

MIDWAY LIMITED (ASX: MWY)

1 December 2020

Chairman's and CEO's Presentations to Annual General Meeting

The last 12 months have been a very testing time for Midway and its shareholders.

Unfortunately, global trading conditions outside the control of the company adversely affected our operations.

Despite the best efforts of your Directors, the management team and staff, we could not offset the impact of poor global trading conditions on company profits.

The three factors affecting Midway operations in the last 12 months were:

- excess stocks of pulp paper in China, driven by over-production in Brazil;
- the US-China trade war that reduced demand for pulp in China to make export packaging; and
- the COVID-19 pandemic.

As a result of these global trading events, demand for Midway woodfibre from our Chinese and Japanese customers fell and export prices dropped in H2 FY2020.

Midway subsequently recorded:

- a drop in sales revenue to \$257.8 million, 9.1 per cent down on the previous year; and
- lower earnings before interest, tax and amortisation before significant items of \$12.0 million, down from \$37.1 million in the previous year.

Midway also recorded a net loss after significant items of \$11.7 million due to:

- a reduction in the net fair value of biological assets; and
- impairment losses on non-current assets including investments in Plantation Management Partners and ADDCO.

The reduction in sales revenue and the increase in working capital due mainly to higher inventories led to a fall in cash flow and higher net debt of \$39.4 million.

However, with a strong underlying balance sheet, Midway was able to secure ongoing banking support until September 2022.

Given the poor results, Midway Directors and senior executives took a pay cut of 20% for 3 months.

Under these circumstances we also decided not to pay a full year dividend in the current financial year to shareholders.

In this environment, the Directors are grateful that major institutional investors that acquired Midway shares following the capital raising in September 2018 and major shareholder sell-down in April 2019 have maintained their holding.

We are also grateful that our large number of long-term loyal retail shareholders have stuck with the company through this extremely difficult period.

COVID-19 has presented many challenges for Midway but the management team, staff and contractors have done a marvellous job through the pandemic.

Midway has continued to operate but we have done so in a responsible manner with social isolation and enhanced personal protection for our team members.

So far, we have not recorded any cases of COVID-19 amongst our workforce but we remain vigilant and prepared to act quickly to protect our team members.

Unfortunately, the adverse global trading issues that affected Midway over the last 12 months may take some time to play out.

As such, your Directors are prudently looking at cost reduction initiatives and diversification strategies that may generate future revenue and earnings.

Recent cost cutting initiatives include:

- temporary closure of the Plantation Management Partners woodfibre processing mill on the Tiwi Islands; and
- temporary closure the South West Fibre (SWF) woodfibre processing mill at Myamyn in south-west Victoria near Portland.

Both PMP and SWF mills are now back operating on a limited basis and we expect to go back to full operations as soon as global trading conditions improve.

Both mills make an important contribution to employment and income in the regions in which we operate and we are keen to keep them going.

Some of the expansion initiatives we invested in during the 2019 financial year are now starting to generate increased revenue.

Midway Logistics and Bio Growth Partners in Western Australia have secured domestic biomass contracts with major local customers.

Increased demand from Chinese customers for lower quality woodfibre has also allowed Midway to build its own export business in Tasmania on top of our existing third-party chip trading business.

We recently announced a new Midway processing and export facility at Bell Bay.

We believe this project will generate increased revenue and earnings as part of our diversification strategy.

We are currently looking at other growth opportunities and will make future announcements as they progress.

My fellow director and friend, Tony Bennett, retires from the Board at the conclusion of this meeting. Tony has made a very significant contribution as a director over his seven

years on the Board. His family's involvement with Midway dates back some 40 years, with his father serving as the Company's founding Chairman and brothers Laurie and Stuart also serving as directors in the past. Tony retires with our sincere thanks for his wise counsel and with our best wishes.

At this stage, the Board has no plans to fill the vacancy caused by Tony's retirement and thus the size of the Board will reduce to seven.

I would like to record my and the Company's appreciation to Tony Price and the Midway Team for the way in which they have embraced and performed through this most extraordinary and challenging period.

I will now hand over to the Managing Director, Tony Price, to talk through current trading conditions and our business strategies to grow shareholder value.

This announcement has been approved by the Chairman of Midway.

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About Midway Limited

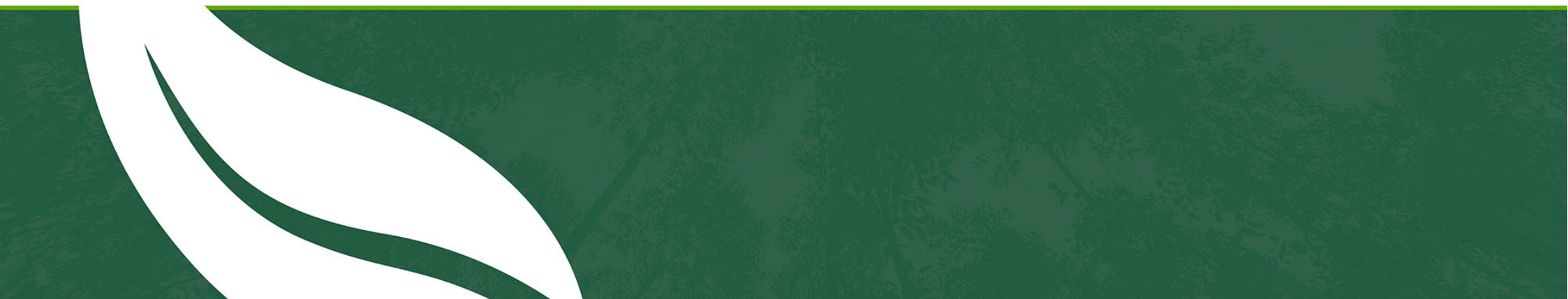
Midway Limited is a leading Australian forestry company with headquarters in Geelong, with 100% shareholdings in Plantation Management Partners (PMP) based on Melville Island and Midway Logistics (MWL) based in Bunbury, Western Australia, and majority shareholdings in South West Fibre Pty Ltd (SWF) based in the Green Triangle and Queensland Commodity Exports Pty Ltd (QCE) based in Brisbane. Founded in 1980, Midway is primarily involved in the production, processing and export of high quality wood fibre to producers of pulp, paper and associated products in the Asian region. For further information, visit www.midwaylimited.com.au.



2020 Annual General Meeting of Shareholders

December 2020

Tony Price
Managing Director, Midway Limited



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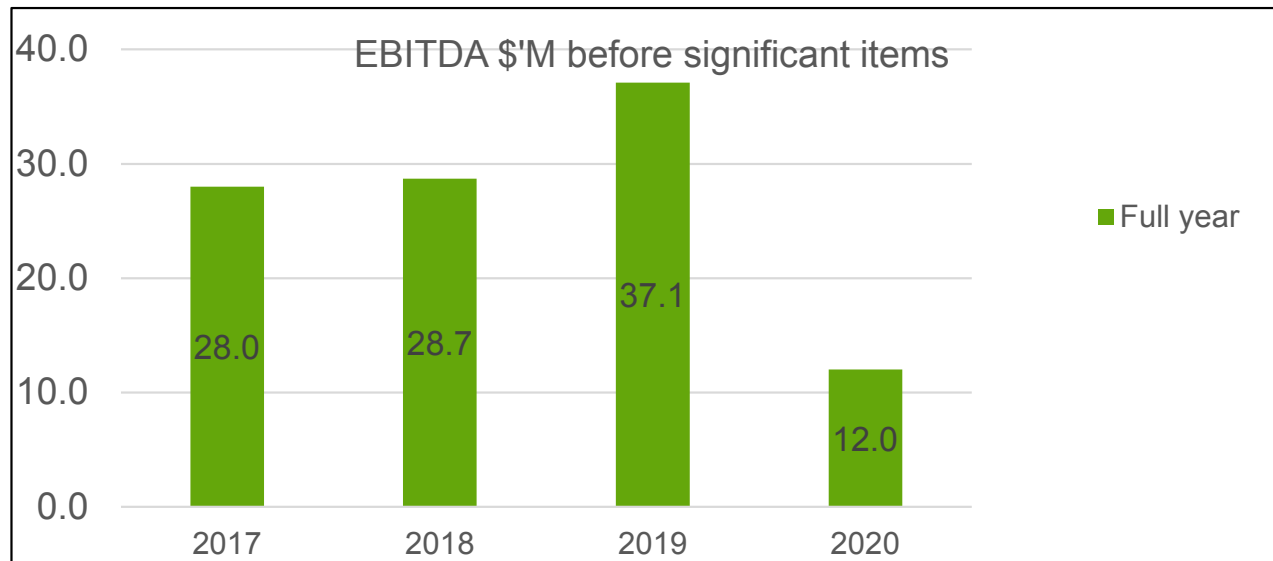
All references to dollars are to Australian currency unless otherwise stated.



Financial Performance

Midway

Financial Performance



FY20 Market Impacts

In the last 12 months, Midway woodfibre exports were affected by:

- Drop in pulp price due to excess stocks of pulp in China, driven by over-production in Brazil;
- The US-China trade war that reduced demand for pulp in China to make export packaging; and
- The COVID-19 pandemic.

Gearing ratio
30%

Interest cover
5.4 times

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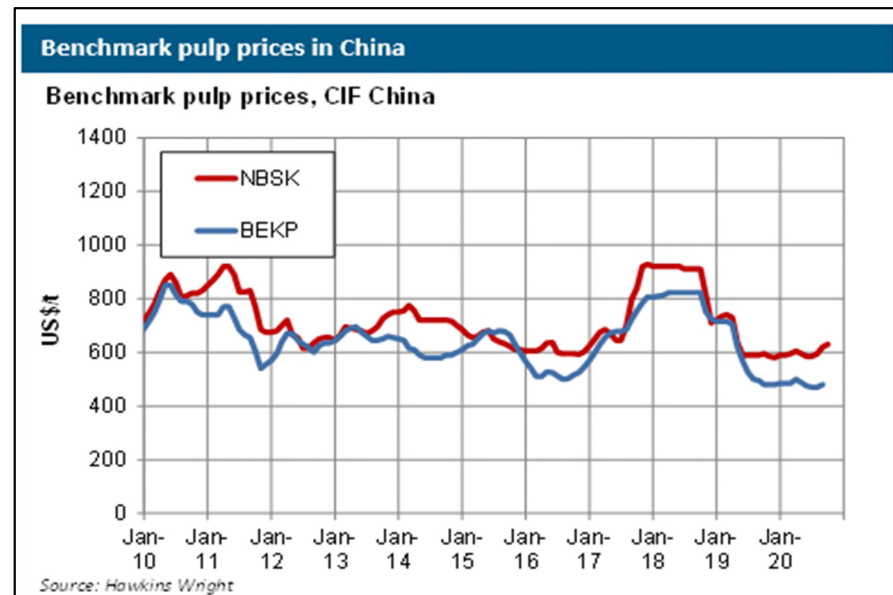
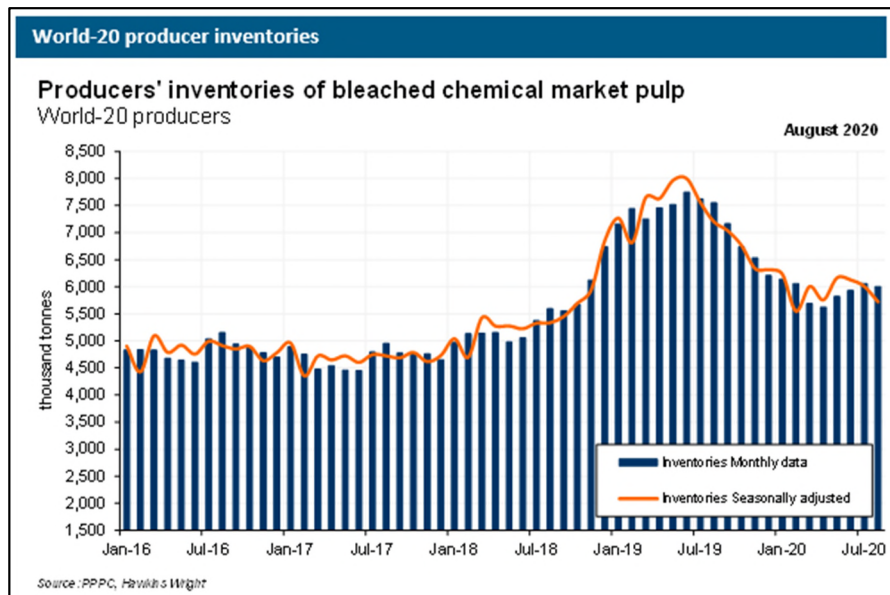
Trading Conditions

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Pulp and Paper Market

Global Pulp Markets Have Stabilised Over the Past 12 Months

- Bleached hardwood chemical pulp producer inventory (BHKP) has normalised.
- BHKP prices have started to rise above a low of \$450/ADT for the first time since June 2019.
- Suzano, the world's largest market pulp producer, has informed Chinese customers that the new price effective for December shipments will be \$500/ADT, up from \$470/ADT in November



COVID-19 Impacts on Pulp Market

	Pulp Markets	Tissue	Paper	Packaging
Health	↑	↑		
Remote Work	↓		↓	
E Commerce	↑			↑
Sustainability (#)	→			→
Intervention (##)	↑			

Replacement of plastic products

China ban on RCP imports

Source: Fastmarkets: RISI, '...the forces driving the next normal', July 2020.

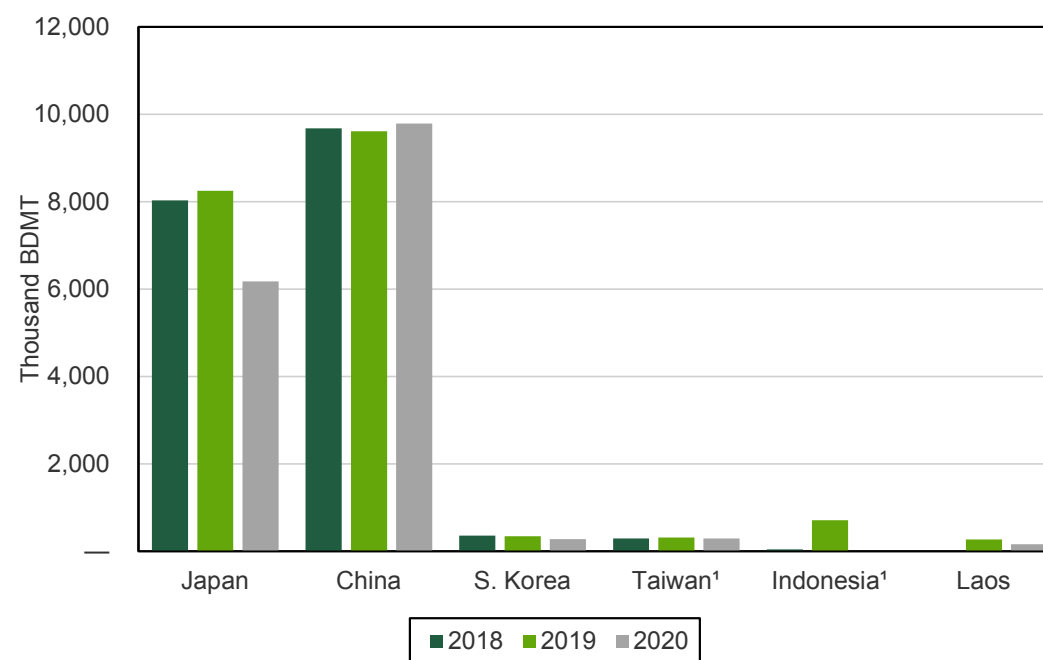
↑ increase

↓ decrease

→ mixed

Biggest short-term impact in Japan

Hardwood chip importers in Asia-Pacific Jan - Sept YTD



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Japanese Market

COVID-19 Impacts

- Lockdowns and office closures has seen Paper and Board production drop 8.9% with Printing and Writing grades down 16% in the Jan – May period.
- Recycled paper availability declining as well pushing up prices and reducing the discount to virgin pulp.
- Most pulp and paper manufacturers have now reduced their inventories after the COVID-19 impact and woodchip demand has resumed.

Future

- Signs manufacturers are shifting away from printing and writing grades to packaging and hygiene grade which will create changes and opportunities for different species intake – e.g. Tasmania, Softwood.
- The global move to plastics substitution is also seen as a significant opportunity by Japanese manufacturers.

< NEWS

Japan paper companies move to replace 'now-dreaded' plastic products [From the web]

TOKYO, 11 August 2020 (Local News) - Papermakers are viewing the anti-plastic trend as a golden opportunity to pitch "eco-friendly" paper products and rebound from depleted demand for publications and other printed articles.

Following the drive to eliminate plastic straws, store operators in July were obliged to charge customers for plastic bags to help reduce the amount of plastic waste polluting the world's oceans.

The paper companies are not only trying to replace plastic straws and bags but also other products long made of plastic.

[The Asahi Simbun - Paper companies move to replace now-dreaded plastic products](#)

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Chinese Market

COVID-19 Impacts

- Fast and hard lockdowns impacted Chinese demand, but appears to be recovering rapidly.
- Import woodchip volumes on a par with 2019 YTD.
- Imports from Australia, South Africa and Thailand all down.

Future

- New capacity under construction and announced to come online from 2021 to 2025:
 - 6.2M ADT of pulp capacity
 - Requires over 10.3M BDMT pa of woodchip
 - Equal to almost 40% of the current (2019) Asia Pacific woodchip trade of approx. 25M BDMT
- Even if only half of these announcements start on time the likely impact on demand will be significant.
- Vietnam export growth has slowed in CY20.

Fastmarkets
RISI

SEARCH

Asia Symbol planning 2 million tonnes/yr of cartonboard capacity in Guangxi, China

BEIJING, 8 May 2020 (PPI Asia Pacific Resources Int cartonboard complex in I

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SEARCH

Last week the local government committed to investing a China's Liansheng Paper plans huge BHK, coated ivory board, tissue and UFP mill in Fujian Tieshangang district of B

The new mill will be built million tonnes/yr of virgin BEIJING, 24 July 2020 (PPI Asia Pacific Resources Int) planning a new integrated chemi-mechanical wood mill in Fujian province. timeline for the scheme.

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At present, the company's combined capacity of 530,000 tonnes/yr of BHK is in Shandong province.

The company has secured project.

SEARCH

China's Shandong Huatai to build 700,000 tonne/yr BHK line at Dongying mill

Their main output includes Due to its ample forest resources, the company is planning to close proximity to Southern years.

It submitted an environmental impact assessment to the authorities late last month.

BEIJING, 3 April 2020 (PPI Asia Pacific Resources Int) planning a 700,000 tonne/yr flagship mill in Dongying

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Shandong Sun Paper Ind. The first will include a 1,000,000 tonne/yr BCTMP line, a 530,000 tonne/yr BHK line, and a 500,000 tonne/yr BHK line.

The company published an environmental impact assessment. According to the EIA document, the project will involve:

SEARCH

Sun Paper orders record-breaking 600,000 tonne/yr BCTMP line for new Guangxi mill in China

In Qinzhou, Guangxi, China, the company is planning to build a 600,000 tonne/yr BCTMP line, a 530,000 tonne/yr BHK line, and a 500,000 tonne/yr BHK line.

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UFP Shaoxing Paper Co. Ltd. APP China starts building 300,000 tonne/yr BCTMP line in Ningbo

A preliminary environmental impact assessment (EIA) for the project was completed in July 2019. The project is located in the Ningbo city, Zhejiang province.

BEIJING, 25 July 2019 (Fastmarkets RISI) - APP China has started the construction of a new 300,000 tonne/yr bleached chemi-thermo-mechanical pulp (BCTMP) line at its Beilun mill in Ningbo city, Zhejiang province.

The mill will be integrated with the two cartonboard machines with a combined capacity of 1.5 million tonnes/yr at the same site, providing furnish for the mid-layer of their output.

The Beilun mill currently has no on-site virgin pulp line and furnishes the coated ivory board mid-layer with high-grade deinked recovered paper (RCR), as well as some BCTMP pulp sourced from its sister plant in Dingzhou city, Guangxi province.

The Dingzhou complex, operated by APP China subsidiary Guangxi Jingui Pulp & Paper, runs three chemi-mechanical pulp lines with a combined capacity of 950,000 tonnes/yr.

Part of the pulp is consumed by the sole 1.2 million tonnes/yr cartonboard machine at the site. The surplus is shipped to other APP China paper and board production sites.

The new BCTMP line will not make the Beilun mill entirely self-sufficient for chemi-mechanical pulp but will enhance the quality of its coated ivory products and also reduce its reliance on imported RCR, a company source told Fastmarkets RISI.

The plant was granted 245,373 tonnes of RCR import quotas in 2018.

It has been given 125,250 tonnes so far this year.

The amount may be reduced to zero in 2021 if China implements a complete ban on RCR imports, as anticipated.

According to the environmental permit for the BCTMP line, when it is kicked into production, APP China must permanently shut two existing deinking pulp lines with a combined capacity of 300,000 tonnes/yr at the same site to avoid additional discharges.

The mill will still be left with several deinking pulp lines with a total capacity of more than 400,000 tonnes/yr.

2020 (PPI Asia) - China's Shandong Sun Paper Industry has ordered a record-breaking 600,000 tonne/yr BCTMP line for its new mill in Guangxi autonomous

region. Valmet, which won the supply contract, it will have a 10 air dried tonnes per day, or about 600,000 tonnes/yr, world's largest BCTMP line.

cheduled for the fourth quarter of 2021.

ut of the BCTMP line will largely be used to furnish a 10 air dried tonnes per day, or about 600,000 tonnes/yr, world's largest BCTMP line.

reported that Sun Paper is close to closing a contract with machinery supplier to provide the BVM, which will have a 1 million tonnes/yr.

also tapped Valmet to supply an 800,000 tonne/yr bleached hardwood kraft pulp line and a 500,000 tonne/yr BCTMP line at the Beilun mill next year.

of investments, the company's RMB 20 billion (\$286.8 million) expansion project in Guangxi appears to be ahead of schedule.

e environmental impact assessment report for the project, Sun Paper planned to eventually construct a 200,000 tonne/yr BCTMP line at the Beilun complex in two phases over five years.

a 200,000 tonne/yr chemi-mechanical pulp line would be built in the first phase, followed by a 200,000 tonne/yr BCTMP line in the second phase.

y board machine was also included in the second half of the scheme.

McGraw Hill



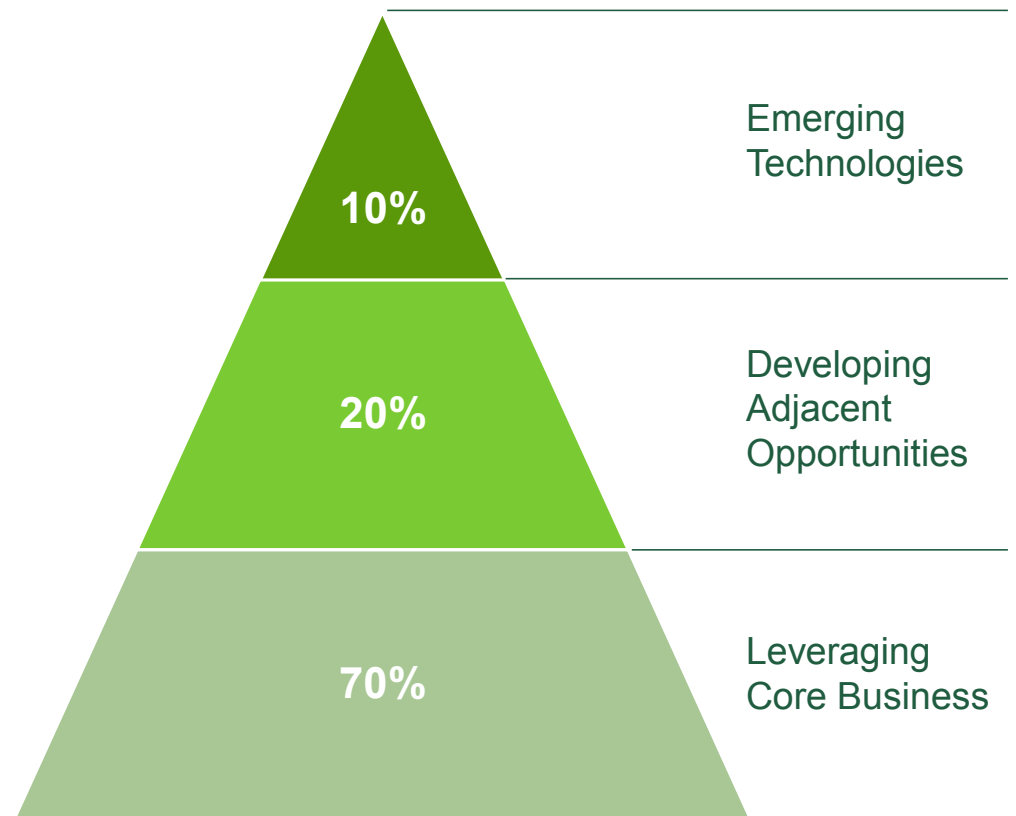
Business Development

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Business Development Focus

Midway is focused on investing to achieve greater resilience and diversification in its earnings profile:

- **Improve operational efficiency** of existing assets
e.g. increase site utilisation in Geelong and Brisbane, greater utilisation of harvest and haul assets across Australia.
- **Diversifying our hardwood woodfibre product offering**
e.g. develop the North Eastern Tasmania processing operations.
- **Diversifying our customer base** e.g. a broader product offering increases the number of potential customers, both export and domestic.
- **Attract new capital into hardwood forestry plantation** in targeted locations e.g. Geelong, Tiwi, WA and Tasmania.
- **Diversifying our service offering** e.g. develop grain export infrastructure at ports adjacent to Australia's grain belt.
- **Utilise our geographic footprint** to provide new services to forestry and agricultural industry participants.
- **Leverage our commodity supply chain management capability** to source and process plantation residue for emerging market opportunities e.g. biomass for pyrolysis, localised renewable energy uses, biochemicals.

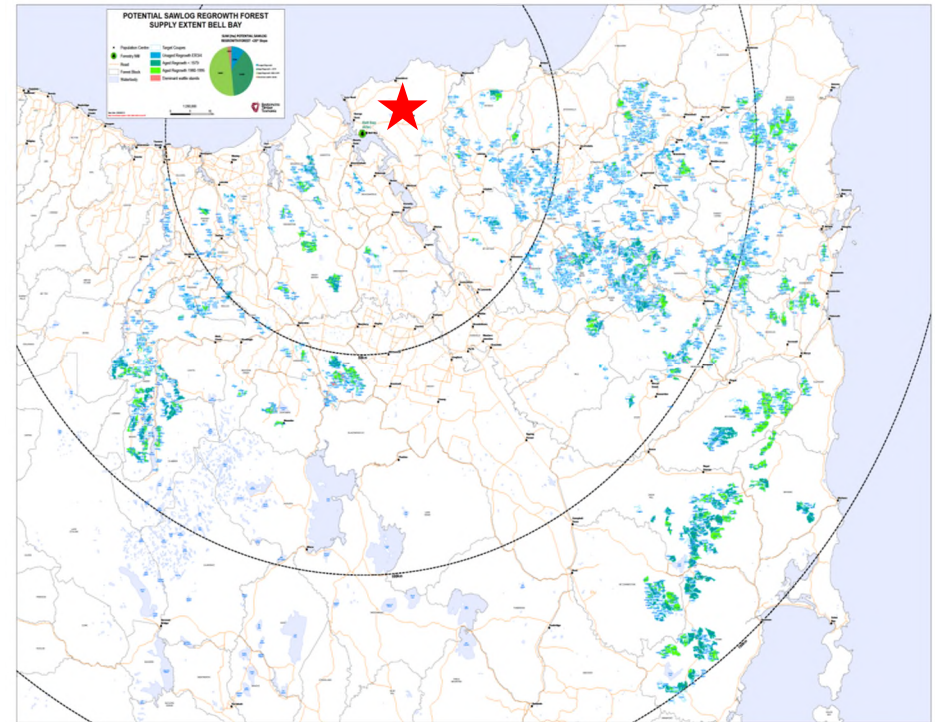


Expanding Core Business

- Midway has identified and developed the opportunity for the export of woodfibre from eucalypt regrowth forests in the east and north-east of Tasmania.
- Midway has contracted significant wood supply from both Sustainable Timber Tasmania and private owners.
- TasPorts has provided land at Bell Bay port precinct for Midway to accommodate processing operations and access to the existing shiploader facilities.
- High level of interest from potential customers for this high quality product.
- 'Controlled Wood' and 'Chain of Custody' certification will be secured.



Regrowth hardwood thinnings areas in NE Tasmania



Midway

Developing Adjacencies

- Midway has developed an operating model for grain export services in Geelong, utilising the existing shiploader infrastructure at Berth 4.
- Midway is targeting to provide bulk grain export services to Australian grain exporters for the 2021/22 export season (from October 2022).
- Midway has received very strong support from a number of existing grain exporters for this development.
- ACCC approval will be required under the Port Terminal Access Code of Conduct: Midway is confident of securing approval.

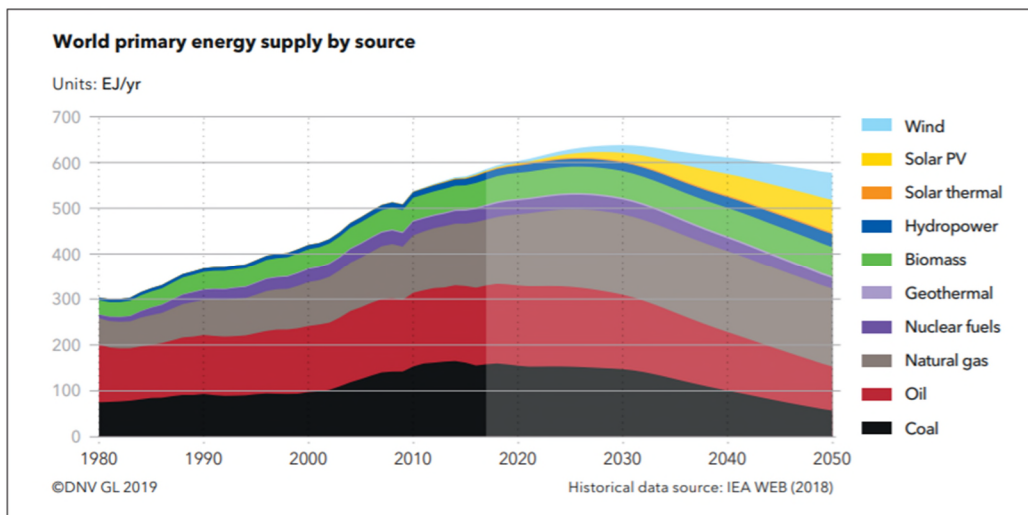


Midway

Emerging Technologies

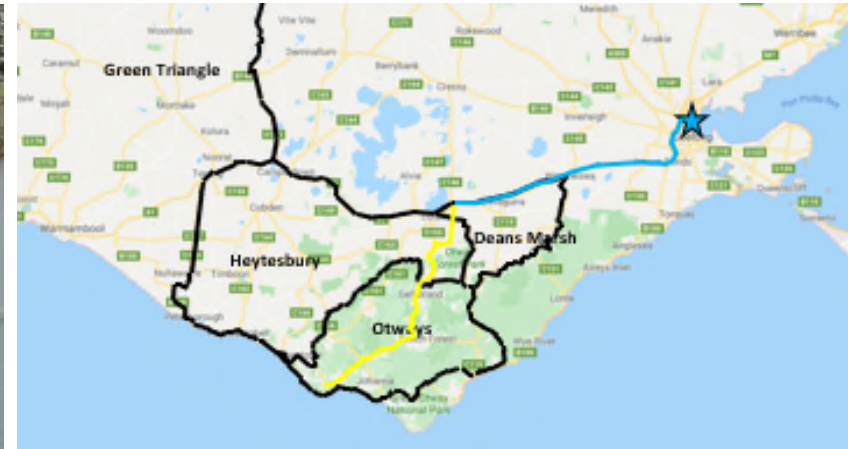
Midway is collaborating with several technology providers to assess opportunities in the following areas:

- Plantation residue conversion to pellets for delivery to Japanese biomass customers.
- Converting plantation residue to electricity and heat as well as filtration and adsorptive materials.
- Investigation of feedstock opportunities as a reduction agent in major manufacturing processes.



Securing Future Timber Supply

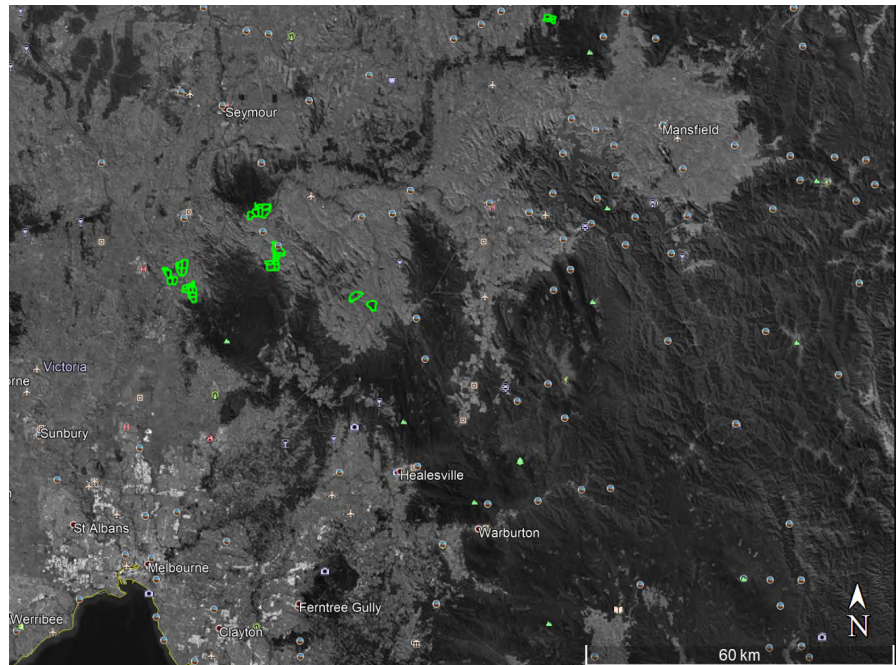
- Midway is seeking to attract new investment into Victoria's south western plantation forestry catchments to ensure long term supply.
- Australian Carbon Credit Units will be generated from these new plantations.
- Midway can provide plantation management and offtake agreements for investors.



Midway

Divestment of Non-Core Land Assets

- Midway is continuing to pursue opportunities to divest its non-core land.
- There are 4,076 ha (valued at circa \$25 million) north of Melbourne.
- Much of this land is well suited to commercial and residential development.
- We have received a firm offer for one property currently for sale at 20% above the book value.
- A recent market valuation of 3 properties in the Hume Highway corridor, around 25% of the total area has come in at 70% above book value.
- A plan is being developed to market this land over the next 4-5 years as the properties are harvested.
- The company also plans to continue to divest some small non-core properties in the Otways region.



Key Points



Trading conditions

- Global market uncertainty remains but signs of economic recovery in China and Japan.
- Major woodfibre contract recently signed with key Chinese customer for H2 FY21.
- COVID-19 is driving structural change in global pulp and paper markets but underlying net benefit for woodfibre exporters.

Business development

- Short term focus on leveraging our existing operations to drive earnings growth.
- However, looking at opportunities to expand into adjacencies and exploit emerging technologies.

Positive long term international fundamentals

- Favourable Asian demand profile for woodfibre forecast by industry analysts over the next 5 years.



Questions?

Midway