

MIDWAY LIMITED (ASX: MWY)

29 November 2021

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

The Board of Directors are pleased that shareholders have seen a turnaround in Midway's financial performance and share price in 2020-21.

Tony Price will shortly provide an update on the FY21 results and a trading update on FY22, so I will not go into those issues in detail.

Tony will also comment in detail about the new investment opportunities that are being progressed by the management team at Midway.

Before we talk about the future though, I just wanted to assure shareholders that the Board fully understands your concerns about the unexpected downturn in Midway performance in 2019-20.

As major shareholders, Board Directors have also been disappointed by the lack of dividend payments over the last 24 months.

However, it was important to preserve cash during the downturn so that we could maintain our banking covenants and invest in the business for future growth.

As a result, Midway continues to operate within its banking covenants and National Australia Bank has extended the Company's term debt maturity to September 2024.

The subsequent turnaround at Midway has been driven by the hard work of the management team to improve the underlying performance of the business.

The Board was particularly pleased that Midway continued to operate as an essential business during the COVID-19 pandemic and did not record any cases.

New business opportunities

I would now like to briefly talk to you about several new investment opportunities that we believe offer improved shareholder returns in future.

Firstly, the Board has approved investments in woodfibre processing at Bell Bay in Tasmania and grain storage and handling at the Geelong site.

The woodfibre processing operation at Bell Bay has the potential to provide material earnings growth over the next few years.

The grain facility will also maximise capacity utilisation at our Geelong site and reduce the cost of our take or pay contract with the Port of Geelong.

The two projects will expand our geographic footprint and diversify our sources of revenue.

Secondly, the Board has also authorised modest investments in emerging technologies in the new carbon economy.

It is early days on these emerging technologies and much work needs to be done to demonstrate satisfactory production economics.

But activated carbon and biochar offer significant sales opportunities in the domestic mining, manufacturing and water purification sectors.

Thirdly, the Board has approved a divestment program of surplus land north of Melbourne that is much more attractive for residential development.

The sale proceeds will be used to fund the planned grain silos at Geelong.

While we are selling surplus land, the Board is also very focused on expanding our plantation estate in south-west Victoria to ensure a long-term supply of timber for our Geelong operation.

As part of this work, the Board has approved an Information Memorandum to third party investors to assess their interest in a plantation estate fund.

Under this proposal, Midway will sell its existing land and trees in the Otway region into a plantation estate fund owned by third party investors.

Midway expects to generate plantation management income from this plantation estate and secure a future woodfibre pipeline for our business in Geelong.

The proposed sale of the existing plantation estate into a fund is also expected to release significant capital. The Board will consider an appropriate balance for the use of these funds on the completion of a sale.

We will keep shareholders informed of developments on both the sale of land, the new plantation estate fund and new business developments as they occur.

Management succession

The Board would like to take this opportunity to publicly thank our departing Managing Director, Tony Price for his leadership and contribution to Midway growth over the last six years.

Mr Price led domestic and international expansion of Midway and the listing of the company on the Australian Securities Exchange.

Mr Price is highly regarded for his extensive forest industry experience, and after he steps down from a full-time executive career early next year, he has agreed to continue as an adviser on our forestry expansion plans in Tasmania from his new home in Hobart.

While Mr Price is leaving a full-time executive career, the Board looks forward to our new Managing Director and Chief Executive Officer, Mr Tony McKenna joining Midway in January 2022.

The Board believes that Mr McKenna has the right combination of skills and experience to lead Midway into a new phase of growth. He has extensive international experience in delivering growth strategies and major investment projects.

Mr McKenna also has a deep understanding of Australian agribusiness. He has been CEO and Managing Director of Ruyi Australia for the last five years. Before that he was an Executive Director of AgCap and Managing Director of Lempriere Capital.

The Board is optimistic about the opportunities that Midway can exploit in the next few years under the leadership of Mr McKenna and we continue to aspire to sustainable returns that will justify continued shareholder faith in the Company.

Board renewal remains a high priority for the Board. Last year we reduced the size of the Board by 1 Director. This year we believe that maintaining Board stability during a period of significant change is important. As mentioned before, we have a new CEO starting in January and have 3 major projects nearing key decision points this year. As such, we recommend that you vote for the re-election of both Gordon Davis and Tom Gunnersen.

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 performed through this most extraordinary and challenging period.

I will now hand over 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 Chair 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.



2021 Annual General Meeting of Shareholders

November 2021



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

Overview

FY21 - Key Results

- Revenue up 8.7% to **\$280.2M** (FY20: 257.8M) on back of increased export sales
- Underlying EBITDA ¹ up 5.8% to **\$14.6M** (FY20: \$13.8M) with improved margin mix
- Underlying net profit after tax before significant items of **-\$0.6M** (FY20: -\$0.5M)
- Significant items after tax – net **-\$1.5M** (FY20: -\$8.2M)
- Improved operating cashflow of **\$22.3M** (FY20: \$11.1M)
- Lower net debt of **\$31.5M** (FY20: \$39.4M)
- Midway did not pay a final dividend in respect of FY21, in order to preserve cash to fund growth projects

Trading conditions

- CY21 trading conditions challenging
 - China power cuts and labor shortages due to the COVID 19 pandemic are causing ripple effects in global supply chains resulting in lower demand for pulp products
 - Japanese woodfibre demand continuing to recover from low base during COVID 19
- CY22 trading conditions expected to be much stronger

1: Underlying EBITDA = EBITDA before significant items and net fair value increment on biological assets and after adoption of AASB 16: Leases.

149.2 cents
net tangible
asset
backing

Gearing
Ratio
26%

Interest
Cover
7.7 times

Midway

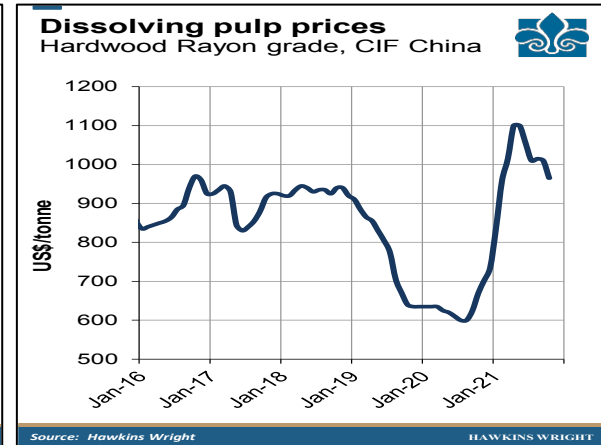
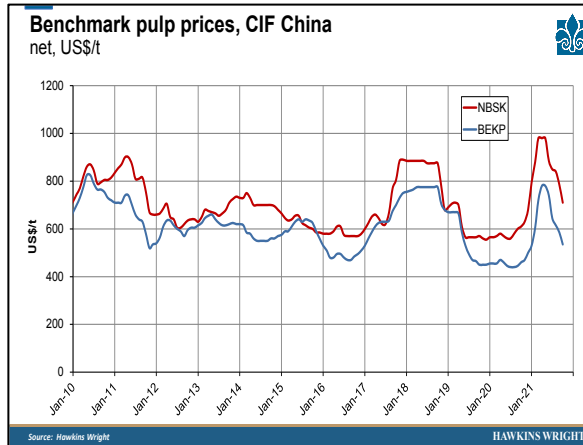
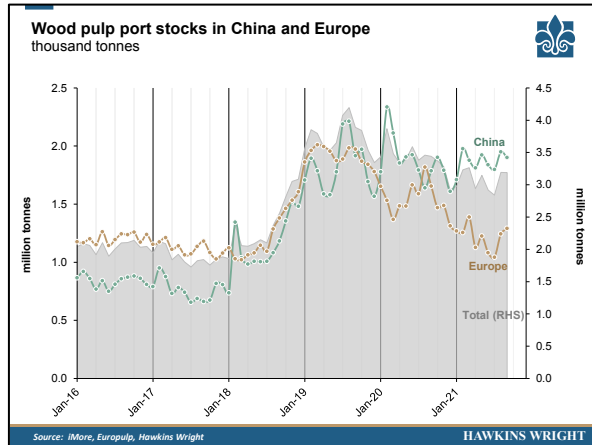


FY22 trading conditions update

Global Pulp and Paper Market

Benchmark pulp paper prices impacted by global markets from lower overall demand in pulp products with the exception of tissue grades

- Both hardwood and softwood benchmark pulp prices down due to COVID 19 and power restrictions impacting on supply chains in China
- Dissolving pulp prices have come off a peak of US\$1010 to US\$950~980 per metric tonne
- Global pulp stocks totalling 45 days - now considered to be the new normal



China Power Rationing Impacts

- Power rationing caused production cuts in a range of industries in 3Q CY21
- Biggest impact in September – reportedly now abating
- China increasing domestic coal supply to meet demand
- Some pulp paper mills reliant on coal affected by power cuts and high coal prices
- Short-term reduction in pulp paper production and prices
- Pulp paper production and pricing now stabilising



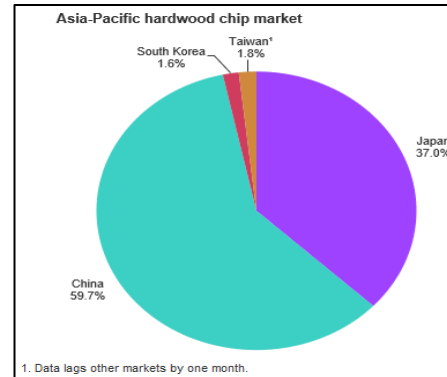
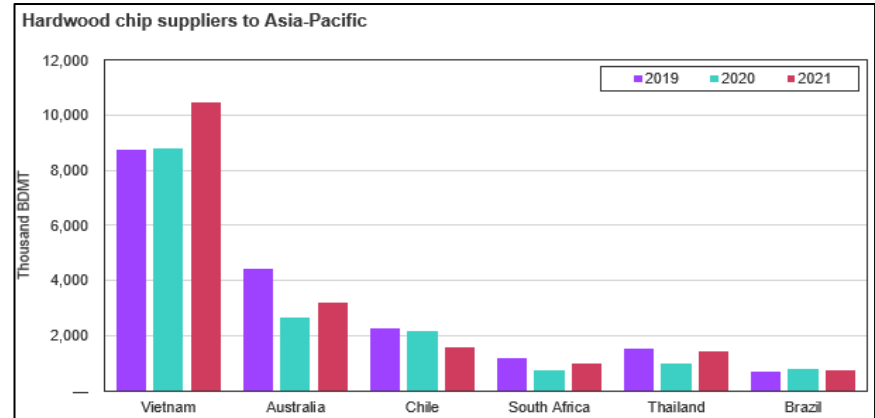
Key Asian Hardwood Woodfibre Markets

China market very competitive

- Chinese pulp stocks normalising
- China woodfibre imports up 16% year-on-year after Q3 CY21.
- Vietnam expanding its market share

Japan market continues recovery from low base during COVID 19

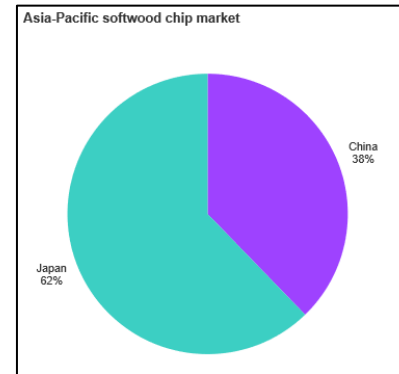
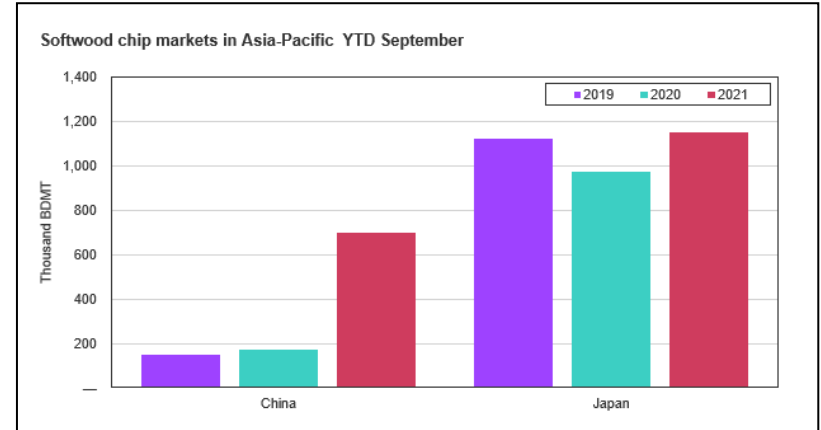
- Japanese woodfibre demand up 14% in CY21
- Australian and Vietnam volume to Japan up 43% and 32% respectively



Source: RISI International Pulpwood Trade Review 2021

Key Asian Softwood Woodfibre Markets

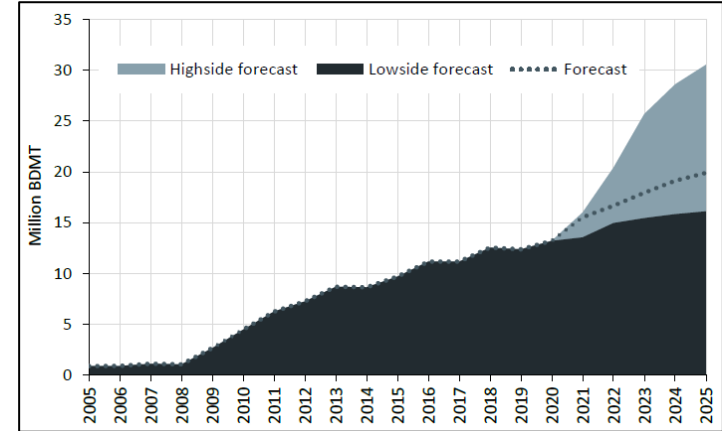
- Asian softwood market is up 62% in CY21 on the back of strong demand for packaging partially due to the first half of CY21
- Reduction in recycled paper / pulp availability in China is the main driver of softwood demand increasing
- Midway is targeting this higher softwood demand with new softwood contracts from Tasmania, Western Australia and Queensland with both China and Japan customers in CY22



Source: RISI International Pulpwood Trade Review 2021

New China pulp mills coming on stream

- Global analytics group Hawkins Wright forecasts 21 new Chinese pulp projects commencing in the next few years
- Hawkins Wright estimates these pulp mills will result in a four million air-dry tonne increase in Chinese pulp production over the next five years
- When fully operational, these Chinese pulp mills will require an additional 6.4 million bone dry tonnes pa of imported hardwood fibre
- Midway is in discussions with these new Chinese pulp companies and has already confirmed one Supply Contract with first vessel due in March 2022



"The ... woodfibre demand implied by all the investments is in excess of what could conceivably be supplied from overseas,"
Hawkins Wright, April 2021

Strong sales outlook for CY 2022

- Ramping up production to meet renewed demand in CY22
- Around 90% of globulus volume is committed and contracts are pending customer approval
- 100% of nitens volume is recommitted to same buyer as last year, awaiting final contract signing
- 5-6 vessels of Acacia from the Tiwi committed under contract
- Strong interest in our new regrowth hardwood product from Tasmania to 2 or more end-users
- Actively pursuing sources of softwood woodfibre to meet strong demand for packaging in Asia



The background of the slide is a photograph of a logging operation, showing a large excavator with a grapple attachment working in a forest. The image is heavily overlaid with a semi-transparent green filter. The excavator's arm and grapple are visible in the upper right, while a pile of cut logs is in the lower left. The text 'Business improvement and development' is centered in white.

Business improvement and development

Business Improvement

Tiwi Island Project (Plantation Management Partners)

- Cost reduction initiatives contributed \$0.7M EBITDA in FY21
- Biomass shipment to Japan completed in FY21
- Potential for further biomass sales to Japan in CY22
- Research project with CRC for Developing Northern Australia to support second rotation of eucalypt for future woodfibre export sales
- An initial eucalypt planting program of 500ha will commence in FY22

Midway Logistics

- Remaining 60% of BioGrowth Partners acquired for nominal amount to provide greater control over the business
- Service and supply contracts signed with large corporate customers starting 1H22
- Biomass contracts also confirmed with major domestic customers in FY22
- Diversification of timber contracts has increased resource availability
- Increasing production to meet new sales contracts
- Contracts agreed for E Globulus and softwood exports through Port of Esperance



Expanding our Core Business

Bell Bay woodfibre processing development

Phase One

- Timber supply agreements signed with major resource owners
- Initial use of mobile chipping equipment at Bell Bay
- TasPorts providing access to existing shiploader at Bell Bay
- First chips delivered to facility in October 2021
- First vessel in March 2022 and second vessel in May 2022, both softwood

Phase Two

- Equipment ordered for Bell Bay and processing to commence at Norfolk Street 2H FY22
- Commenced Norfolk Street development approvals process with EPA Tasmania and George Town Council
- Initial processing unit with a capacity of 250,000 GMT pa operational May 2022 with second processing unit to increase export capacity to 500,000 GMT pa by July 2023

Funding

- Project to be funded by \$7M of asset finance, \$3M of corporate debt and supplemented by internal cash flow



Conveyor equipment constructed in situ at Berth 7



Expanding complementary opportunities

Geelong grain terminal development

- Strong interest to utilise Midway's proposed grain terminal from large Australian bulk grain export market participants.
- Loading Services Agreement with GeelongPort in place
- Engagement commenced with GeelongPort on required shiploader modifications.
- Midway has engaged with ACCC to confirm requirements under the mandatory Port Terminal Access (Bulk Wheat) Code of Conduct.
- Design and development of civil engineering for foundations underway.
- Targeting commencement for the beginning of the 2022 grain harvest.



Investment in Emerging Technologies

Activated Carbon

- Midway has signed an MOU with Australian technology company Bygen Pty Ltd to produce activated carbon using woodfibre
- Activated carbon binds and filters unwanted chemicals and purifies water in industrial processes
- Significant import replacement market: mining, gas refining, food manufacturing, water industry and contaminated soil remediation

Biomass conversion opportunities – under assessment

- Processing wood residues into activated carbon
- Residual pyrolysis heat converted to electricity to secure carbon credits - collaboration with local emerging technologies
- Fast pyrolysis of biomass into biofuel for inclusion in local refinery operations
- Biochar inclusion as a fraction in organic fertiliser



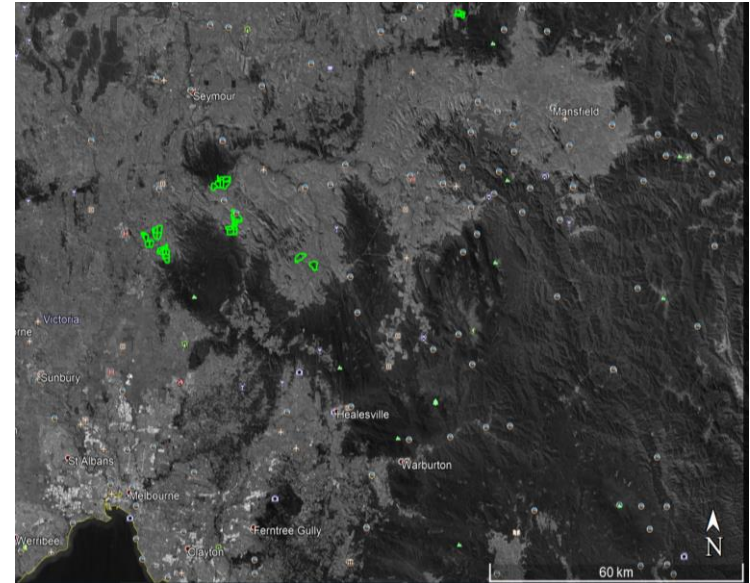


Managing our timber resource

Asset Optimisation

Sale of Land

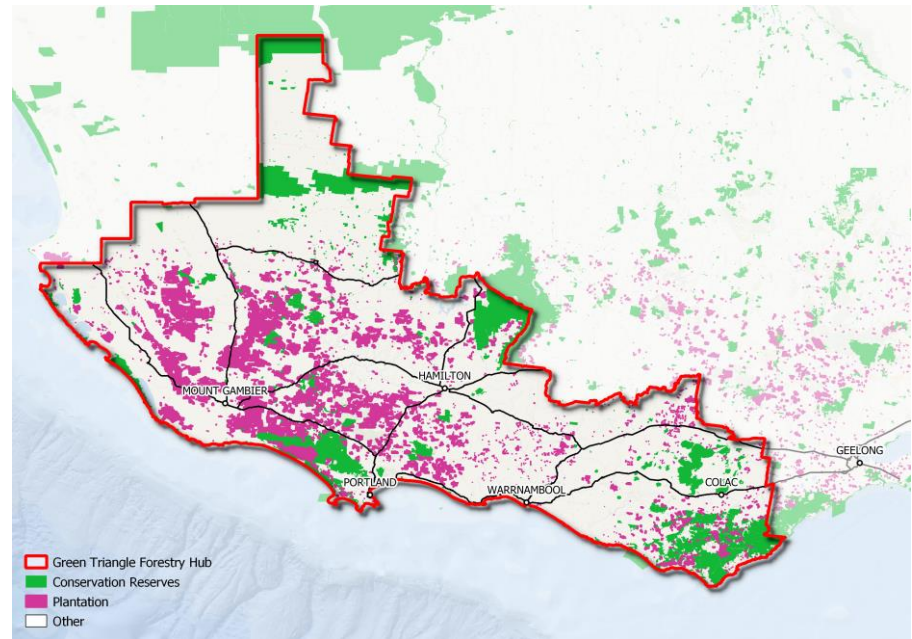
- Contracted to sell 785ha of land in the Upper Goulburn region for \$3.2M. Will complete after trees harvested by the end of FY22
- In negotiation with parties on the sale of three more plantation properties in the Wandong/Kilmore region north of Melbourne
- Midway will use sale proceeds to reduce debt and fund growth projects (such as the grain project)



Green Triangle Future Resource Development

Plantation Estate Investment Opportunity

- Midway is progressing a new plantation estate investment opportunity using part of the existing Midway estate and new plantings
- Under the proposed vehicle, Midway will identify and select suitable sites for plantation establishment, provide plantation management services and oversee harvesting operations
- Midway will also secure a guaranteed offtake agreement
- Investors in the plantation estate will benefit from a significant expansion in carbon sequestration
- Federal Government facilitating plantation expansion through recent announced changes to the Carbon Farming Initiative – Plantation Forestry rules in the region
- This project has the potential to further reduce debt, free-up capital for Midway investments in growth projects and secure a long-term wood supply to the Geelong facility



Participating in the Growing Carbon Economy

Phase One

- Midway has entered into a strategic alliance with Climate Friendly to encourage private plantations in Tasmania
- Climate Friendly will provide advice and administrative support to private land holders on carbon credits
- Midway will provide plantation management expertise
- Planting commenced in CY21 and another 500 hectares are planned in CY22

Phase Two

- A further 2,500 hectares are expected to be signed with private landholders over the next 12 months
- Midway expects to have access to the pulpwood generated from these plantations

Phase Three

- Potential expansion of carbon sequestration opportunities





Summary

Key Points



Trading conditions

- China power cuts and labor shortages due to the COVID 19 pandemic are causing ripple effects in global supply chains resulting in lower demand for pulp products
- Japanese woodfibre demand continuing to recover

Business development

- Short-term plan has been to leverage our core operations to drive earnings growth
- Key focus is to deliver the current projects to grow these complementary business opportunities
- Investigating investments in emerging markets and technologies ie. Decarbonisation
- Progressing options to grow the plantation estate with domestic and global investors

Positive long term international fundamentals

- Planned capacity expansion in China to increase regional demand for woodfibre
- Growing opportunity to participate in the developing carbon economy



Questions?

Midway