

MIDWAY LIMITED (ASX: MWY)

28 November 2022

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

CHAIR – GORDON DAVIS

I began my first term as Chairman of Midway on 1 May this year, only seven months ago, but we have made significant changes in that time to company leadership, company strategy and company operations.

My appointment as Chair by the Board follows the decision of Greg McCormack to step down as Chair and retire as a non-executive Director of the Company after today's Annual General Meeting.

Greg is a founding shareholder of Midway and has been on the Board for 25 years, most of that time as Chairman. Greg should be rightly very proud of how Midway has developed over the time of his service, and the position he leaves Midway in today. A listed ASX company with diverse operations, a competent management and effective Board, and very exciting growth options. Quite a contrast to when four "visionary" Victorian sawmiller groups combined together to find a solution to a waste wood problem! Tony McKenna will speak more to Greg's contribution to the global and Australian industry more broadly. On behalf of the Midway community, shareholders, staff, suppliers and customers we wish Greg well with his future endeavours and welcome his continued interest in the company.

Tom Keene will also retire from the Board at this AGM. Tom has been on the Board for 14 years, bringing his experience as CEO & MD of a large enterprise to the challenge of evolving Midway from a small closely held company to an ASX entity. Tom will continue to advise the Company as we develop the proposed grain terminal project.

I would also like to welcome Kellie Benda as a new independent non-executive Director of Midway, subject to her election today by shareholders. Kellie will address shareholders later in the meeting.

These changes mean the Midway Board following this AGM will comprise three independent non-executive Directors, two shareholder Directors and the Managing Director. As the Midway future strategy options develop, we will continue to assess the skills and experience needed on the Board.

I have also had the pleasure of recruiting and now working closely with the new Midway Managing Director and Chief Executive, Tony McKenna.

Tony McKenna replaced the former Managing Director, Tony Price, in January this year and has focused on making important changes to company strategy and our operations. Tony will speak more to the strategic review of the Company that we announced earlier this year on 14 March 2022.

Tony will also talk more of the operational environment for Midway and the transformation program he has been working on.

I will therefore only touch briefly on what I see as the key developments since I have been Chair.

There is no doubt that the FY22 financial performance was disappointing. However, much of the poor financial performance in the last twelve months was due to a range of external factors that we had to manage, including the COVID-19 pandemic that adversely affected global supply chains and consumer demand in major markets.

While we could only manage or influence the impact of these market forces on the Company, we were determined to control as much of our own destiny as possible and actively make changes that improved shareholder returns.

A number of major initiatives were taken to adjust Company strategy and operations to the new realities of the woodfibre market in the wake of the pandemic.

Midway announced it would wind-down the loss-making operations of Midway Logistics in Western Australia and a number of actions were taken to improve the performance of the woodfibre operation on the Tiwi Islands.

Midway secured new export contracts for woodfibre exports to China and Japan for the pulp paper sector. We are currently examining the second rotation options on the Tiwi Islands to improve and extend the commercial returns of the operation.

Midway also expanded its operations in Tasmania with a modest investment in a dedicated processing and port facility at Bell Bay that will export woodfibre from regrowth thinnings. It has the potential to generate solid earnings growth over the next few years.

However, the most significant announcement was the sale of the Victorian plantation assets to MEAG, a subsidiary of the German-based financial services group, Munich Re, for an estimated A\$154 million, and a commitment from MEAG to invest another A\$200 million in greenfield forest plantation in the Geelong catchment. The Foreign Investment Review Board recently agreed to both elements of the transaction giving a high level of certainty for all parties.

Midway also secured plantation and carbon management contracts, and an offtake agreement with MEAG that will ensure ongoing log supply from these plantations for our operation here at North Shore in Geelong.

Following closing of the transaction in June 2022, we announced that Midway would use the plantation sale proceeds to firstly repay all long-term debt, and then the intention to pay a fully franked special dividend to shareholders of up to 19.5 cents per share, subject to achievement of conditions.

Midway has now settled the first tranche of the deal, and we are expecting to confirm timing of a dividend at our half year results.

I can assure Midway shareholders that the Board of Directors, and the management team are doing everything under our control to improve financial performance and generate sustainable shareholder returns.

The strategic review is an exciting development and I hope the initiatives we have announced to date will provide Midway shareholders with confidence about the new leadership of the Company, its new strategy and its new approach to doing business.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – TONY MCKENNA

It is just over ten months since I started as Managing Director of Midway.

We have taken a lot of decisive steps in those 10 months to reposition the company.

My immediate priorities are: to turn around the operating performance of the business; to capitalise on the emerging carbon opportunity; and to improve shareholder value.

There has been no shortage of challenges.

In an environment of strong regional demand for woodchips, the Australian producers, including Midway, have been locked in at a low annual price, fixed in February.

COVID-19's impact on availability of contractors, rising fuel and operating costs, and extreme wet weather have impinged on the business' operating margins and restricted the amount of woodfibre able to be harvested and exported.

These factors have been felt across the whole industry in Australia and we have experienced them acutely at Midway.

While external factors have featured prominently in our business this year, there are things that we can control and the Midway team are taking steps to action those:

- We have commissioned new facilities in Bell Bay, Tasmania.
- We are turning around the performance on the Tiwi Islands
- We have exited the loss-making logistics business in WA
- We have identified and are pursuing carbon management opportunities; and
- We have sold our Victorian plantation assets

The board has announced the intention to pay a special, fully franked dividend of up to 19.5 cents per share from the proceeds of the plantation sale.

In my time with Midway we have also seen a change in the Chair, the retirement of two long serving directors and the introduction of a new independent director.

I would like to endorse Gordon's words of thanks to Tom Keene, who's wise counsel I have enjoyed, and to Greg.

It is an enormous credit to our retiring chair, Greg McCormack, and new chair Gordon that these major changes have been made without disruption or distraction to the executive team.

Greg is renowned for his passion for Midway and the industry. He has recently retired from 11 years as Chair of the peak industry body, the Australian Forest Products

Association. His deep knowledge of the details of the forestry and woodchip industry is most impressive.

Greg remains a major shareholder and I know that he remains happy to share his vast knowledge, accumulated over a lifetime in the industry.

This has been a dynamic time for the company. Much has been achieved in completing major initiatives and repositioning the business. We have good people and good underlying operations and I am confident that we are on the right track to creating shareholder value.

Core business turnaround

To improve earnings of the core business, Midway has invested in infrastructure and operations in Tasmania where there is good access to woodfibre.

With a huge effort from the Midway Tasmania and Business Development teams, we recently commissioned the new processing facility at Norfolk St and the ship loading facility at Berth 7.

The first vessel of softwood was loaded from Berth 7 in July this year.

In October we commenced processing softwood logs at Norfolk St and regrowth thinnings will commence in 2023.

This business expands our national footprint, increases our product range, and has the potential to generate incremental earnings growth for Midway in the coming years.

We have exited the loss-making WA Logistics business.

The decision to exit a business unit is never made lightly. However, the returns that business could generate simply did not justify the management time and capital investment required to turn the business around.

Following an exceptionally difficult period, our marketing team has secured new export sales from the Tiwi Islands, with 7 to 8 acacia vessels planned for CY23. Our Tiwi team has worked flat-out to increase production to meet this renewed demand.

The increased activity has created additional employment for Tiwi people and is generating productive economic activity for the traditional owners.

We are working with the traditional owners on establishing a second rotation for the Tiwi plantation.

Our carbon team has run the Tiwi 2nd rotation project through the beta version of 2022 FullCAM carbon accounting model. We expect that it will generate over 4 million ACCUs or 4 million tonnes of carbon emission offsets.

The operations team are working hard to secure alternative sources of wood fibre to improve capacity utilisation at Geelong.

We continue to progress plans with counterparties for a grain export terminal at North Shore. It is a multi-party negotiation and we have not reached agreement yet, but the logic of the project is compelling for all, and the parties are engaging constructively.

The grain project is intended to contribute volume to our take-or-pay ship-loader contract with GeelongPort and generate lease revenue for Midway.

Plantation estate sale transaction – Overview

The share price of Midway has been trading well below Net Tangible Asset backing since March 2020.

This was partly due to poor performance in the last few years but it was also apparent that the market under-valued our plantation assets.

Midway, as a small listed company, is not the natural owner of large tracts of mature forestry land.

We made the decision to sell Midway's existing plantation estate to MEAG/ Munich Re for \$154 million, which is better than book value. As part of the transaction MEAG has committed to invest another \$200 million to purchase greenfield land for establishing hardwood plantations.

The MEAG transaction is more than just a sale. It is the establishment of an important long-term partnership.

The significance of this transaction should not be under-estimated:

- Midway has secured offtake agreements that preserve access to the current woodfibre supply
- The greenfield commitment secures an expansion of woodfibre supply well beyond 2032
- Volatile biological assets are removed from our balance sheet
- It enables the buy back of "Strategy" trees, removing the costly financing facility; and
- Enables repayment of corporate debt and gives the company a solid balance sheet with appropriate debt arrangements

We have contracted to provide ongoing carbon and plantation management services to MEAG for the existing and greenfield estates, generating ongoing income and giving immediate critical mass to our emerging carbon management business.

All regulatory hurdles for the transaction have been cleared and the first tranche of the sale has settled.

We are in the process of finalising transaction arrangements including the buy-back of the Strategy trees, settlement adjustments, debt reduction and taxation payments.

There are two further tranches that we are aiming to complete in December.

We expect to be able to advise shareholders of the final details of amount and timing of the proposed special dividend at the half year results.

As previously advised, the Board will make decisions about the amount and timing of any future shareholder returns when the FY 2024 and FY 2025 tranches of the MEAG transaction are finalised.

Overview of the carbon opportunity

Global investors and companies are becoming increasingly aware of the need to offset carbon emissions so they can meet social and regulatory expectations.

The most effective technology for removing carbon from the atmosphere is still the ancient natural process of photosynthesis. That's the way carbon dioxide is removed from the air, oxygen returned and carbon sequestered in the wood fibre.

Plantation forestry has a critical role to play in helping achieve net zero carbon emissions. Midway's core business is ideally situated to play a lead role in this.

Demand for eligible carbon credits is forecast to increase substantially over the next ten years.

The value of Australian Carbon Credit Units, or ACCUs over the next decade is also forecast to increase markedly.

Midway's Unique Value proposition for carbon

Midway has a unique value proposition in carbon management that will enable it to leverage new growth opportunities in this market.

Midway's core business activity is sourcing suitable land, establishing and managing the plantations, harvesting the trees, and replanting.

From harvest we process, sell and export the wood fibre, generating a commercial return from the exercise.

This activity is the same process that generates plantation carbon credits. A new business has come to our space. We are positioning Midway to capture the opportunity.

Three carbon revenue models

There are three models by which Midway can immediately participate in the emerging carbon economy:

- First, Midway can own the trees and carbon directly, leasing the underlying land. We are currently exploring this opportunity on the Tiwi Islands; and
- Secondly, Midway can aggregate projects for small landowners and manage plantation carbon on their behalf. We are currently pursuing this in Tasmania
- Third, Midway can manage carbon on behalf of institutional investors. The MEAG transaction is the first example of this.

These carbon opportunities emerge from our existing business and are immediately in front of us. They can generate revenue in their own right as well as securing sources of woodfibre for our processing and export business.

Trading Conditions

Now to the important trading conditions.

Woodfibre demand and supply

Woodfibre demand amongst our major trading partners, especially China is strong – Chinese demand is up 19% in the year to end September.

It is also re-assuring that our major regional competitors in Vietnam have been struggling to maintain supply at recent levels.

This means that Midway should be able to benefit from increased export sales demand when domestic supply constraints ease in CY23.

Woodfibre and pulp paper pricing

It is disappointing that Australian woodchip prices were locked in for calendar year 2022 just prior to the increase in international demand and spot prices.

But industry experts forecast that Australian exporters, including Midway, should be able to secure higher export prices in CY23 because all hardwood woodfibre stock is currently sold out until the end of CY22 and customer interest remains very strong.

The industry is confident that Australian exporters will achieve an uplift from 2022 prices of around US 25 dollars per bone dry metric tonne on the benchmark eucalypt species.

The unfavourable US dollar FX hedges will be rolling off at the end of the December and better exchange rates will help improve margins for the second half of the financial year.

Key take-outs

To summarise the key take-outs from today's presentation for shareholders:

The first half of FY 23 remains tough, ongoing harvest and haulage weather disruptions will continue to constrain sales volumes. Margin pressure from higher fuel costs, labour shortages and our FX hedging position will adversely impact first half profit margins. This means that our 1H23 result may be slightly weaker than the 1H22 result on a pcp basis

However, strong export demand and early pricing suggest a much better second half of the FY23 financial year.

We will provide an update on full year trading conditions at the 1H23 result in late February

Our team is making good progress on initiatives to turn around the core woodfibre export business

We have identified, and are determined in our pursuit of new growth opportunities in carbon emission offsets; and

We have settled the MEAG transaction, greatly reducing corporate debt and enabling progression to payment of the intended special dividend.

We are making good progress, but there is still a great deal of work to do.

I am confident that the Board and management team have a united view about future strategy and that we are all committed to driving better shareholder returns in the coming years.

This announcement has been approved by the Chair of Midway.

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About Midway Limited

Midway Limited is a leading Australian plantation management and woodfibre export company with headquarters in Geelong. Midway was founded in 1980 and is now primarily involved in plantation management and the production, processing and export of high-quality wood fibre to producers of pulp, paper and associated products in the Asian region. Midway owns 100% of Midway Tasmania, based at Bell Bay and Plantation Management Partners (PMP), based on Melville Island. Midway also has majority shareholdings in South West Fibre Pty Ltd (SWF) based in the Green Triangle and Queensland Commodity Exports Pty Ltd (QCE) based in Brisbane. Midway is also building a carbon management portfolio based on forestry plantations. For further information, visit www.midwaylimited.com.au.



Midway Transformation

FY22 Annual General Meeting

November 2022



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

Key points

FY22 Results

- COVID-19 supply chain disruption adversely affected production and exports in FY22
- However, customer demand and spot market pricing remains strong and we expect improved production and exports in calendar year (CY) 23
- Fully franked special dividend of up to 19.5 cents per share to be paid from plantation assets sale (subject to conditions and settlement of tranche two and three which is likely to complete in December)

Core business turnaround

- **Revitalising the core export business**
 - Bell Bay (Tas) first vessel loaded in July 2022, Norfolk St processing site commissioned in Oct 22
 - Tiwi Islands - new customers contracted for acacia exports to return business to profitability
 - Geelong grain terminal proposal still under negotiation with counterparties
- **Exited the loss-making WA Logistics business**
- **Plantation asset sale deal complete** – First tranche settled and Midway is contracted to provide management services in addition to holding a long term offtake agreement to repurchase the wood
- **Resetting the balance sheet** - repaying the expensive "Strategy" finance arrangement, paying back all long-term debt and removing valuation complexity and volatility from the accounts

Leveraging new growth opportunities

- **Three-pronged approach to leverage Midway's competitive advantage in carbon management:**
 - Midway to own and manage end-to-end rights for trees and carbon (eg potential Tiwi 2nd rotation)
 - Midway manages plantation and carbon on behalf of an aggregation of small landowners (eg Tasmania)
 - Midway manages carbon on behalf of institutional investor landowner (eg MEAG transaction)

A photograph of a forest with several tree trunks in the foreground and background. The trunks are covered in rough, textured bark, some with patches of moss. Thin, bare branches are visible against the green foliage in the background.

Core business turnaround

Midway

Revitalising the core export business

Building new Midway Tasmania Woodfibre export business

- First vessel successfully loaded in July 2022 from Berth 7 site in Bell Bay
- Further vessels of plantation softwood chip will be loaded in CY22
- Adjacent Norfolk Street processing and storage site commissioned Oct 22
- Regrowth thinnings will commence in Jan 23

Exited the loss-making WA Logistics business

- Wind up of business largely complete

Securing new Tiwi Islands export sales

- Shipments recommenced and expecting 7-8 acacia shipments in CY23. Majority committed to customers

Developing a Geelong Grain Terminal

- Negotiations with counterparties to progress development of a grain export terminal at Geelong
- Grain terminal will use surplus land and utilise part of the dedicated capacity at the Berth 4 ship-loader at Corio Quay North



Norfolk street mill



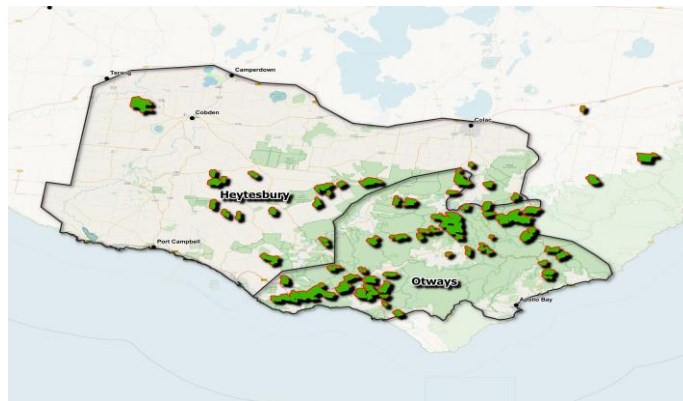
Berth 7 TasPorts

Overview - Plantation estate sale transaction

Deal contracted; assets that have been undervalued by the market ...will settle at greater than book value

Transaction rationale

- Satisfied all regulatory requirements and first stage settled Oct 2022
- Realising above book value against existing plantation assets
- Commits \$200m for acquisition of freehold land for greenfield plantation establishment
- Significantly increases log-supply beyond 2032F as a result of additional greenfield plantation commitments and investment in existing tree crop
- Includes contract for management of plantation (minimum 7 years) and offtake log supply agreement (minimum 35 years)
- Includes carbon management for select portion of brownfield assets and all greenfield acquisitions
- Repays expensive existing Strategy tree financing arrangement
- Simplifies financial accounts by reducing the volatility due to the periodic biological asset valuations



Map of properties sold in the Otway's and Heytesbury regions

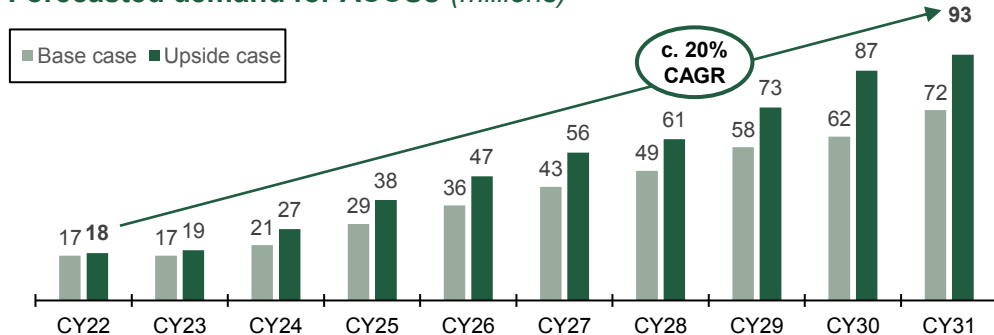


Leveraging growth opportunities

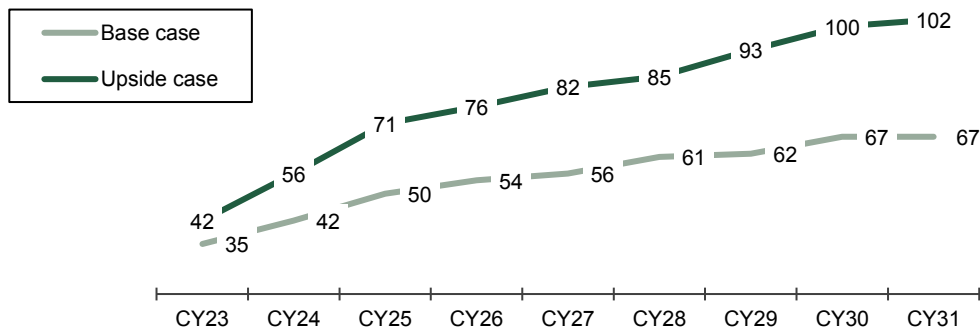
Overview of carbon opportunity

Accelerating demand for Australian Carbon Credit Units (ACCU) and recent regulatory changes are set to reposition the woodfibre industry as a core provider of ACCUs

Forecasted demand for ACCUs (millions)¹



ACCU market pricing expectations (A\$)



Commentary

- Increasing pressure for voluntary carbon offsets is expected to grow demand for ACCUs by c. 17 - 20% CAGR between 2022 and 2031
- Relatively immature carbon market within Australia has created a price inelastic, demand driven environment
- Base case ACCU prices are forecast to benefit from market dynamics, increasing up to 2.0x over the next 8-years
- Evolving nature of the market has provided an immediate opportunity for incumbent woodfibre and plantation management players to capitalise on ACCUs

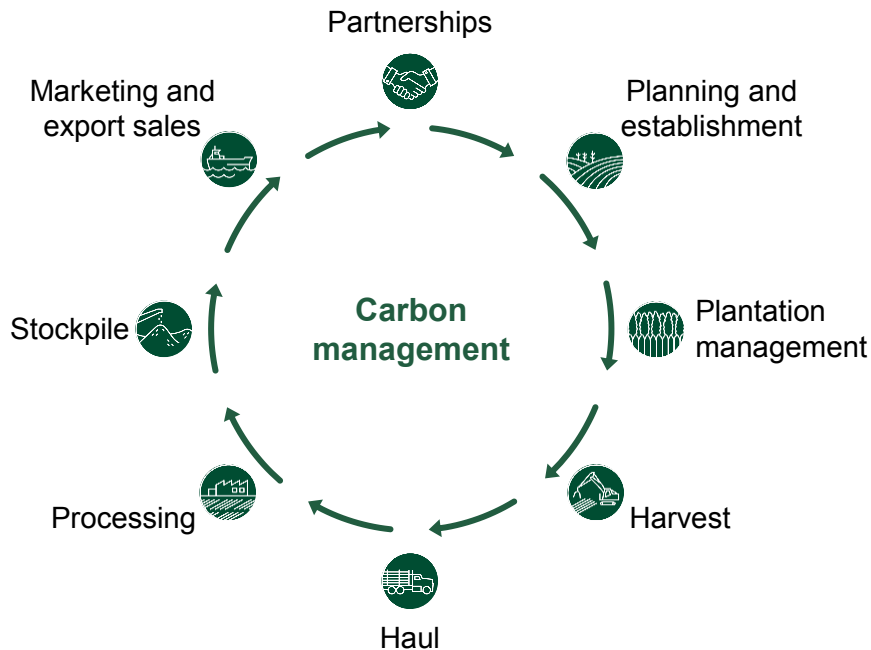
Midway's unique value proposition for carbon

Midway is well positioned to leverage its core business model to become a leader in generating carbon offset projects within the Australian and Southeast Asian markets.

Key differentiators for Midway versus incumbents

1. Currently no independent provider at-scale with a **'seed-to-sale'** integrated partnership and service model for plantation and landowners
2. **Strategic partnership with well-resourced investors** provides necessary scale and credibility for Midway to position itself as the **'plantation carbon manager of choice'**
3. There is a **natural alignment between customers** seeking commercial forestry arrangements and carbon management services¹
4. Carbon management organically **builds upon current value chain** to generate additional earnings between plantation management and harvest
5. New carbon management opportunities present **additional upside** through secured timber supply for **underlying woodfibre business**
6. High barriers to entry (capital, regulatory, capability) to enter carbon market **fortifies Midway as a natural aggregator** for small to medium sized freehold landowners

Midway's value chain



Three carbon revenue models

Midway is pursuing a three pronged approach to growing its carbon credits business addressing immediate opportunities.

	Approach 1: Plantation Owner	Approach 2: Aggregator	Approach 3: Manager
Overview	Midway owns and manages end-to-end rights for trees and carbon	Midway manages plantation and carbon on behalf of an aggregation of small landowners	Midway manages carbon on behalf of institutional investor landowner
Proceeds	<ul style="list-style-type: none"> Midway pays landowner an annual lease fee and share of carbon proceeds and has ownership of tree and carbon credit assets 	<ul style="list-style-type: none"> Midway and landowner share in carbon proceeds at an agreed upon rate 	<ul style="list-style-type: none"> Midway receives a fee for managing carbon from landowner Additional revenue may be earned if Midway also provides plantation management
Pipeline of carbon projects	<ul style="list-style-type: none"> Tiwi Islands (c. 30,000 Ha) 	<ul style="list-style-type: none"> Tasmania (c.10,000 Ha aggregated across individual landowners) Other managed or owned freehold and leasehold land (c. 1,000 Ha) 	<ul style="list-style-type: none"> Geelong catchment plantation assets (c. 17,000 Ha via MEAG commitment) Other third-party interest already generated for carbon offtake
Benefits for Midway	<ul style="list-style-type: none"> Greater economies of scale than individual projects Flexible capital arrangements under each approach Ability to manage exposure to environmental risks (seasonality, tree crop, natural disasters) Access to secured future wood supply for woodfibre operations 		



Trading Conditions

Woodfibre demand and supply

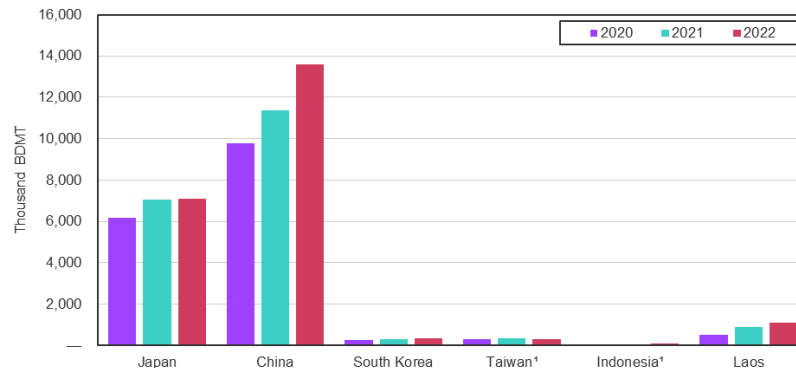
Demand

- Chinese hardwood woodchip imports up 19.4% year on year to September despite COVID-19 zero policy
- European market also remains tight with pulp/paper and energy producers seeking more South American and African woodchip supply to offset supply reductions from within Europe and Russia
- Indonesian imports recommenced and are expected to increase significantly in 2023

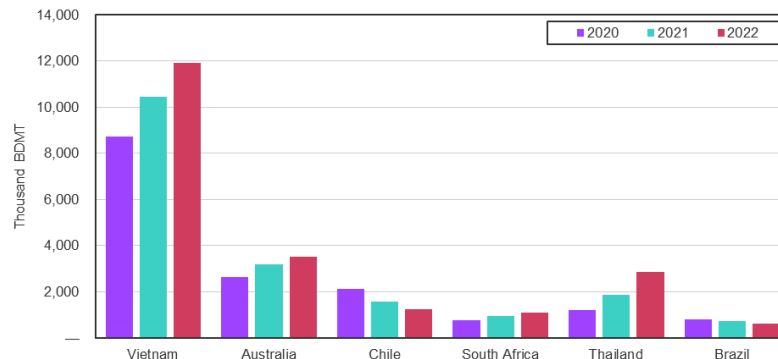
Supply

- Vietnam producers cutting younger trees to meet increased demand and prices in 2022
- This may lead to a Vietnam supply ceiling or possibly decline over the next few years
- Vietnam pricing has increased significantly as a result – some spot sales have shipped at US FOB \$190+ BDMT (a +50% price increase from January 2022)

Hardwood chip markets Asia-Pacific YTD September



Hardwood chip suppliers to Asia-Pacific YTD September



Extract: RISI

Midway

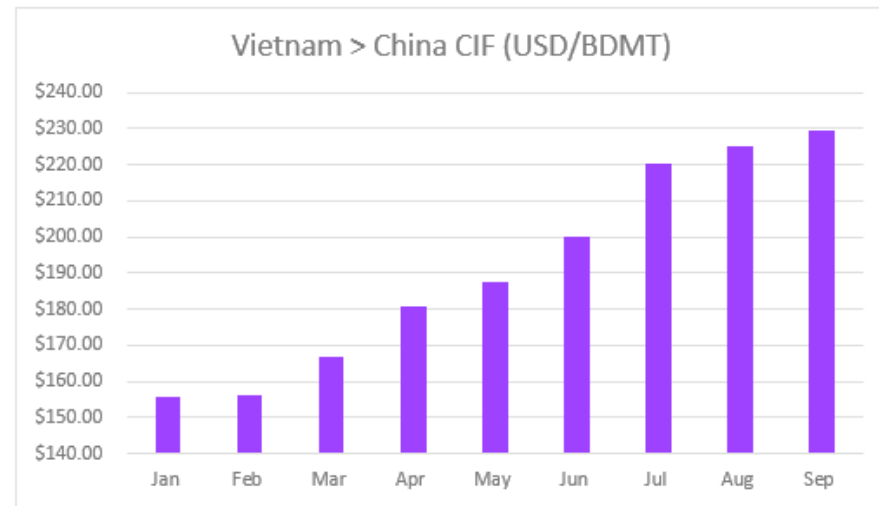
Pricing and demand outlook positive

Current pricing

- Spot FOB woodfibre export prices have been increasing while Australian prices have been locked in during CY22 as prices are negotiated annually
- China softwood pulp prices currently stable after six months of increases
 - BSKP (softwood pulp) up US\$200/ADT since January, currently trading at US\$955/ADT
 - BHKP (hardwood pulp) up US\$265/ADT since January, currently trading at US\$855/ADT

Pricing outlook

- All hardwood woodfibre stock sold-out until end of CY22 with customers seeking secure supply for CY23 earlier than previous years.
- RISI have forecast over three million tonnes of new Chinese pulp capacity to come on stream in the next 12 months that will underpin demand
- RISI forecasting upward demand pressure on CY23 woodfibre export prices from Australia



Source: RISI



Key Take-Outs

Key take-outs

Trading conditions expected to improve in CY23

- Stronger export pricing forecast by RISI, and a more favorable FX rate, will benefit CY23 results
- However, ongoing harvest and haul disruptions due to adverse weather is constraining available woodfibre for export in 1H FY23
- Margin pressure from higher fuel costs, labour shortages and the Group FX position will also affect 1H FY23 results
- Announced intention to pay special fully franked dividend of 19.5 cents per share (subject to conditions and settlement of tranche two and three which is likely to complete in December)

Turnaround of core business tracking well...

- New processing and export operation at Bell Bay in Tasmania fully operational
- 7-8 shipments of acacia from the Tiwi Islands is expected to be shipped in CY23
- Discussions with counterparties for the Geelong grain terminal is progressing
- Exited loss-making WA based logistics business
- Initial settlement of Victorian Plantation Estate sale occurred on 19 October. Further stages to settle in a series of tranches

Beginning new growth opportunities...

- Midway actively leveraging the emerging plantation carbon opportunity



Thank you