

Australian Threatened Species Project Biodiversity Impact Bonds Indicative Term Sheet



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TO BE REVISED

Transaction overview

Purpose, projects & outcomes	<p>The Australian Threatened Species Project (Transaction) will support the delivery of specified conservation projects by Australian Wildlife Conservancy (AWC) on AWC-owned and managed properties (Agreed Projects, as described further below).</p> <p>The intended outcomes for each Agreed Project are to improve the trajectories of certain threatened mammals, including species that have been affected by fire impact zones arising from the Australian Bushfire Crisis and many others included in the Australian Government's current <i>Threatened Species Strategy</i>.</p> <p>Economic and community outcomes from the Transaction will arise from local employment, use of local materials, use of local contractors and tourism.</p> <p>Funding of the Transaction will involve an innovative combination of public, private and philanthropic sources. Specifically, the direct and indirect participation by community will be enabled by investment from Australia's superannuation sector and a committed and general donation campaign.</p>
Fund Vehicle	A charitable trust (Fund Vehicle) is to be established for the purpose of part funding the capital and operating expenditure for the Agreed Projects. The sole charitable member for the Fund Vehicle (Trust Member) will be AWC.
Trustee	A third-party independent trustee will be appointed to the Fund Vehicle.
Fund Manager	AWC will act as the manager of the Fund Vehicle.
Private & philanthropic funding	<p>The Fund Vehicle will issue Biodiversity Impact Bonds (Bonds) to investors (Bondholders) to enable part funding of the Agreed Projects.</p> <p>In addition, at the Bond issue date, AWC will provide a commitment to contribute funds sourced or to be sourced from philanthropic supporters of AWC and other sources (Philanthropic Funding).</p>
Key outcomes & services	<p>The Australian Government, acting through the [Department of Agriculture, Water and the Environment] (Department), will be the key public agency for the transaction, through a Project Delivery Agreement (PDA). AWC will be contracted as the service provider to the Agreed Projects.</p> <p>Under the PDA, the Department will make milestone and outcomes-based payments to the Fund Vehicle to enable coupon and principal payments to be made by it on the Bonds. Further details of the PDA are described below.</p>

Biodiversity Impact Bonds

Principal Amount	[\$50] million.
Maturity	10 years.
Denominations	Initially, \$[●] per Bond, with the Principal Amount of each such Bond repaid on an amortising basis as described further below.
Coupon payments	Interim Returns and a Final Return, each as described further below.

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	<p>Achievement of the hurdles to payments of these returns will be assessed through a scoring system, with points awarded for the achievement of particular milestones and/or outcomes (in each case, as verified by the Independent Expert and presented in its report – see the “<i>Independent Expert</i>” section below).</p> <p>The number of points awarded – for particular achievements in relation to specified Agreed Projects – will be specified in the table in the Appendix.</p>
Interim Returns	<p>Interim Returns – determined at an effective per annum fixed interest rate, and as though paid annually – will be payable on the Principal Amount outstanding of the Bonds, subject to satisfaction of relevant conditions and on the basis set out below.</p> <ul style="list-style-type: none"> • The first Interim Return – paid as a cumulative lump sum payment of interest accrued (but unpaid) on a compounding basis up to that time – is to be made at the end of Year 5. • Subsequent Interim Return payments are to be made (if at all) at the end of each year from Years 6 to 10 (both inclusive). • Interim Returns will be payable at the rate determined in accordance with the following formula: Interim Return = [2]% x (A / B) where: <p>A means the aggregate number of points that are awarded in respect of each Agreed Project for (1) completion of Feral Predator-Proof Fencing, and (2) establishment of a Cleared Fence Area (each to be opined on by an Independent Expert (see below)), in each case by reference to the facts and circumstances subsisting as at the end of Year 5, and</p> <p>B means the total number of points that are able to be awarded in respect of all Agreed Projects for (1) completion of Feral Predator-Proof Fencing, and (2) establishment of a Cleared Fenced Area.</p>
Final Return	<p>A Final Return – determined at an effective per annum fixed interest rate, and compounding as though calculated and paid annually on the Principal Amount outstanding of the Bonds – will be payable at the final maturity at the end of Year 10, subject to satisfaction of relevant conditions.</p> <p>The Final Return will be payable at the rate determined in accordance with the following formula: Final Return = [4]% x (C / D) where: <p>C means the aggregate number of points that are awarded for the establishment of a Viable Population for each Target Species Project (as opined on by an Independent Expert (see below)), by reference to the facts and circumstances subsisting as at the end of Year 10, and</p> <p>D means the total number of points that are able to be awarded for the establishment of a Viable Population for all Target Species Projects.</p> </p>
Principal repayment	<p>Amortising repayments of the Principal Amount (commencing from the end of Year 7) being paid in aggregate instalments as follows:</p> <ul style="list-style-type: none"> • \$12.5 million at end of Year 7 • \$12.5 million at end of Year 8 • \$12.5 million at end of Year 9 • \$12.5 million at end of Year 10. <p>To avoid doubt, no instalment payments are scheduled to be made at any time prior to the end of Year 7 (but without limiting any earlier acceleration of principal repayments owing to default or termination).</p>

Status	Limited recourse, unsubordinated and unsecured debt obligations of the Fund Vehicle.
PDA payments & limited recourse	<p>Recourse of Bondholders in respect of the Bonds will be limited to the assets of the Fund Vehicle, which include rights to receive payments made by the Department under the PDA. Payments will only be made under the Bonds upon receipt by the Fund Vehicle of a corresponding amount under the PDA.</p> <p>None of AWC, the Trustee, the Fund Manager, the Australian Government or the Commonwealth or any other person will provide any guarantee or other assurance in relation to the payment of amounts owing under the Bonds.</p>
Other features	<p>The Bonds will be issued in registered, uncertificated form. Transfers of any Bonds will be subject to the prior written consent of the Fund Manager (such consent not to be unreasonably withheld or delayed).</p> <p>The Bonds will not be listed, nor will they be transacted through any clearing system.</p>

Philanthropic Funding

Total amount	[\$50] million.
Fundraising	<p>At the Bond issue date, AWC will provide a commitment to contribute the Philanthropic Funding.</p> <p>As funds are received by AWC they will be held in a segregated account and be managed by AWC in accordance with the terms of the PDA.</p> <p>For the avoidance of doubt, (1) providers of Philanthropic Funding shall not be entitled to any returns or repayment (in particular, there are no rights to amounts received by the transaction parties under the PDA), and (2) the Philanthropic Funding is not to be used to make payments on the Bonds.</p>

Other key transaction features

Project Delivery Agreement	<p>The PDA will set out (among other things):</p> <ul style="list-style-type: none"> descriptions and detailed budgets for each Agreed Project funding arrangement for the Agreed Projects, including milestones which, on achievement, will trigger (1) the making of additional service payments by the Fund Vehicle to AWC, and (2) release of funds by AWC from the segregated account holding the proceeds from the Philanthropic Funding payments of amounts by the Department to the Fund Vehicle that correspond with Interim Returns, Final Returns and repayments of principal (including instalments and amounts payable upon Early Termination (as described below).
Agreed Projects	<ul style="list-style-type: none"> The Transaction will include [11] projects to be agreed with the Department. Each Agreed Project will involve: <ul style="list-style-type: none"> construction of a feral predator-proof fence to a standard capable of preventing incursion of feral predators into the Fenced Area, and with such other design specifications as required of each Agreed Project, details of which will be agreed between the Department and the Fund Vehicle and included in the PDA (Feral Predator-Proof Fencing) establishment of an area (bounded by the Feral Predator-Proof Fencing) that has been cleared of predators (Cleared Fence Area), <p>in each case, completion of which is confirmed by the Independent Expert.</p> An Agreed Project may also involve the translocation of a species (as agreed between the Fund Vehicle and the Department) to a Cleared Fenced Area (Targeted Species Project).

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	<ul style="list-style-type: none"> • Relevant predators include feral cats, foxes and/or other animals agreed between the Fund Vehicle and the Department that are required to be removed from Cleared Fenced Areas as part of an Agreed Project (Predators). • Further details of each Agreed Project (as presently contemplated, but subject to change) are set out in the Appendix). • The operating plans and budgets as set out in the PDA will allow for AWC to exercise project discretion and funding amounts within pre-agreed parameters to ensure a sufficient degree of flexibility is retained. • Substitution of an existing Agreed Project for a new Agreed Project shall be permitted in certain circumstances and the parties will agree to work together in good faith to adjust the terms of the PDA where this occurs.
Collaboration with indigenous communities	Where applicable to the location of any Agreed Project, AWC's performance in its project delivery will utilise its own practices for engagement with traditional owners in the delivery of conservation and land management. These practices are long-developed and have been effectively applied by AWC across many of its sanctuaries.
Viable Population	<p>The definition for Viable Population is to be finalised as a feature of the PDA – with regard being had to the relevant species, subpopulation numbers and species management – with objective measures for populations and timings to be set per species and Agreed Project.</p> <p>Populations for each Targeted Species Project are to be tested by an Independent Expert within defined periods nearing the scheduled maturity of the Transaction and will include a range of techniques appropriate to individual species, which may include camera trapping, live trapping, spotlight transects and other techniques. Examples are set out in the Table in the Appendix.</p>
Independent Expert	<p>Such independent, appropriately qualified, third-party as agreed by AWC, the Fund Vehicle and the Department.</p> <p>The Independent Expert will be required to provide a written report (addressed to AWC and the Department and to include prescribed content, including in relation to evaluation and/or verification of the achievement (or non-achievement) of project milestones and outcomes and payment hurdles) on:</p> <ul style="list-style-type: none"> • for Interim Returns, on the 5th anniversary of the issue of the Bonds, and • for the Final Return, on the 10th anniversary of the issue of the Bonds. <p>AWC will provide the Independent Expert with access to all such information and access to such areas within and surrounding the Cleared Fenced Areas as is reasonably required to complete each report.</p>
Early Termination of the PDA	<p>In the event of Early Termination of the PDA, the Department will pay to the Fund Vehicle the difference between the existing liquid assets of the Fund Vehicle and the outstanding Principal Amount of the Bonds (after allowing for payment of all liabilities, and all costs associated with the winding up, of the Fund Vehicle) to enable the Fund Vehicle to make repayment to the Bondholders of the Principal Amount. Any additional amounts (if any) payable under the PDA in such circumstances – which will depend upon the circumstances of the Early Termination – will be agreed and provided under the PDA.</p> <p>It is anticipated that Early Termination events would include (1) project-specific matters, including failure to achieve interim KPIs across Agreed Projects, cessation of key Agreed Projects and failure in the Philanthropic Fundraising, and (2) standard termination events, including for convenience (by the Department) and for cause events such as insolvency, material breach, service provision default or abandonment, illegality and change to relevant law or tax treatment.</p>
Periodic reporting & reviews	The progress of the Agreed Projects and the Transaction, with particular regard to identified matters which may affect the viability and success of any part of the

	<p>Transaction, will be regularly reported upon by the Fund Manager and periodically reviewed.</p> <p>In certain circumstances, the outcomes of such reviews may form the basis for a Review Event to occur, where the parties (each acting in good faith) shall then consult for a period of up to [90] days on the changes to the Transaction that may be made to ensure continuation of the arrangements. The prior consent of a required majority of Bondholders will be required where any such changes adversely affected Bondholder interests.</p>
Force Majeure	<p>In the event of a force majeure event (such as fire, drought, flood, governmental or administrative intervention etc.), (1) the parties (each acting in good faith) shall consult for a period of up to [90] days on the changes to the Transaction that may be made to ensure continuation of the arrangements (which may include substitution of Agreed Projects that have been affected by any such event), and (2) in any event, the Department and the Fund Vehicle (each acting in their own discretion) may elect to prepay up to [30]% of the Principal Amount of the Bonds (for any single force majeure event and in aggregate, with such amount being applied to repay the Principal Amount on the Bonds at par with no additional return on that repaid amount).</p>
Transaction costs	<p>Costs incurred in connection with the establishment of the Bond arrangements and their on-going operation and maintenance are expected to include (1) transaction costs associated with the establishment of the Bond arrangements, (2) trustee costs, and (3) Independent Expert costs. These costs will not be paid from Bond proceeds or Philanthropic Funding.</p>
Authorised investments & income	<ul style="list-style-type: none"> Funds held by the Fund Vehicle that are yet to be drawn down for application to Agreed Projects, shall be invested by the Fund Vehicle in interest bearing instruments / accounts where the issuer and/or the instrument are rated not less than "A" (or its equivalent) by a recognised credit rating agency (being S&P, Moody's or Fitch). All income earned on such investments shall (1) be applied towards payment and reimbursement of transaction costs (as described above), and (2) otherwise form part of the assets of the Fund Vehicle.
Fund Manager role, conflicts management and default	<ul style="list-style-type: none"> The Fund Manager will carry on the day-to-day administration, supervision and management of the business of the Fund Vehicle, including in relation to managing funds, payments and authorised investments, management of Agreed Project properties, maintenance of insurances, investor reporting, convening governance meetings and maintenance of financial records and accounts. Any matters for which a potential conflict of interest may arise from AWC acting both as Fund Manager and as service provider and which may affect the interests of Bondholders will be reserved matters and subject to a conflicts management protocol. An alternative party (acceptable to a requisite majority of Bondholders and the Department) may be appointed to perform the role of Fund Manager in circumstances where AWC fails to perform its obligations as Fund Manager or any relevant conflict arises that cannot be managed or remedied and, in either case, the PDA and Agreed Projects remain capable of being performed by AWC.
Restrictions	<p>The Fund Vehicle will not be able to grant security nor incur indebtedness without the prior approval of a required majority of Bondholders (subject to customary exceptions to permit the Fund Vehicle's ordinary business).</p>
Fund Vehicle termination	<p>Following payment of all Returns and repayment of the Principal Amount to the Bondholders, the Fund Manager may elect to terminate the Fund Vehicle and all residual assets of the Fund Vehicle (if any, following satisfaction of all other liabilities) shall revert to the Trust Member.</p>

Appendix – Summary of Agreed Projects

[The following Agreed Projects remain under consideration and are subject to change]

	Name of Agreed Project	Location	Fenced Area (ha)	Points for Predator Proof Fence	Feral animals to be cleared	Points for Cleared Fenced Area	Targeted Species	Testing techniques	Points for successful Target Species Project
1	Newhaven (Stage 2)	South West of the Northern Territory	110,000	1	<ul style="list-style-type: none"> - Feral cats - Foxes - Camels - Wild Dog/Dingo 	1	Western Quoll	<ul style="list-style-type: none"> - Camera Trapping - Live Trapping 	1
							Numbat	<ul style="list-style-type: none"> - Camera Trapping - Live Trapping 	1
							Red-tailed Phascogale	<ul style="list-style-type: none"> - Live Trapping 	1
							Golden Bandicoot	<ul style="list-style-type: none"> - Camera Trapping - Live Trapping 	1
							Bilby	<ul style="list-style-type: none"> - Camera Trapping - Live Trapping 	1
							Woylie	<ul style="list-style-type: none"> - Camera Trapping - Live Trapping 	1
							Burrowing Bettong	<ul style="list-style-type: none"> - Camera Trapping - Live Trapping 	1
							Mala	<ul style="list-style-type: none"> - Camera Trapping - Live Trapping 	1
							Black-footed Rock-wallaby	<ul style="list-style-type: none"> - Camera Trapping - Live Trapping 	1
							Shark Bay Mouse	<ul style="list-style-type: none"> - Live Trapping 	1
							Central-Rock rat	<ul style="list-style-type: none"> - Camera Trapping - Live Trapping 	1
							Dusky Hopping-mouse	<ul style="list-style-type: none"> - Live Trapping 	1

	Name of Agreed Project	Location	Fenced Area (ha)	Points for Predator Proof Fence	Feral animals to be cleared	Points for Cleared Fenced Area	Targeted Species	Testing techniques	Points for successful Target Species Project
2	Mt Gibson (Stage 2)	Mid-west, Western Australia	4,500-9,000	1	Feral Cats Foxes Rabbits Wild Dog/Dingo Goat	1	Western Quoll	- Camera Trapping - Live Trapping	1
							Red-tailed Phascogale	- Camera Trapping - Live Trapping	1
							Numbat	- Camera Trapping - Live Trapping	1
							Western Barred Bandicoot	- Camera Trapping - Live Trapping	1
							Bilby	- Camera Trapping - Live Trapping	1
							Burrowing Bettong	- Camera Trapping - Live Trapping	1
							Woylie	- Camera Trapping - Live Trapping	1
							Mala	- Camera Trapping - Live Trapping	1
							Banded Hare-wallaby	- Camera Trapping - Live Trapping	1
							Greater Stick-nest Rat	- Camera Trapping - Live Trapping	1
3	Scotia (Stage 3)	Far west, NSW	16,000	1	Feral Cats Foxes Rabbits	1	Western Quoll	- Camera Trapping - Live Trapping	1
							Red-tailed Phascogale	- Camera Trapping	1

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	Name of Agreed Project	Location	Fenced Area (ha)	Points for Predator Proof Fence	Feral animals to be cleared	Points for Cleared Fenced Area	Targeted Species	Testing techniques	Points for successful Target Species Project
					Goats			- Live Trapping	
							Numbat	- Camera Trapping - Live Trapping	1
							Western Barred Bandicoot	- Camera Trapping - Live Trapping	1
							Golden Bandicoot	- Camera Trapping - Live Trapping	1
							Bilby	- Camera Trapping - Live Trapping	1
							Burrowing Bettong	- Camera Trapping - Live Trapping	1
							Woylie	- Camera Trapping - Live Trapping	1
							Bridled Nailtail Wallaby	- Camera Trapping - Live Trapping	1
							Plains Mouse	- Camera Trapping - Live Trapping	1
							Shark Bay Mouse	- Live Trapping	1
4	Yookamurra (Stage 2)	Sedan, South Australia	1,100	1	Feral Cats Foxes Rabbits Goats	1	Western Quoll	- Camera Trapping - Live Trapping	1
							Red-tailed Phascogale	- Camera Trapping - Live Trapping	1
							Numbat	- Camera Trapping - Live Trapping	1

	Name of Agreed Project	Location	Fenced Area (ha)	Points for Predator Proof Fence	Feral animals to be cleared	Points for Cleared Fenced Area	Targeted Species	Testing techniques	Points for successful Target Species Project
							Western Barred Bandicoot	- Camera Trapping - Live Trapping	1
							Golden Bandicoot	- Camera Trapping - Live Trapping	1
							Bilby	- Camera Trapping - Live Trapping	1
							Burrowing Bettong	- Camera Trapping - Live Trapping	1
							Woylie	- Camera Trapping - Live Trapping	1
							Banded Hare-wallaby	- Camera Trapping - Live Trapping	1
							Greater Stick-nest Rat	- Camera Trapping - Live Trapping	1
							Shark Bay Mouse	- Live Trapping	1
5	Paruna	Perth Region	1,100-1,500	1		1	Western Quoll	- Camera Trapping - Live Trapping	1
							Dibbler	- Camera Trapping - Live Trapping	1
							Numbat	- Camera Trapping - Live Trapping	1
							Western Barred Bandicoot	- Camera Trapping - Live Trapping	1
							Western Ringtail Possum	- Camera Trapping	1

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	Name of Agreed Project	Location	Fenced Area (ha)	Points for Predator Proof Fence	Feral animals to be cleared	Points for Cleared Fenced Area	Targeted Species	Testing techniques	Points for successful Target Species Project
								- Live Trapping	
							Woylie	- Camera Trapping - Live Trapping	1
							Black-footed Rock-wallaby	- Camera Trapping - Live Trapping	1
							Quokka	- Camera Trapping - Live Trapping	1
							Heath Mouse	- Live Trapping	1
6	Dakalanta	Eyre Peninsula, South Australia	13,000	1		1	Western Quoll	- Camera Trapping - Live Trapping	1
							Dibbler	- Camera Trapping - Live Trapping	1
							Red-tailed Phascogale	- Live Trapping	1
							Western Barred Bandicoot	- Camera Trapping - Live Trapping	1
							Bilby	- Camera Trapping - Live Trapping	1
							Burrowing Bettong	- Camera Trapping - Live Trapping	1
							Woylie	- Camera Trapping - Live Trapping	1
							Greater Stick-nest Rat	- Camera Trapping - Live Trapping	1
							Plains Mouse	- Camera Trapping	1

	Name of Agreed Project	Location	Fenced Area (ha)	Points for Predator Proof Fence	Feral animals to be cleared	Points for Cleared Fenced Area	Targeted Species	Testing techniques	Points for successful Target Species Project
								- Live Trapping	
							Shark Bay Mouse	- Live Trapping	1
							Heath Mouse	- Camera Trapping - Live Trapping	1
7	Kalamurina	Northern south Australia	50,000	1		1	Kowari	- Camera Trapping - Live Trapping	1
							Western Quoll	- Camera Trapping - Live Trapping	1
							Golden Bandicoot	- Camera Trapping - Live Trapping	1
							Bilby	- Camera Trapping - Live Trapping	1
							Burrowing Bettong	- Camera Trapping - Live Trapping	1
							Greater Stick-nest Rat	- Camera Trapping - Live Trapping	1
							Dusky Hopping-mouse	- Live Trapping	1
							Plains Mouse	- Camera Trapping - Live Trapping	1
8	Bowra	Southern QLD	5,000-7,000	1		1	Western Barred Bandicoot	- Camera Trapping - Live Trapping	1
							Bilby	- Camera Trapping - Live Trapping	1
							Burrowing Bettong	- Camera Trapping	1

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	Name of Agreed Project	Location	Fenced Area (ha)	Points for Predator Proof Fence	Feral animals to be cleared	Points for Cleared Fenced Area	Targeted Species	Testing techniques	Points for successful Target Species Project
								- Live Trapping	
							Woylie	- Camera Trapping - Live Trapping	1
							Bridled Naitail Wallaby	- Camera Trapping - Live Trapping	1
							Plains Mouse	- Live Trapping	1
							Shark Bay Mouse	- Live Trapping	1
9	Mt Zero-Taravale	Paluma Ranges, North Queensland	1,000	1		1	Northern Quoll	- Camera Trapping - Live Trapping	1
							Northern Bettong	- Camera Trapping - Live Trapping	1
10	TBC: Fire project 1	Eastern Victoria					Long Footed Potoroo		
11	TBC: Fire project 2	Kangaroo Island					Kangaroo Island Dunnart		
12	TBC: Fire Project 3	East Coast Forests					Koala		
	Total			[12]		[12]			[83]

This document

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