

Letter of Intent
Between
Washington State Department of Natural Resources
and
Myno Carbon Corp.

This Letter of Intent (“**LOI**”) outlines the framework of a carbon removal collaboration between the Washington State Department of Natural Resources (“**DNR**”) and Myno Carbon Corp., a Washington corporation (“**Myno**”), collectively known as “**the Parties**” or individually as a “**Party**.” This LOI represents the Parties’ non-binding current intention to explore, negotiate and enter into one or more definitive agreements (collectively the “**Definitive Agreements**”) relating to the subject matter hereof in a form mutually acceptable to the Parties.

Background

Climate change presents critical challenges for the DNR in fulfilling its fiduciary responsibility to manage forested lands on a sustainable yield basis, and to generate revenue for trust beneficiaries while preserving the corpus of those trusts. Several recently released DNR action plans reflect these challenges.

DNR’s Plan for Climate Resilience underscores the need to mitigate climate change impacts, reduce emissions, and sequester carbon. DNR’s Forest Health Plan calls for increasing wildfire mitigation practices, including forest thinning, and increasing capabilities to remove and utilize large amounts of residuals from DNR’s managed forests. DNR’s Carbon Playbook offers additional ways to sequester carbon and advance climate resilience, including through feedstock procurement for biochar production, and via biochar application to improve soil carbon sequestration on agricultural lands.

Myno can support DNR’s climate resilience and forest health goals by beneficially reusing unmerchantable slash, forest thinnings, and other in-woods residuals (“**Sustainable Biomass Residuals**”) from DNR’s managed forests to create biochar and reduce wildfire risk. As a soil amendment, biochar sequesters carbon and improves soil health, increases nitrogen use efficiency, and enhances drought resilience. Biochar application can also potentially improve crop yields on DNR’s managed agricultural lands, all while reducing the need for chemical fertilizers.

The process of converting Sustainable Biomass Residuals into biochar in a carbon removal facility constructed by Myno (each, a “**CRF**”) would result in the potential to generate renewable baseload electricity and the creation of green jobs in Washington state’s rural timber dependent communities.

Myno’s first CRF will be located in Kettle Falls, WA and will begin production in 2026-27. This facility will be co-located and integrated with the existing Avista Kettle Falls Generating Station

(KFGS). Prior to 2026, Myno will work with Avista to extract biochar from the existing KFGS to support development of agricultural markets for biochar, including among DNR lessees.

Two Broad Areas of Carbon Removal Collaboration

This LOI outlines two primary carbon removal activities through which the Parties' can collaborate to enhance climate resilience, support forest health, improve agricultural productivity, and increase the revenue generating potential of DNR-managed lands for its trust beneficiaries:

1. **Carbon Sequestration via Biochar Application:** This carbon removal activity entails finding opportunities to use biochar on DNR agricultural land to increase the rate at which carbon is stored in these soils. Improvements in crop yields, enhanced drought resilience, increases in nitrogen use efficiency and the amount by which input costs (fertilizers, water, etc.) can be reduced, could be documented by growers in collaboration with university researchers.
2. **Emission Avoidance and Wildfire Risk Reduction via Beneficial Reuse of Sustainable Biomass Residuals:** This carbon removal activity entails developing cost effective and efficient operating practices and incentives to increase the amount of Sustainable Biomass removed and beneficially reused from DNR managed lands. Doing so will reduce wildfire risk and emissions that are generated during prescribed slash pile burning or when this material decays naturally in the forest.

Carbon Removal Collaboration Area #1: Downstream Carbon Sequestration via Biochar Application

Upon execution of this LOI, the Parties will work together, and with pilot partners, to identify willing agricultural lessees who would apply biochar to DNR managed agricultural lands. Pilot partners will monitor, document, and then disseminate benefits realized and challenges faced by growers that participate in these early efforts. Specifically, the Parties would conduct the following efforts in support of these carbon sequestration activities:

DNR will:

- Work with Conservation Districts and Myno to identify lessee growers that might have a willingness to begin incorporating biochar into their soil conditioning routines. These potential growers may also have a willingness to participate with university researchers in efforts to document and disseminate the benefits of using sustainable, regenerative soil amendments such as biochar to improve the economics and productivity of farming on DNR managed agricultural land. DNR will introduce Myno to these potential early biochar adopters.
- Support Myno as they seek to secure funding such that the Parties can work with a research institution to monitor biochar application impacts on soil carbon sequestration and nitrous oxide emission reductions.

Myno will:

- Beginning in mid-2024, make available up to 5,000 tons of biochar containing roughly 75 to 90 percent carbon, per year for early-adopter growers to participate in trial carbon sequestration activities. In 2026-27, when its first full scale CRF begins production, the total amount of biochar available would increase to roughly 40,000 tons per year.
- Collaborate with Conservation District Managers to conduct grower education around biochar application through a combination of educational materials, webinars, and in-person field day events.
- Collaborate with Conservation Districts (and DNR as needed) to support and encourage the pilot growers to apply for state and federal cost share incentives to apply biochar. Available state and federal incentive programs include the Washington State Sustainable Farms and Fields program and programs administered by USDA Natural Resources Conservation Service (“NRCS”).
- Work with early adopter growers and a research university to secure funds for and implement monitoring activities to document the full range of costs and benefits associated with biochar as a soil amendment including crop yield improvements, soil carbon sequestration and accumulation, increases in soil water holding capacity, and reduced soil greenhouse gas emissions.
- Work with carbon credit agencies, and agribusiness companies to accelerate access to, and development of, post-production carbon offset credits or verifiable scope 3 emissions reductions tied to soil benefits from biochar amendment including increased accumulation of plant biomass carbon and reductions in soil nitrous oxide emissions.
- Lead the development of grant proposals with pilot partners that will support biochar application efforts on DNR managed agricultural land, monitor impacts, and support the establishment of downstream carbon credits.
- Work with pilot partners to disseminate the biochar pilot research outcomes to DNR agricultural lessees and the broader public.

Carbon Removal Collaboration Area #2: Upstream Emission Avoidance and Wildfire Risk Reduction via Beneficial Reuse of Sustainable Biomass Residuals

The Parties will work together to accelerate the beneficial removal and reuse of Sustainable Biomass Residuals for biochar production. Specifically, the Parties agree to conduct the following efforts in support of these activities:

The DNR will:

- Work with Avista and Myno to identify feedstock opportunities that Myno/Avista can access with relative ease, i.e. for which contractual, access, and other barriers are not present.

- Collaborate with Myno and Avista to begin a feedstock delivery pilot project to identify other feedstock opportunities where barriers may exist and attempt to solve for them where reasonable and as DNR staff capacity permits.
- As staff capacity allows, work to use learnings from the sourcing pilot project to explore the development of a demonstration feedstock supply agreement for potential longer term, higher volume deliveries of DNR feedstock to biochar or biomass producers, such as Myno's KFGS carbon removal facility when it enters operation. DNR will follow supply agreement requirements laid out in statute, including soliciting private industry partners on a competitive basis, focusing on areas where traditional forest products manufacturing infrastructure and rural jobs have been lost, and considering the prioritization of partners utilizing materials for both traditional forest products and biomass energy conversion.

Myno will:

- Work with Avista to consume as much DNR sourced Sustainable Biomass Residuals, up to 183,000 BDT per year, as can be feasibly delivered to Myno's first CRF.
- Advocate, with DNR support as relevant and appropriate, for legislative funding to develop and implement a program aimed at incentivizing the removal and beneficial reuse of Sustainable Biomass Residuals from public, private, and Tribal timber lands to reduce wildfire risk, boost economic growth, and improve public health.

Limitations

As a state agency, DNR may face some limitations that impact the agency's ability to support the pilot activities, including, but not limited to:

- Staff capacity and resources;
- Competing priorities;
- Statutory constraints, including,
 - Obligations to trust beneficiaries;
 - DNR authorities or lack thereof;
 - Requirements surrounding forest biomass supply contracts.

Long-Term Carbon Removal Collaboration Commitment

Over the longer-term, the Parties will work together to apply and scale learnings from the carbon removal collaboration area #1 activities (carbon sequestration) summarized above. The goals of the collaboration will be to increase the productivity and climate resilience of DNR managed agricultural lands and accelerate the rate at which these lands remove carbon from the atmosphere. Efforts will focus on creating favorable economic conditions such that growers on DNR managed agricultural lands will voluntarily choose to quickly implement the use of biochar and other regenerative products and practices, into their soil conditioning activities.

The Parties will also work together to apply and scale data and lessons learned from the carbon removal collaboration area #2 activities (emissions avoidance and wildfire risk reduction), with goals of reducing wildfire risk, reducing emissions, and increasing the productivity and climate resilience of DNR-managed timber lands. Through this collaboration, the DNR may be able to accelerate the rate at which DNR-managed timber lands remove carbon from the atmosphere where it is problematic and return it to the soils where it is beneficial. Our joint efforts will focus on creating economic conditions in which timber companies harvesting trees on DNR-managed timber lands benefit from the removal and beneficial reuse of the Sustainable Biomass Residuals that are created during logging operations.

Based on the successful implementation of the carbon removal activities outlined above, the Parties will jointly support efforts to ensure the long-term implementation of such activities. DNR will consider opportunities to include these carbon removal activities in upcoming DNR strategic action plans and budget priorities. Likewise, Myno will consider opportunities to build additional CRFs in Washington State that can beneficially reuse Sustainable Biomass Residuals from DNR-managed timber lands and provide large quantities of biochar for use in the majority of DNR-managed agricultural lands over the decades ahead.

This LOI shall be governed, interpreted and defined by the laws of the State of Washington, without reference to its conflict of laws provisions. Once executed, the Parties agree to work together in good faith towards the creation, execution and delivery of Definitive Agreements. Each Party to this LOI shall bear its own costs and expenses, including legal and diligence fees, in the negotiation and drafting of this LOI and the Definitive Agreements. Neither Party shall have any liability to the other should this LOI terminate, or Definitive Agreements not be executed.

[Signatures on next page.]

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