

20 September 2023

Shareholder Update from Managing Director

Dear Shareholders,

I would like to take this opportunity to write to you to provide a personal update on the company position now that internally things have settled after the significant changes to the Board of Directors and as we start to implement our plans on the strategic direction of the company.

Whilst it may seem from a distance that the company was stagnant this last year, I can assure you that this was not the case, and it was very different on the ground. Indeed, we have been very diligent in managing our funds and expectations towards having the capacity to build a productive and sustainable manufacturing business at Rotorua, New Zealand utilising our two patented technologies.

Much of the end of last year and the beginning of this year up until mid-year, there was impingement on the Board as we managed the process of bringing on new Board leadership and the associated changes to the company and its strategic direction that this has inevitably caused. I am very happy to report that the new executive Board is functioning very well, and a good platform of positive and performance culture has been established under the leadership of Henry Cheng as Chairman.

We have now positioned the company to maximise its revenue through leveraging the intellectual property we hold through licensing agreements to our subsidiary companies. Notwithstanding, we expect to hold significant ownership in each manufacturing plant and have structured and planned a great project at Rotorua. We have built our team to deliver good projects with $\geq 20\%$ return for investors into the project. We have also concurrently developed solid offtake agreements with reputable international companies as well as doing the same for resinous wood supply. Moreover, having a manufacturing site that is ideally situated in Rotorua and on a titled lease (securable) adds layers of security that project financiers seek and find appealing.

As we have continued to put these project markers in place, the forestry industry and our customers have shown continued and consistent positive engagement with us. The business plan is now well developed and is being implemented. We are well advanced with discussions with various project investors and aim to deliver a fully funded project within the next two quarters.

Whilst it may appear that we have been slow to rebuild and construct the chemical manufacturing plant, it is important to note that we made the decision to move from Apple Creek in Queensland to Rotorua last November. Importantly, in the view of the new Board, it was not prudent to utilise company funds trying to build a half plant for chemicals extraction only whereby integration would enable us to produce torrefied wood pellets from the residues from the chemicals plant which is critical in ensuring that we would have a sustainably profitable business once in production.

The New Zealand Government is phasing out existing coal boilers by 2037 and banning any new coal boilers by the end of the year and there is significant motivation in the market now towards securing replacement energy sources. Torrefied wood pellets (also known as black pellets) are without doubt the best replacement option for existing coal users as torrefied pellets are virtually interchangeable with coal. Unlike traditional white wood pellets, torrefied pellets are water resistant enabling the same storage and handling as coal, as well as having a very similar energy content to coal. From our discussions with process heat customers and electricity coal driven providers, there has been an overwhelming positive response to us being the first movers in New Zealand for generating torrefied pellets for an internal market of approximately 2 million tonne per annum.

This strategic approach changes the driver of our business from chemicals to pellets in the eyes of project investors and forest owners' eyes. This is an important key differentiator as there is a much higher acceptance for investment into greenhouse reducing pellet manufacturing than there ever was for chemical manufacturing. The chemicals market alone is poorly understood. By contrast, it is well understood and accepted that the combination of pellets with chemicals is a winner and maximises investment returns and profitability, and opens us to significant supply volume increases when compared to just pellets or chemicals on their own. The revenue split is estimated at approximately 57% to chemicals and 43% pellets providing a nicely balanced market for our production.

Our vision and business plan for New Zealand involves rolling out multiple plants post our flagship project in Rotorua which is driven by the contractual demand from pellet consumers. We believe that this model is replicable across other countries with pine resources and will establish our business model as an intellectual property and project provider will enable us to rapidly roll out this vision in the years ahead.

I wish to thank you all for your patience and encourage you to continue to follow and support our vision for the company. I look forward to making many more positive announcements on the ASX in the months ahead. As part of our Board's desire to remain connected to our shareholders I will be endeavouring to roadshow the company every quarter and expect to be in Australia on the east coast in October. I hope to see you personally at one of the roadshows near you.

Your sincerely,

Ray Mountfort

Managing Director