FLS Project Midgard

Q1 Newsletter

Project Midgard Q1 update: What's inside

Welcome to the first-quarter newsletter for Project Midgard, where we bring you the latest updates on the developments of our pioneering mosaic forestry and sustainability project in Paraguay. This newsletter covers the key milestones so far, including the property acquisition, technological advancements, and operational planning. Additionally, we share insights into our stakeholder engagement efforts and our commitment to enhancing Paraguay's role in the global carbon market.

What's inside:

Midgard milestones

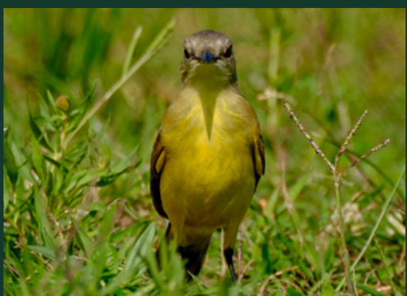
Acquisition of a 16,000 ha. property

In December 2024, FLS was proud to complete the acquisition of the first property for Project Midgard—a 16,000 ha estate conveniently located near Paraguay's main highway, Ruta 2, connecting the vibrant Paraguayan capital, Asunción, to its second largest city, Ciudad del Este.

This milestone followed six months of thorough due diligence and strategic negotiations, culminating in a deal secured on highly competitive terms. The property already holds a valid environmental license for initial planting activities, with plans to update and expand the permit once detailed silviculture planning is completed. This centrally located estate is not only a pivotal starting point for expanding our portfolio but also offers competitive growth potential, high internal benchmarking scores, and an ideal balance of conservation and development opportunities.

1,800 hectares of existing native forest on the property

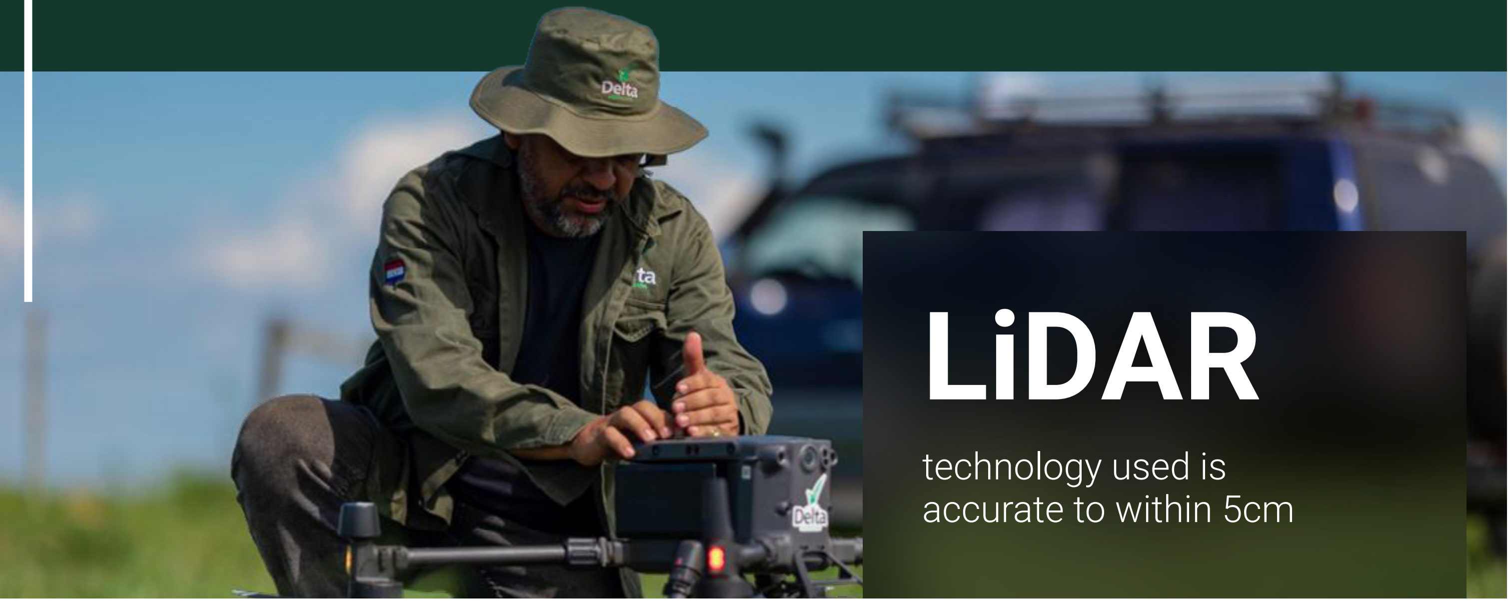
4,000 hectares planned to create a dedicated conservation area connecting the native forest with restored wetlands



Operational development

FLS leveraged a combination of drone-based photogrammetry and LiDAR (light detection and ranging) technology to create a high-precision topographical map of the terrain. The LiDAR system, with a remarkable 5-centimeter precision, is ideal for designing water management programs and accurately measuring the volume of vegetation biomass. Over a 60-day period, specialized drones captured detailed data, resulting in a topographical model that forms the foundation for estimating the carbon stored in the existing vegetation, establishing the carbon baseline prior to project commencement.

The micro-planning process for the property is nearing completion. Guided by the LiDAR analysis, a specialist technician is working closely with the forestry operator to refine the details, including individual plots and planting row designs. This planning takes into account topography, soil types, hydrology, and planned natural conservation areas. Planting is set to begin in Q2 2025.



A clonal strategy was developed based on onsite analyses by a leading Brazilian soil expert and a geneticist specializing in Eucalyptus. The resulting recommendations vary by application type (sawn lumber, biomass/charcoal, pulp) and the three distinct soil types present on the property. In parallel, FLS conducted extensive due diligence on local seedling suppliers, evaluating quality management, adherence to international standards, seedling variety, material availability, logistics, and pricing.

Infrastructure work and improvements to the property have started, focusing on four main areas:

- The replacement and improvement of bridges;
- The improvement and expansion of internal roads (and a 3 kilometer stub of access road);
- The establishment of Forest Stewardship Council (FSC)-compliant permanent facility and accommodation for the local workforce; and
- Secure and environmentally compliant warehousing for the agricultural inputs.

Carbon baselining

FLS is committed to enhancing the precision of carbon baselining and has initiated a process of randomized stratified sampling. The baseline assessment is based on volumes measured by LiDAR and random biomass samples.

Accurately determining carbon distribution across a large and varied landscape is a complex challenge. The FLS analytics team, working alongside Domenico Mergoni, a researcher at the Mathematics Department of the London School of Economics (LSE), is developing a new approach for determining sample size and locations. This method aims to minimize the risk of biased sample placement and insufficient sample sizes, which can result from the intentional selection of non-representative preliminary samples. In the interim, FLS has relied on biomass collection protocols developed in-house, in collaboration with the forestry faculty of the University of Asunción. The faculty and some students actively participated in the sample collection.

INFLOR®

Partnership with INFLOR

Project Midgard has signed a long-term contract with INFLOR, a global leader in forestry operational software based in Brazil. The software system will provide operational and monitoring data encompassing most conceivable aspects of the forestry operation, enabling in-depth analytics and precise reporting to investors.

Headquartered in Brazil and the United States, INFLOR has 20+ years of experience in the Forest Sector and manages over 12 million hectares for clients across four continents.

INFLOR is recognized in short-cycle forest management software (from land management to harvest and delivery) due to its unique know-how, proprietary technology in the segment, and a complete hub of integrated solutions: Land Management, Workflow Scheduling, Budget Controlling, Harvest Controlling, Transportation, and others. INFLOR's offering of precision technology and data intelligence marries perfectly with FLS' science-based, data-driven approach to forestry.

Learn more >

Stakeholder engagement plan

In compliance with International Finance Corporation (IFC) performance standards, Gold Standard and the FSC, FLS has started a stakeholder engagement process. As part of this, a public consultation (audiencia pública) was held on 8 February at the townhall of the nearest municipality. The consultation was hosted in conjunction with the local authorities. Around 50 people were in attendance to understand more about the project, including representation from MADES, INFONA, and many local stakeholder groups.

The public consultation was moderated and overseen by the Fundación Moisés Bertoni, a leading NGO that also acts as Project Midgard's conservation partner. Over the coming weeks, FLS will institute a roundtable with local interest groups and develop a series of measures to address concerns raised during the town hall. Fundación Moisés Bertoni will continue to facilitate a dedicated, independent grievance channel, ensuring that local concerns are addressed in a structured and transparent way. This builds trust and strengthens our partnerships with stakeholders on the ground.

FSC FORESTS FOR ALL FOREVER®

Gold Standard® for the Global Goals

IFC International Finance Corporation WORLD BANK GROUP

Paraguay carbon policy

In February, Paraguay took a significant step forward in carbon market regulation by officially enacting Decree No. 3369, which governs the carbon credit law (Law No. 7190/23). The decree establishes a clear framework for the registration, oversight, and international transactions of carbon credits under Article 6 of the Paris Agreement.

The decree:

- Creates the Carbon Market Directorate (DMC) within the Ministerio del Ambiente y Desarrollo Sostenible de Paraguay to regulate and oversee carbon credit projects;
- Establishes rules for carbon credit registration, monitoring, and verification (MRV) to ensure transparency and traceability;
- Provides a legal mechanism for the issuance of No-Objection Certificates and Letters of Authorization for internationally transferred mitigation outcomes (ITMOs); and
- Aligns Paraguay's Nationally Determined Contributions (NDCs) with the Paris Agreement through a structured carbon market.

Article 6 of the Paris Agreement enables countries to voluntarily cooperate in meeting their emission reduction targets set out in their Nationally Determined Contributions (NDCs). This cooperation allows for the transfer of carbon credits generated through the reduction of greenhouse gas emissions, helping countries achieve their climate objectives.

Paraguay stands to benefit significantly from the operationalization of Article 6, thanks to its abundant natural resources and expansive forestry areas. These assets position the country as a key player in global climate change solutions, offering substantial opportunities to generate carbon credits through sustainable practices and conservation efforts. By capitalizing on its natural advantages, Paraguay can play a pivotal role in international emissions reduction initiatives while attracting global investment and support for its environmental projects and sustainable development.

Paraguay

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Read the latest

FLS in the news

In March, Managing Partner, Alessandro Materni was received by the President of Paraguay Santiago Peña. They were joined by Minister of Industry and Commerce, Javier Giménez García de Zúñiga, and Vice Minister of Commerce and Services Rodrigo Maluff.

The discussion centered around the role that the forestry, industrial, and logistics sectors can play in driving job creation and economic growth in Paraguay, as well as the country's potential global role as a carbon sink. Paraguay has the potential to become a prime destination for forestry, thanks to its diligent population, dollarized economy, and rapid tree growth rates—which are up to ten times faster than many OECD nations.

IPE REAL ASSETS

IPE REAL ASSETS:

Managing Partner, Charlie Sichel, was featured in IPE Real Assets magazine, with an article exploring the myths surrounding forestry investments and why robust measurement and data is essential to proving any carbon sequestration or impact claims.

Read the article >

Looking ahead

Looking ahead, FLS remains focused on advancing Project Midgard with continued momentum. By Q3 2025, we are planning to close the next round of funding, with an exciting opportunity for potential investors to visit the site in June/July 2025.

This trip will offer an exclusive opportunity to see first-hand the progress of our operations, witness the scale of our environmental efforts, and engage directly with the local team. As we continue to build out our operations, we are dedicated to expanding both our portfolio and the positive impact we can have on the region and the world.

Stay tuned for more updates as we move forward on our path toward a sustainable and carbon-neutral future.