence on, included two Aboriginal held pastoral leases (Scenario 1) and a pastoral lease available for acquisition (Scenario 2).

A key outcome for ABCFL in undertaking the feasibility and due-diligence work on possible pastoral leases suitable for HIR was to get a comprehensive understanding of the minimum favourable requirements to be able to invest, especially in Phase A of our growth strategy. This was to ensure we could manage risk, that the properties were viable for HIR, and that returns were sufficient to maximise Aboriginal benefits through the OCC Framework. From this process we were able to articulate the proposed business model and provide the knowledge needed to achieve the desired on-going success, growth, and sustainability.

A key part of this assessment was to establish a flexible approach, favourable for investors and allowing for ABCFL to establish an aggregated services model, maximising ACCUs and Aboriginal benefits, while keeping management and services costs low for our partners. The properties required to achieve the initial one million hectares required in Phase A have all been selected to achieve this approach.

HIR Desktop Pastoral Leases Overview

Of the 25 pastoral lease properties assessed for HIR suitability, sixteen of these were Aboriginal held Pastoral Leases with nine assessments undertaken on possible acquisition properties. It needs to be noted that Carbon Developers had already registered projects on fifty-nine of the potential acquisition properties identified within the South Rangelands. The acquisition of a property with an established carbon developer was not seen initially as favourable.

The first step in undertaking the feasibility of the selected properties was to engage external GIS and spatial data expertise, to undertake a desktop assessment of the HIR viability. Table 7 provides a total summary of the property results, with the estimated value assuming a price of \$20/t per ACCU², with this value increasing conservatively up to \$30/t over 25 years.

The average rainfall across all 25 properties assessed for HIR was 230mm per year and the mean tC/ha of carbon estimation across all properties was 14 tC/ha. These assessments showed the properties to be favourable for HIR projects, as the general rule of thumb provided to us by our analysts was minimum rainfall average should be greater than 200mm and you want to aim for minimum 10 tC/ha of carbon from the biomass. A project can still be viable with properties as low as 6t/ha and a slightly lower rainfall providing the overall condition of the property, land systems and biomass index are favourable. However, when accounting for the risk of climate change, properties not meeting this minimum criterion are generally seen as a riskier investment.

² The current ERF ACCU price is at \$18.50 (June 2021), it is predicted that this rate will increase to \$23 by 2022 – financial review.

Table 7: Total Desktop results from the 25 HIR Properties analysed

Property Type	Size (ha)	Non-Eligible Area for Carbon Project (ha)	Estimated Project Area (ha)	Estimated ACCUs After 15 Years	Estimated ACCUs After 25 Years	Est. Value
All Properties	5,078,318	798,611	614,078	6,215,172	11,333,982	225,174,111
Aboriginal Held	3,674,975	356,389	415,600	3,747,572	6,855,155	137,103,101
Proposed Acquisitions	1,403,343	442,222	198,478	2,467,600	4,478,826	88,071,010

Table 8 below breaks down the Table 7 results into the proposed Scenarios as a mean average. Table 9 lists the statistics for the three properties chosen for additional 'boots on ground' due diligence. The mean rainfall and t/ha stayed even between both Scenarios.

Table 8: Total Mean Result from the Desktop Analysis

Property Name	Size (ha)	Non-Eligible Area for Carbon Project (ha)	Estimated Project Area (ha)	Estimated ACCUs After 15 Years	Estimated ACCUs After 25 Years	Est. Value
All Properties	203,133	31,944	24,563	248,607	453,359	9,006,964
Aboriginal Held	229,686	22,274	25,975	234,223	428,447	8,568,944
Proposed Acquisitions	155,927	49,136	22,053	274,178	497,647	9,785,668

The aim of presenting the data as a whole and mean average, is to assist us in considering the overall viability of HIR as an aggregated service provider. It should be noted that the data associated with individual properties vary considerably, as can be seen in Table 9 and Table 10 includes the individual mean tC/ha and rainfall.

Table 9: Individual Properties Mean Desktop Results

Property Type	Size (ha)	Non-Eligible Area for Carbon Project (ha)	Estimated Project Area (ha)	Estimated ACCUs After 15 Years	Estimated ACCUs After 25 Years	Est. Value
Scenario 1 (A)	201,434	5,362	43,600	475,011	863,968	\$17,279,368
Scenario 1 (B)	125,797	43,257	40,500	562,737	1,016,763	\$20,335,263
Scenario 2	102,899	47,884	18,300	251,384	455,092	\$9,101,842

Table 10: Individual Property mean tC/ha and rainfall

Property Type	Mean Site Potential (tC/ha)	Mean Rainfall (mm)
Scenario 1 (A)	17.4	193
Scenario 1 (B)	22.2	221
Scenario 2	22.0	203

Based on this property analysis and further property due diligence undertaken this information assisted ABCFL to develop the growth strategy required for the overall OCC Business Model to be viable. The overall feasibility also demonstrated that the best approach for ABCFL and its associated ACES 'project subsidiaries' was to establish itself as an 'service aggregator' to allow the regional and future national scale of the model to provide maximum benefits back to ABCFL and its partners.

To support the data used in the above OCC Growth Strategy Stage 1, it was determined by the following data shown in Table 11 below. It should be noted that all properties proposed in stage 1 where in Scenario 1 – Aboriginal Held. The proposed 1 million ha was based on 5 Aboriginal held stations, the below feasibility into Scenario 1 – includes three of these 5 properties, with further due diligence commenced on the other two properties. As identified in the risk profile and growth strategy, to successfully scale up this model to achieve the anticipated targets, ABCFL must consider pursuing other interstate-based opportunities, like South Australia, and has started to undertake this work. However, Stage 1 is viable as a stand-alone project, as further explained below. The alternative, which is also being explored is that its acquisitions will come with a registered HIR project on it. This also supports why ABCFL will consider acquisitions in Stage 2 as there are several factors to take into consideration as discussed below.

Table 11: Stage 1 OCC Growth Model Data

Property Name	Size (ha)	Non-Eligible Area for Carbon Project (ha)	Estimated Project Area (ha)	Estimated ACCUs After 15 Years	Estimated ACCUs After 25 Years	Est. Value
Stage 1	946,007	151,352	154,600	1,470,175	2,679,718	53,594,359

HIR OCC Project Assumptions

The scenario due diligence assessments shown previously take a conservative perspective to provide a base case situation. Further assessments provided significant on ground data which has confirmed that some properties must have a significant increase in project area and productivity. This has demonstrated the importance of ensuring a detailed analysis of properties are undertaken to better inform the investment decision process.

Based on the comprehensive feasibility undertaken, ABCFL has developed 'favourable' project assumptions to consider an HIR project when carbon is its primary source of income. It also needs to be understood that WA pastoral property sizes are significantly larger than those in SA or on the east coast. For these assumptions to be considered favourable in other areas, ABCFL proposes the 'projects' to be considered in clusters of 2-5 properties.

Project Type:	HIR – Rangelands Pastoral Area of WA
Property Size:	~100k Ha. sitting within one lease or a cluster.
Lease Term:	Minimum 30 years remaining.
Project Sizes:	30% Property Available for Carbon
Native Title:	Lease sits within a Native Title Area to maximise social benefits.
Biomass:	minimum 10tC/ha of Carbon over 25 years
ACCUs:	20-25% of the ACCUs issued in first 5 years and 55-60% within 15 years.
Livestock:	De-stocked or low impact grazing

The above assumptions are not suitable for properties that currently derive most of their income from livestock and are looking for carbon to provide a secondary income. This is due primarily to those properties looking to only have approximately 15% of their lease as a carbon project area, which is in line with the overall assumptions made by the initial desk top review. In addition, where properties have extensive grazing pressure, the ACCUs generated in the initial 5 years will be minimal. For example, the property assessed in Scenario 2 – proposed acquisition, which was a sheep and goat property, only had 6% of its ACCUs available for issue in the first 5 years. This made the model unviable from a carbon acquisition perspective.

A key finding as part of the feasibility study was that properties that are de-stocked and must demonstrate reduced grazing pressure, are required to undertake extensive fencing works. Whereas going-concern properties wanting a secondary income can demonstrate a reduction in grazing pressure from reducing their livestock numbers and managing their current herds sustainably via water points and trap yards. Another variable was that some properties ran over two native title areas, which would require informed consent from both groups. Finally, what was also identified as an impact was the increased cost in infrastructure especially

fencing as a direct result of labour and capital supply shortages. Currently, fencing prices are averaging around ~\$5k per kilometre.

HIR Project Stages and Estimated Timeline

Any carbon project, irrespective of complexity and scale, has three main stages within its life cycle. The details provided below have also considered these stages from an OCC Framework perspective, to ensure overall transparency, integrity, and trust by all involved:

1. Stage 1 - Project Feasibility: the initial phase of the project that analyses and engages relevant stakeholders in detail to ascertain the viability of the project. Key deliverables within this phase include:
 - a. Potential carbon area review: a detailed review of targeted lease holdings and areas is undertaken by OCC with assistance from carbon and pastoral experts. This review will highlight key carbon “sweet spots” for further analysis and engagement with leaseholders.
 - b. Aboriginal Corporation (leaseholder) engagement: it is critical for an early, transparent, and respectful engagement strategy with relevant leaseholder Aboriginal stakeholders and groups. This engagement will outline the broad components of the potential projects, its objectives and benefits to Aboriginal stakeholders and groups.
 - c. GIS and Ecological analysis: this is a two-part stage. An initial analysis of the lease is conducted via satellite and “desktop” analysis to understand potential bio-mass potential of the project. If this initial review is encouraging then a second “boots on ground” scientific analysis is undertaken to document vegetation mass and species, climatic expectations, and other analytics to provide a detailed Carbon report.
 - d. Project feasibility: once the carbon analysis is completed a detailed project modelling phase is undertaken to understand the project viability, risks and potential ACCU off take. This detailed report will be used to decide the overall project future – Go/No Go decision.
- e. Native Title consent: if the project is deemed viable, then the ongoing discussion with Native Title group(s) will move towards brokering a fair and sustainable agreement to utilise the land in return for income and social benefits back to members.
2. Stage 2 - Project Development: this phase would concentrate on setting up the project once the initial Native Title consultation has commenced and working towards consent. These project milestones would include:
 - a. Project registration: as for all carbon projects the project will require registration with the Clean Energy Regulator (CER). This submission may be questioned or rejected by the regulator and a comprehensive submission and engagement strategy is to be used to ensure a successful registration.
 - b. Project planning: a detailed project plan for all remaining phases of the project is to be developed. This process includes a detailed risk assessment of the project to ensure the risk management strategy is built into the project plan. The project plan will provide an estimate for ACCU release timings which will allow social benefit planning to commence and be rolled out.
 - c. Project infrastructure rollout: activities required to make the project “carbon ready” and includes establishing/repair of fencing and water points, cattle de-stocking or movement, and ranger/station management strategy roll out.
 - d. Initial ACCU submission to CER: all projects are required to submit an ACCU claim within the first three years of their project commencing. Depending on certain regulations (e.g., de-stocking of cattle etc.) the initial ACCU claim can be back dated, and the OCC strategy will be to submit a best case ACCU estimation.
3. Stage 3 - Project Management: the longest phase of any carbon project is the management of the project from initiation to its completion (25yrs). This phase will focus on the project plan and risk strategy to ensure maximum ACCU

and social benefits are created. Depending on any agreement with the lease/landowners, the management of the project may include additional third parties to provide specialist expertise with the aim to train and mentor their skills for a future transition date. Activities within this phase include:

- a. Govt. carbon audit: regular audits by the government to confirm the Co2 extraction by the project biomass resulting in an allocated credit (ACCU) volume.
- b. ACCU income/trading strategy: dependent on the agreed income allocation

with project partners OCC will act as the proponent and manage the ACCU account and any conversion to income via sales. After this is a proposed “future fund”, managed by OCC that will ensure maximum returns for partners and mitigate against future market fluctuations.

- c. Social benefits: as outlined in further detail below a critical part of this project phase is to ensure that social benefits begin to flow back to Aboriginal people and partners in a sustainable manner. This includes tangible benefits such as jobs and training but also intangible such as the cultural significance of Country being returned to its original state etc.

Carbon Farming Timeline									
	Year 1 H1	Year 1 H2	Year 2 H1	Year 2 H2	Year 3 H1	Year 3 H2	Year 4	Year 5	Year 6-10
Key Milestones	Phase A		Phase B	Phase C					
Carbon areas reviewed	✱								
Primary targets agreed	✱								
Aboriginal Corp / Native Title engagement	✱								
GIS satellite analysis	✱								
GIS on-country analysis review		✱							
Project feasibility study		✱							
Investment requirements study		✱							
Native Title consent		✱							
Project Go/No Go		✱							
Project planning		✱							
Project registration		✱							
Project infrastructure rollout		✱							
ACCU submission to Govt		✱							
Govt ACCU audit				✱			✱	✱	✱
ACCU release to ANREC a/c									
ACCU future fund strategy									
Social benefit - fencing training & jobs									
Social benefit - ranger program training & jobs									
Social benefit - pastoral mgt training & jobs									
Social benefit - TEK program									
Social benefit - country rejuvenation									
Social benefit - re-stocking program									
Social benefit - income to AC & NT groups									

HIR Scenario Due Diligence Outcomes

Once the overall desktop assessments were completed on the 25 properties across the Southern Rangelands, additional resources were then further invested in three properties as previously.

The results from the 'boots on ground' due-diligence approach has assisted ABCFL to pull together some favourable project assumptions when considering HIR projects for investment. It should be noted that the favourable assumptions below are to assist in Phase A of the growth strategy. Once an increased investment portfolio is reached and the pilot projects have commenced with the business model expanding into Phases B and C, additional properties mixes can be considered. The major factor of this for consideration is on-going concern 'intensive grazing pressure', which results in a significantly lower return of ACCU's in the first 5 years. This will require ABCFL to be in a financially secure place to invest in properties with a lower return on investment in the initial 2-3 years, stretching out to 5-10 years ROI. This is not achievable without strong strategic partnerships with investors and is hence the reason for establishing the ABCFL Future Fund (Figure X), or for the OCC propose, the Carbon Bank.

Scenario 1 (A) – Aboriginal Held

The Scenario 1 (A) property is a de-stocked cattle/sheep station with limited to no maintained pastoral infrastructure on the property. The property is a mix of two adjoining pastoral leases and sits on two Native Title Claims. The lease holding Aboriginal Corporation aspires to manage their own sustainable cattle herd and wanted to provide opportunities for its members to be trained in both pastoral maintenance works i.e., fencing, animal handling with managing livestock and assisting its Native Title members to deliver TEK projects. The additional Aboriginal benefits was also to include access to Country and a place for Elders to come to heal and re-connect their younger generations.

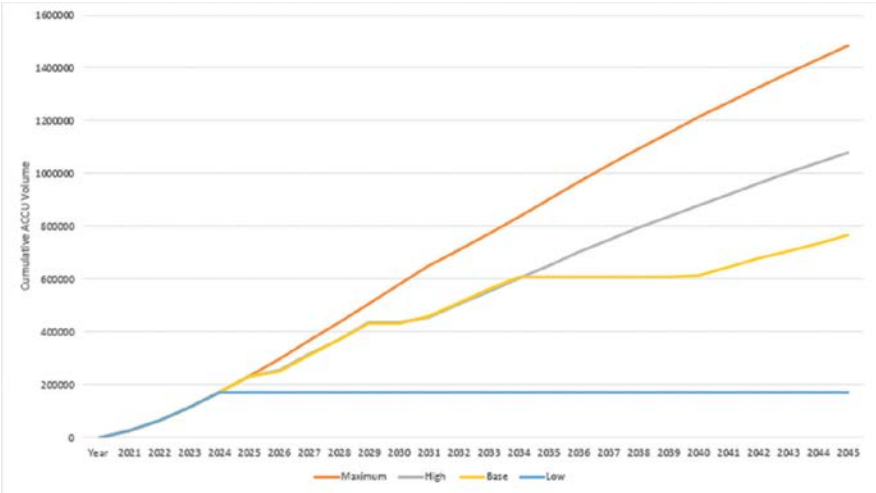
The due diligence 'boots on ground' approach showed that the available project area, due to the fact the station is de-stocked but still had significant grazing pressure due to wandering cattle from neighbouring stations, could be up to a total of 66,000ha (Table 12) or 30% of the property. This leaves sufficient land available to allow the organisation to build up a sustainable cattle herd and meet its pastoral obligations.

Table 12: Scenario 1 (A) CAE Estimation Area

PROJECT PARAMETER	DETAIL
TOTAL STATION SIZE	201,434 ha
CARBON ESTIMATION AREA (CEA)	66,000 ha total CEA
PRE-EXISTING FOREST	135,000 ha of pre-existing forest
LOCATION OF CEA	70-80 percent of CEA on Northeast of the Property

Figure 12 details the different Annual ACCU delivery scenarios. The high and base case have been further summarised in Table 13. Note, these scenarios do not account for fire risk, flood risk or other destructive events.

Figure 12: ACCU Delivery Scenario



ACCUs are issued to projects by the CER based upon the maximum profile for the first 6 years until the profile is then adjusted. Regeneration checks occur in Years 6 and 10. Forest cover assessments to account for on-the-ground performance occur in Years 15 through to 25. Table 13 demonstrates the variable that is achievable with 30% project area. When the property is destocked, it can back date its initial ACCU claim.

In accordance with HIR project requirements, land management activities that will occur to facilitate the regrowth of the native forest include:

- Feral animal management
- Reducing cattle to low stocking rates
- Manage grazing pressure from neighbouring properties

Table 13 – Scenario 1(A) Analysis

CASE	SCENARIO	LIKELIHOOD	ACCUS OVER 25 YEARS - 2021	ACCUS OCER 25 YEARS - 2016
HIGH	Some CEA converts to forest. Reduced from maximum case by ecological discount	Somewhat likely with higher rainfall. Represents 10th percentile outcome.	901,000	1,077,000
BASE	Some CEA converts to forest. Regrowth occurs at rates and quantities predicted in ecological assessment	Most likely outcome with factors in climate trends and current state of vegetation. Considers current canopy cover percent of CEAs.	638,000	763,000

To appropriately facilitate these activities, substantial infrastructure and fencing is required. The installation and construction of fencing is expected to be a minimum of \$750,000 plus depending on neighbour contributions, as well as regular assessments of impacts. In addition, this project will require investment into water points, cattle management infrastructure and a cattle herd to meet pastoral board requirements.

The detailed ongoing management costs including the proposed Aboriginal benefit costs within the On-Country Carbon project and ABCFL Social Benefit Programs are detailed in the supporting Appendix. Below is a summary of what the project is projected to achieve in the first 5 years.

Table 14: Initial 5-year Maximum Aboriginal Benefits Cost against proposed ACCU revenue

	Start Up Cost Total (\$m)	Yr1	Yr2	Yr3	Yr4	Yr5	Yr1-5 Total (\$m)
Total Current Capex Cost	0.98	0.06	0.06	0.06	0.06	0.07	0.31
Total Current Opex Cost	0.14	0.2	0.2	0.2	0.2	0.2	1.18
Total Community Opex Costs	0.06	0.29	0.29	0.30	0.30	0.31	1.48
Total Project Cost	1.17	0.57	0.58	0.59	0.61	0.62	2.97
ACCU Income Projection							
ACCU Projection - Base Case		30,000	30,000	30,000	30,000	30,000	150,000
Estimated ACCU Income/Value		0.60	0.60	0.60	0.60	0.60	3.00

Profit/Loss Projection - Option 1							
Profit & Loss (Carbon)	-1.11	0.31	0.31	0.30	0.30	0.29	0.40
Profit & Loss (Community)	-0.06	-0.20	-0.22	-0.23	-0.24	-0.25	-1.20

Profit/Loss Projection - Option 2							
Profit & Loss (Carbon)	-0.56	0.31	0.31	0.30	0.30	0.29	0.95
Profit & Loss (Community)	-0.06	-0.09	-0.10	-0.12	-0.13	-0.14	-0.58

Profit/Loss Projection - Option 3							
Profit & Loss (Carbon)	0.00	0.31	0.31	0.30	0.30	0.29	1.51
Profit & Loss (Community)	-0.06	0.03	0.02	0.01	-0.01	-0.02	-0.03

The above table demonstrates that within the first 5 years of the project, the ACCUs revenue estimated on base case scenario (\$20/t) has the capacity to cover OCC capex/operating costs and the start-up costs. However, without external funding support to cover the infrastructure costs, there will only be an approximate 20% contribution from the profits to the Social Benefit programs.

Table 15: Aboriginal Benefits

Aboriginal Benefits	Option 1	Option 2 (including 1)	Option 3 (including 1 & 2)
Regeneration of Country	Start Up Project Fencing allocated regeneration area	Heritage Sites Identified On-Country Field Trips Ranger Training Program	Cultural Mapping Program On-Country Education Healthy Bush Tucker Program
Aboriginal Training and Employment	Station Manager Field Officer Maintenance Team	Admin Trainee Community Officer Elder Engagement	On-Country Educators Aboriginal Cooks Youth Services
Aboriginal Led Project Decision Making	Delivery of Carbon Project Financial Incentives for Native Title Group	Heritage Surveys Place for Training	Social enterprise development Community programs Education Initiatives
Value Add Business Opportunities	Self-Managed Herd	Self-Managed Herd Ranger Training	Community Education Program Bush Tucker Enterprise Cultural Tourism Enterprise

The options explain that if 50% of the upfront costs are funded then approximately 60% of the costs associated with the Social Benefit Programs would be met by revenue from the Carbon Project and the remaining costs would need to be sourced through ABCFL, as it currently does. If 100% of the start-up costs are funded, then 98% of the costs would be covered, as Table 15 demonstrates.

The following years (Years 5 – 25) would not have the impact of the Carbon start-up costs so additional revenue would be allocated to the Social Benefit Programs. But as the ACCUs volume is reduced the actual income is also impacted. However, due to the current trend in ACCUs prices in Australia, the assumptions further detailed in the pilot project in the Annexure provides a conservative increase to \$25/t to \$30/t from Years 11 and 20, respectively.

It is ABCFL's aspiration that a minimum 50-75% of its social benefit program costs are funded through its own partner commercial projects, with a long-term vision of progressively moving to a self-funded model.

ABCFL has been providing funding to the project partner and its community since 2018 as it was not able to source funding for its social benefit projects. ABCFL has sourced the funding through grants (80%) and through other commercial projects (20%) and the total benefits demonstrated in Table 15, Option 3 are currently being achieved. The funding allocated, however, is not secured and ends in 2022. Ideally, the carbon farming revenue provides for continuity of the Aboriginal benefits, maintaining Aboriginal employment and other associated community benefits. Therefore, it is key that revenue comes from the carbon project.

The overall Aboriginal benefit cost for this pilot can also be demonstrated at \$29 per ACCU over the life of the project. With current estimations taking in ACCUs value growth from year 11, but not reaching a mean of \$29 per ACCU until Year 30, it leaves the project short in funding for the community Aboriginal benefits by \$3.6m (20%) or \$2.4m (14%) if the start-up is fully funded. This provides a clear example of what can be achieved through a social enterprise model, with the Foundation being well placed to leverage the short fall over the life of the project, if it is unable to secure a complete project 'social investor'.

Scenario 2 – Proposed Acquisition

As outlined previously the strategic move towards acquiring properties for the purpose of carbon farming, grazing and social impact activities will be driven by factors including:

1. Overall financial position of the OCC entities and their strategic priorities.
2. Success of carbon and grazing strategies during the Phase A of OCC strategic plan.
3. Ability to identify and grow investment partnerships to support the financial impost of acquiring lease holdings.
4. Ability to identify and grow Aboriginal partnerships to deliver both commercial and social outcomes via the potential acquisition.
5. Overall viability and price projection for carbon credits (ACCU's).
6. Availability of suitable pastoral leases for acquisition and subsequent price demand.
7. Availability of potential projects that are not already signed to a carbon competitor.

For all potential acquisitions a full due diligence cycle will be undertaken as outlined above within this section focusing on carbon and social impact potential, project risks, start-up costs and overall project viability.

OCC will continue to monitor potential acquisitions throughout WA and SA with a strategic view to move to this project type by 2023.

Supporting Appendixes to this document which detail specific project sites are confidential and available upon request and consent provided.



Appendix 1 - Risk Register

Carbon Project Risk Register (1 of 2)

ID	Date raised	Risk description	Likelihood of the risk occurring	Impact if the risk occurs	Severity Rating based on impact & likelihood	Owner Person who will manage the risk.	Mitigating action <i>Actions to mitigate the risk e.g. reduce the likelihood.</i>	Contingent action <i>Action to be taken if the risk happens.</i>	Progress on actions	Status
1	1/05/2021	Key organisational staff leave	Low	Medium	High	Project Sponsor	Develop and roll out training, experience and mentoring strategies for all roles associated with project to create a flexible and LEAN workforce.	Conduct an efficient recruitment process to secure new talent and oversee the BAU activities to ensure the project is not affected by employee changes.	Workforce training, experience and mentoring strategy developed and rolled out. Recruitment strategy agreed.	Open
2	1/05/2021	ILSC funding not able to be secured.	Low	High	High	Project Sponsor	Continued engagement with the ILSC to update project progress. ILSC templates for funding developed and reviewed by ILSC to ensure efficient and accurate funding submissions.	Further discussions with other govt and private sector partners to bridge any ILSC funding gap.	Engagement with ILSC and other funding options progressing well and nearing completion.	Open
3	1/03/2021	Private sector investment not secured	Low	Medium	Medium	Project Manager	Broad and detailed discussions ongoing with a number of private sector partner options progressing well. Further govt sector funding options being explored.	Develop further private sector relationships to create further options and continue progressing govt sector options.	All discussions for partnership agreements with investment options progressing well. Likely H2 2021 agreements will be confirmed and signed.	Open
4	1/03/2021	No internal funding available through ABCF	Medium	Low	Medium	Project Manager	Ongoing financial management to ensure that ABCF has a future fund for carbon projects to assist with capital and operational activities.	Continue funding option discussions with govt/non govt options.	ABCF financial management creating saving fund for carbon project funding.	Open
5	1/03/2021	Govt policy change impacting Carbon ACCU creation and/or price	Low	High	High	Project Manager	Ongoing discussions with govt department overseeing the carbon industry. Further engagement with sector specialists to understand future policy options and impact.	Mitigate policy change risks by locking in projects and ACCU value with govt and market options.	Carbon project and ACCU strategy agreed and rolled out.	Open
6	1/03/2021	Regulatory breaches or fails by the project	Low	High	High	Project Manager	ABCF has aligned its carbon project with sector specialists to ensure all phases of the projects are aligned to regulator expectations.	ABCF carbon operational model documented and project phase requirements understood and planned for delivery.	Engagement with partners has ensured all regulator requirements are known and planned.	Open
7	1/03/2021	Project safety risks	Low	High	Medium	Team Manager	A complete project health, safety and environment (HSEC) analysis performed to document a safety plan.	A detailed risk assessment procedure to be rolled out for any safety breach and all operations halted until analysis completed and lessons embedded into operations.	Documentation of the HSEC risks for carbon projects and response strategies for any breaches.	Open
8	1/03/2021	Poor project due diligence	Low	High	Medium	Project Manager	A multi-layered DD process for carbon projects undertaken for all opportunities. This includes satellite and on-country analysis, and detailed project viability and planning analysis.	A project Go/No hurdles are in place to ensure any inferior DD is identified and rectified in real time.	Continued engagement and analysis of all project DD phases to ensure accuracy and quality of analysis is delivered.	Open
9	1/03/2021	No sub-leases available for projects	Low	High	Medium	Project Manager	An ongoing analysis and understanding of pastoral and non-pastoral leases around Australia to identify and target potential sub-lease options.	Focus on acquisition and management of carbon projects for clients.	Ongoing sub-lease analysis.	Open
10	1/03/2021	No leases for acquisition available for projects	Low	Medium	High	Project Manager	An ongoing analysis and understanding of pastoral and non-pastoral leases around Australia to identify and target potential acquisition options.	Focus on sub-lease and management of carbon projects for clients.	Ongoing acquisition analysis.	Open
11	1/03/2021	Lease acquisition or sub-lease too costly for project	Low	Medium	Medium	Project Manager	Detailed and flexible DD process creates early identification of viable carbon projects.	Focus on carbon project management.	Ongoing DD refinement and analysis to identify viable projects.	Open

Carbon Project Risk Register (2 of 2)

ID	Date raised	Risk description	Likelihood of the risk occurring	Impact if the risk occurs	Severity Rating based on impact & likelihood	Owner Person who will manage the risk	Mitigating action <i>Actions to mitigate the risk e.g. reduce the likelihood.</i>	Contingent action <i>Action to be taken if the risk happens.</i>	Progress on actions	Status
12	1/03/2021	ACCU value drops significantly	Low	High	High	Project Sponsor	Create a depth of market (Australia & Global) markets with sector experts to understand ACCU value drivers and market risks.	Lock in sufficient govt auction and private sector ACCU value to de-risk ACCU value fluctuations.	ACCU sale strategy developed.	Open
13	1/03/2021	Poor OCC start up model	Low	Medium	High	Project Sponsor	A detailed business model for the OCC strategy has been developed with our sector partners. This model is focused on ACCU creation, Aboriginal social impact and ACCU valuation management.	Implementation of model stage gates to audit and identify failings in real time for mitigation.	Business model complete.	Open
14	1/03/2021	Lack of capability & capacity partnerships	Low	High	High	Project Sponsor	All potential partnerships explored for their sector capability and capacity levels and performance indicators agreed to ensure quality.	Continue to explore future partnership relationships to ensure gaps can be filled quickly when required.	Partnership risk mitigation plan developed.	Open
15	1/03/2021	Failure to obtain Native Title consent	Low	High	High	Project Sponsor	A detailed engagement strategy with Native Title groups to ensure they are part of the project phases and benefit from value created.	A developed engagement strategy with Native Title membership group to mitigate concerns around consent.	Native Title groups engaged early and in a respectful and detailed manner to ensure they are listened to and outcomes maximise carbon project potential.	Open
16	1/03/2021	Increased project delivery costs	Low	Medium	High	Project Sponsor	A detailed analysis of capital and operational costs to create a strategy to lock in capital purchases as early as possible. Leverage partnership purchase power to secure logistics.	Exploration of cheaper infrastructure and operational costs ongoing to secure options.	Procurement and logistics strategy agreed.	Open
17	1/03/2021	Poor sub-lease T&C's	Low	Medium	High	Project Sponsor	Secure partnership capability to assist with T&C's analysis and negotiating.	Secure partnership capability to assist with T&C's analysis and negotiating.	T&C understanding and partnership support agreed.	Open
18	1/03/2021	Project ACCU delivery affected by fire	Low	High	High	Project Manager	Pastoral management strategy to understand and mitigate fire risk on the lease. Supporting fire fighting equipment and training to staff to be agreed and rolled.	Bio-mass re-planting and re-growth strategies to be rolled out.	Fire mitigation strategy developed.	Open
19	1/03/2021	Project ACCU delivery affected by drought	Low	High	Medium	Project Sponsor	Pastoral management strategy developed to mitigate low rain fall scenarios.	Delivery of rain mitigation strategy through pastoral and agricultural options.	Mitigation strategy developed.	Open
20	1/03/2021	Delays in infrastructure capital	Low	Medium	High	Project Manager	A procurement and logistics strategy with partners to ensure capital is identified and secured asap to support project roll out.	Exploration of supply chains to secure capital requirements.	Supply chain strategies being secured.	Open
21	1/03/2021	Limited neighbour contributions to fencing and other infrastructure	High	Low	Medium	Project Sponsor	Ongoing engagement with neighbours to work with them on a contribution strategy.	Exploration of legal options to secure contribution.	Relationships with neighbours ongoing and currently productive.	Open
22	1/03/2021	Future fund price variation risks	Low	High	Medium	Project Manager	Creation of an ACCU trading strategy to lock in suitable govt/non-govt ACCU value in short and long term.	Draw on expert trading advice and partners to lock in a viable long term off-take agreement.	Partnership off-take agreements being negotiated.	Open
23	1/03/2021	TEK not valued by ACCU market	High	Medium	High	Project Manager	An ongoing communication strategy is being developed to ensure the carbon sector and potential offtake partners are aware of TEK.	TEK roll out an integral part of OCC carbon projects irrespective of recognition or not.	TEK documentation and rollout within carbon projects confirmed.	Open



If you want to know more about On-Country Carbon, let's chat!

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