WHAT WE MEAN BY "INVESTING IN COMPANIES, TECHNOLOGIES AND PROJECTS"

How we invest

The general rule is that we are, in the long-term, taking equity risks. These may be structured through a mixture of appropriate instruments, such as shares, preference shares, a partnership interest, an interest in an unincorporated JV, etc. We can and will invest in any form of convertible instrument that suits the profile of the asset and our risk appetite. We will consider straight debt only in conjunction with some form of equity exposure, e.g. we could use shareholder loans where we need to access cash flow that exceeds distributable profits, or where we need to keep our ownership percentage below 50%. However, we may use convertibles, or options, to put ourselves in a position where we can move to control if that becomes a requirement. If possible we will avoid being in the position of being both a secured creditor and an equity holder.

Our preferred position is to control 15-50% of the equity, based on this being the common threshold for entitlement to a Board seat, whether or not we chose to take that up.

Companies

Our default expectation is to invest in companies that meet our criteria for sustainability, maturity and financial performance. We will use any of the investment forms described above.

Mostly we will invest in companies working with technology-based solutions that are moving into full-scale production or service. We expect these companies will have demonstrably sustainable and scalable revenues with profitable unit economics but may not yet be achieving full operating profit. Though a poor guide, using common vernacular, these could be roughly Series C but may be earlier or later. Our approach includes the intention to make follow-on investments to support sustained value growth for successful investee companies.

When companies possess market access, operational resources, or other compelling assets we may invest to fund their acquisition of key enabling technologies. This might take the form of funding the acquisition of the rights or ownership of the technology, or it might be to acquire complementary businesses/competitors, e.g. an industrial waste processing business acquiring a university spinout to enable new or better capabilities.

When companies possess the enabling IP but lack market access, operational resources, or other key enabling assets, we may invest to fund acquisitions of complementary businesses, e.g. a roll-up and consolidation of small-scale solar installation businesses.

Investing in a start-up company in Australia will be considered to exploit a technology already proven in another market or, to acquire a technology that can directly enable value growth for our portfolio companies.

Whenever we invest in a company we may choose to lead or to construct an investment consortium and will always have a clear strategy to bring our ownership back to target levels.

Technologies

This refers to our investments in which the primary focus of the funded effort is developing and proving up the technology.

The legal form of the investment will be as described above.

These investments may follow various evolutions, including:

- The company in which we invest is only ever the owner of the IP, collecting fees/royalties, providing product support, and continuing to develop the technology.
- Our investment is to acquire the rights to exploit certain technologies, most often that would be on the basis of a regional territory license. This may be through investment in the company that owns the technology, e.g. invest in the series C of the international owner of the technology in exchange for the Australasian rights or, through an investment in the Australasian operating company that is acquiring the rights, or we may choose to acquire the rights directly.
- Acquire good technologies from companies that have failed for reasons other than the quality and potential of their product. This will only ever be done when we have an existing portfolio company capable of exploiting the technologies, or when we have a well-developed high-confidence plan for the successful commercialisation of the acquired technologies.

Technology can be any of:

- Supporting IT, such as energy management or trading systems.
- Environmental capability enabling: site rehabilitation, turbine maintenance services, etc.
- A process which produces a raw or intermediate material for consumption in production of an end product e.g. rare earths processing, e-waste, or plastics recycling.
- Production of a component of the plant used in the process, e.g. an anode for hydrogen production, specialised chips, magnets, PV panels, turbine blades.
- Manufacture and assembly of a final product, e.g. battery or wind turbine.

Projects

This is involvement in a discreet productive unit utilising relevant technologies. For example, additional equity for construction of a new production plant, or a demonstration project, may be prohibitively dilutive, or take us over our ownership threshold. We may instead take a direct JV interest in the plant itself.

It may also be desirable at times for an investee company to take an interest in a project to ensure that its technology is deployed, e.g. a solar panel manufacturer taking equity in a solar farm. It may be preferrable for all partners for us to step into this equity position on their behalf.

As the Fund grows and matures, there may be opportunity for direct investment in larger greenfield and brownfield projects deploying technologies unrelated to our portfolio companies. This is likely to be too dilutive to returns in the early years of the Fund. Examples could include utility scale power stations, clean fuels and fertiliser plants, water treatment plants, recycling plants, etc.