

MIDWAY LIMITED (ASX: MWY)

29 November 2022

Transcript of AGM (28 November 2022)

Speakers:

Gordon Davis, Chair (**GD**)

Tony McKenna, Managing Director and CEO (**TM**)

Rob Hadler, Investor Relations and Media Adviser (**RH**)

Kellie Benda, Director (**KB**)

Leanne Heywood, Director (**LH**)

Michael McKenzie, Chief Financial Officer (**MM**)

GD: Good morning, ladies and gentlemen. Welcome to Midway's 2022 Annual General Meeting. I'm Gordon Davis, chair of Midway. I'm joined at the table here on my left with Leanne Heywood, director, on my right, Tony McKenna, CEO and managing director, and far right, Kellie Benda. Both Leanne and Kellie are up for re-election at this meeting, and so they'll have their say later on. In the room, other directors, we've got Tom Keene and Nils Gunnensen, and online, Tom Gunnensen and Greg McCormack. So I now declare the meeting open as we have a quorum.

The procedural pieces which we have to go through, voting on all resolutions at today's meeting will be conducted by way of poll conducted online. You'll need the link provided in the notice of meeting and your shareholder details to vote in the poll. The poll is now open and you can vote at any time if you wish. At the end of today's meeting, you'll be given time to vote if you wish. The results of the poll will be notified to the ASX following the meeting. As we deal with the resolutions at today's meeting to shareholders, I'll provide the opportunity for shareholders to ask any questions or make comments. The questions or comments should be submitted by the chat panel on the screen for those online.

For this meeting, there will be five items of business, four of which will be voted on. There have been proxies received in respect of today's resolutions, which I'll announce as we move through the resolutions. The proxy figures are at the closing time for receipt of proxies, and as chair I will vote all available undirected proxies in favour of each item of business. Before we move to the formal business of today's meeting, I would like to address shareholders in relation to the company performance. I shall then invite our managing director, Tony McKenna, to deliver a presentation to shareholders. A copy of my address and Tony McKenna's presentation have been lodged with the ASX.

I began my first term as chairman of Midway on the 1st of May this year, only some seven months ago, but we've made significant changes in that time to the 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 an effective board, and some very exciting growth options.

This is quite a contrast to when what we call 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 Midway community shareholders, staff, suppliers, 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 a CEO and 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 like to welcome Kellie Benda as a new independent non-executive director of Midway, and of course Kellie is subject to election today. Kellie will address shareholders later in the meeting. These changes mean the Midway board, following this AGM, will comprise the non-executive directors, two shareholder directors and the managing director. As the Midway future strategy options develop, we'll continue to assess the skills and experience needed on the board. I've also had the pleasure of recruiting and now working closely with the new Midway managing director, Tony McKenna. Tony replaced former managing director, Tony Price, in January this year, and has focused on making important changes to the company's strategy and their operations.

Tony will speak more to the strategic review of the company that we announced earlier this year on the 14th 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've been the chair. There's no doubt that the financial year '22 financial performance was disappointing. However much of the poor financial performance over the last 12 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 also disrupted 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 improve shareholder returns.

A number of major initiatives were taken to adjust company strategy and operations to the new realities of the woodfibre markets in the wake of the pandemic. Midway announced it would wind down the loss-making operations of Midway Logistics in West Australia, and a number of actions were taken to improve the performance of the woodfibre operation in the Tiwi Islands in the Northern Territory. Midway secured new export contracts for woodfibre exports to China and Japan for the pulp paper sector. We're currently examining the second rotation options on the Tiwi Islands to improve and extend the commercial returns of that activity.

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 over the period was the sale of the Victorian plantation assets to MEAG, a subsidiary of the German based financial services group, Munich Re, for an estimated Australian dollar value of 154 million, and a commitment from MEAG to invest another 200 million in Greenfield Forest Plantation in the Geelong catchment. The Foreign Investment Review Board recently agreed to both elements of this 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 the 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 the achievement of certain conditions, which we detailed. Midway has now settled the first tranche of the deal and we are expected to confirm timing of the dividend at our half year results which are announced in February. I can assure Midway shareholders that the board of directors and management team are doing everything under our control to improve the financial performance and generate sustainable shareholder returns.

The strategic review is an exciting development and I hope initiatives we announce today will provide midway shareholders with confidence about the new direction of the company, its strategy, and its approach to doing business. I'll now hand over to our managing director, Tony McKenna, who has a presentation on the activities of the company. Thank you, Tony.

TM: Thank you, Gordon. Presentation is up on the screen.

GD: You may want to rotate. [An invitation to shareholders present to view the presentation behind them].

TM: It's just over 10 months since I started as managing director of Midway. We've 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 capitalize on the emerging carbon opportunity, and to improve shareholder value. There's been no shortage of challenges. In an environment of strong regional demand for wood chips, the Australian producers, including Midway, have been locked into 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's 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've experienced them acutely at Midway. While external factors have featured prominently in our business this year, there are things we can control, and the Midway team are taking steps to action those. We've commissioned new facilities in Bell Bay, Tasmania. We're turning around the performance of the Tiwi Islands, we've exited the loss making logistics business in WA, we've identified and are pursuing carbon management opportunities, and we've 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've also seen a change in the chair, the retirement of two long serving directors, and the introduction of a new independent director. I'd like to endorse Gordon's words of thanks to Tom Keene, whose wise council I have enjoyed, and to Greg. It's 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's 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 wood chip 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'm confident that we are on the right track to creating shareholder value. 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 Street and the ship loading facility at Berth Seven. The first vessel of softwood was loaded from berth seven in July this year. In October, we commenced processing logs at Norfolk Street, 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've 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 seven to eight acacia vessels planned for this calendar year '23. 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 the second rotation for the Tiwi plantation. Our carbon team has run the Tiwi second rotation project through the beta version of the 2022 FullCAM carbon accounting model. We expect that it will generate over four million ACCUs, or four million tons of carbon emission offsets. The operations team are working hard to secure additional sources of woodfibre to improve capacity utilization at Geelong. We continue to progress plans with counterparties for a grain export terminal at North Shore. It's 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, encouragingly, engaging constructively.

The grain project is intended to contribute volume to our take-or-pay ship loader contract with Geelong Port and generate lease revenue for Midway. 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 undervalued 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 carrying book value. As part of the transaction, MEAG is committed to invest another \$200 million to purchase Greenfield land for establishing hardwood plantations.

The MEAG transaction is more than just a sale, it's the establishment of an important long-term partnership. The significance of the transaction should not be underestimated. Midway has secured offtake agreements that preserve access to the current woodfibre supply. The Greenfield commitment secures an expansion of wood flow and fibre supply well beyond 2032. Volatile biological assets are removed from our balance sheet, it enables the buyback of the strategy trees, removing the costly financing facility, and it 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're in the process of finalizing transaction arrangements, including the buyback of the strategy trees, settlement adjustments, debt reduction and taxation payments. There are two further tranches that we're 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 financial year '24 and financial year '25 tranches of the MEAG transaction are finalized.

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 woodfibre. Plantation forestry has a critical role to play in helping achieve a net zero carbon emissions. Midway's core business is ideally suited to play a lead role in this. Demand for eligible carbon credits is forecast to increase substantially over the next 10 years. The value of Australian carbon credit units, or ACCUs, over the next decade is also a forecast to increase markedly.

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 woodfibre, 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 and we are positioning Midway to capture the opportunity.

There are three models by which Midway can immediately participate in the emerging carbon economy. First, Midway could own the trees and carbon directly, leasing the underlying land. We are currently exploring this opportunity on the Tiwi Islands. Secondly, Midway can aggregate projects for small land owners 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 emerged 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.

Now to the important trading conditions. Woodfibre demand amongst our major trading partners, especially China, is strong. Chinese demand is up 19% in the year to the end of September. It is also reassuring 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 calendar year '23. It's disappointing that Australian wood chip prices were locked in for calendar year 2022 just prior to the increase in international demand and increase in spot prices. But industry experts forecast that Australian exporters, including Midway, should be able to secure higher export prices in calendar year '23 because all hardwood fibre stock is currently sold out until the end of calendar year '22 and customer interest remains very strong.

The industry is confident that Australian exporters will achieve an uplift from 2022 prices of around US\$25 per bone dry metric ton on the benchmark eucalyptus species. The unfavorable US dollar FX hedges will be rolling off at the end of December and better exchange rates will help improve margins for the second half of the financial year. To summarize the key takeouts from today's presentation for shareholders, the first half of FY23 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 first half '23 result may be slightly weaker than the first half '22 results on a PCP basis. However, strong export demand and early pricing suggests a much better second half of the FY23 financial year.

We'll provide an update on full year trading conditions of the first half results in late February. Our team is making good progress on initiatives to turn around the core woodfibre export business. We've identified and are determined in our pursuit of new growth opportunities in carbon emission offsets, and we've settled the MEAG transaction, greatly reducing corporate debt and enabling progression to payment of the special dividend. We're making good progress but there is still a great deal of work to do. I'm confident that the board and management team have a united view about future strategy and we're all committed to driving better shareholder returns in the coming years.

And back to you, Gordon, thank you.

GD: Thank you, Tony, for that presentation on the position of the company and its future. And now to the formal business of the meeting. The first item of business is consideration of the audited financial statements and related reports for the year ended 30th June 2022. The Corporations Act requires that the audited financial statements and related reports for the 2022 financial year be considered at the meeting. Shareholders are not required to vote on these reports, but I would welcome any discussion or questions. The company's auditors are KPMG, and Simon Debois, the partner responsible for the company's 2022 audit, is present at the meeting today and is willing to answer any questions on the conduct of the audit or the content of the auditor's report.

As the reports have been available for time, I don't believe any further background information on this item is required, so I ask the company secretary, are there any questions or comments on the financial or other reports from the virtual participants?

RH: Chair, can I suggest that if participants online want to ask questions, they click on the chat box.

GD: Yes. I think we had that in the early instructions so that's a good reminder. So, participants online, there's a chat box in the Zoom, and in the meantime I'll ask are there any questions in the room?

RH: Chair, I've got one question. I think this one is for the managing director. Can you please give an indication of when negotiations will be finalized with the possible grain terminal partners? Is Midway committed to progressing the project? Can you speak to the possible reasons behind the [inaudible].

TM: So that's a fair question and the grain project's been on the agenda for quite some time. We are and continue to make good progress on the negotiations. There is a multi-party negotiation and it takes time to bring all the parties together. Confident we'll get there, but there's still some work to do. I'm hopeful of having something announced in the coming months, but as I said, it's a multi-party negotiation and parts of it are outside our control. But the logic behind it is very strong. I think every party should benefit from it so I do believe we'll get there.

GD: Thanks. Are there any other questions?

RH: Sorry. Yes, there is one more. Once again, I think it's a question for the managing director. Will the new plantation with MEAG qualify for ACCUs, and who will own...

TM: No. Very good question. They will qualify for ACCUs. The ACCUs will be owned by MEAG as MEAG are funding the acquisition of the land and the development or the establishment of the plantation and the management of the plantation. We benefit from that by being paid a fee per hectare for managing the plantation and the carbon.

GD: Thanks. So, Rob, are there any other questions?

RH: No, I guess that's it.

GD: Thank you. Okay.

RH: Sorry.

GD: No, it's okay.

RH: There's a lag in the process.

GD: We're all learning.

RH: There's once again a question for the managing director, Chair, from Charlie Kingston, an institutional monitor. Tony once referred to assessing the natural aligning of business as part of the strategic review. You've said part of the discount according to the NTA was due to the market not valuing this plantation land. That's now sold, yet the discount still exists. The market generally doesn't value cyclical businesses well, private carbon players like New Forests, Climate Friendly, etc, having huge values for businesses. Do you think the ASX will ever pay a fair price to Midway, which is my view is well above NTA?

TM: So it's a fair question and I share the frustration that I hear coming through that question, that our valuation didn't move as we announced the sale of the plantations. I think as a company we remain undervalued, and part of my job and part of the board's job is to close the gap between where we are trading today and NTA and better, and that's constantly part of what we are doing. It's very much in our minds.

GD: Any other questions, Rob?

RH: Not at this stage, no.

GD: And people can ask questions any time through the process so we don't close it out. The next item of business, item two, is a non-binding resolution to adopt the company's remuneration report, which is set out in the company's 2022 annual report. A summary of the remuneration report also appears in the notice of meeting. The board will take into account any discussion on this resolution and the outcome of the vote when considering the future remuneration policies and practices of the company. For the information of the meeting, the proxy votes we've received are 43.6 million for the resolution and 200,000 against, indicating a majority of 99.1% in favour. Rob, are there any questions or comments on this resolution? Also, if there's any residual questions from the previous commentary, we could deal with that now as well.

RH: There's no questions on the current resolution, Chair. There is one additional question that relates back to the previous discussion with Charlie Kingston and the managing director. You may want to answer this, Chair, and it's from Chris Honig and he says, referring to NTA versus share price, "If that's the case, why haven't you considered share buybacks?"

GD: I can deal with that. Part of the strategic review is the whole generic piece around capital management, and in a timing sense, the MEAG transaction was well advanced before we initiated the strategic review, but clearly we're open to different forms of capital management as part of that strategic review.

TM: And we've considered share buybacks, and fully franked dividends are more tax effective. From my point of view, with the undervalued share price, the idea of buying back our shares had appeal. We went through the process of assessing that against paying a fully franked dividend, and a fully franked dividend to the...

GD:...shareholders.

TM: Yes, the shareholders, is the advice that was going to get the best outcome for shareholders. So we've gone that path but we have considered the share buyback option.

GD: Thanks, Tony. Are there any questions in the room on the resolution regarding the remuneration report? Thank you. And I said, all this resolutions are subject to a poll which is open now. The next item of business, item three, relates to the election of Kellie Benda as the director. Kellie was appointed to the board early last month. Kellie's qualifications and experience are set out in the notice of meeting. As is the way these days, I'll now invite Kellie to address us.

KB: Thank you, Gordon. Thank you, Chair and the management team, for the opportunity to make a few brief comments. First, thank you to my colleagues for supporting my nomination and those shareholders who have already shared their support. I'm very grateful for the opportunity to serve the shareholders, to work with the impressive management team in my short tenure that has exhibited a very engaged and great desire to deliver positive outcomes for the shareholders, and to work with board members to support the stewardship and governance required. I hope to leverage for the benefit of shareholders, and Midway Limited, the breadth and depth of my past executive and non-executive director experience that compliments and strengthens the current board members.

I've held senior leadership positions across diverse portfolios that have required a highly attuned capability to deliver on very complex strategy, generally directed towards significant growth and new business, while managing the risk that fundamentally impacts profits and revenue. I possess expertise in the design and implementation of transformational change resulting in corporate, cultural and commercial outcomes. With a background as a corporate lawyer, a Masters in finance, and having studied digital leadership at a Masters level, moved into an investment banking career and then corporate senior leadership roles, I bring a very diverse and

multifaceted perspective. I'm also a graduate of the Harvard University and a fellow of the Australian Institute of Company Directors.

I have served in a past role as a director of the WA Forest Products Commission. I enjoy working in very complex, diverse, changing environments, balancing best practice, commercial acumen and practical execution with an evidence-based approach that deals with the very many challenges currently facing all organizations in a very turbulent world. I undertake to commit the time and the intellect to ensure that Midway delivers on the vision of the board and the aspiration of shareholders. In advance, I wish to thank the shareholders for your support. Thank you, Chair.

GD: Thank you, Kellie. The proxy votes we've received are 53.5 million for the resolution and 200,000 against, indicating a majority of 99.3% in favour. Rob, are there any questions specifically relating to this resolution?

RH: Chair, no there are not, but there's still the one-

GD: Yes, we'll come back. We'll take that in the end. We'll have another question session at the end. The next item of business, item four, relates to the re-election of Leanne Heywood as a director. Leanne's qualifications and experience are set out in the notice of meeting. Likewise, I'll now invite Leanne to address the meeting.

LH: Thanks, Gordon. Again, like Kellie, I'd like to thank my colleagues for supporting my re-election as an independent director, and chair of the audit risk committee for Midway. Subject to my re-election today, this will be my second term on the board of Midway, having joined the board in 2019. You've all had the chance to read my bio in the notice of meeting, but just for the sake of all shareholders who are here and online, I bring to the board strong skills across accounting and finance, marketing, procurement, logistics and business improvement, which I gained through an international executive career in the mining sector including 10 years with Rio Tinto. I also have significant experience as chair of audit and risk across three other ASX companies. I will continue, as I have in the past, to commit my time to support Midway in achieving its potential, and support management to deliver on its aspirations. I thank shareholders for their support.

GD: Thank you, Leanne. Proxy votes we received are 53.5 million for the resolution and 200,000 against, indicating a majority of 99.3% in favour. Rob, are there any questions on that item four?

RH: No, Chair.

GD: Thank you. The next item of business, item five, we seek shareholder approval for the issue of performance rights to Tony McKenna, the managing director and chief executive officer. The board believes it's appropriate to offer Tony another issue under the long-term incentive plan. The percentage of performance rights that will vest at the end of the performance period will depend on Midway's total shareholder return over the performance period relative to a comparative group of companies in the Standard and Poor's ASX 300 index. This means that Tony will only receive that proportion of the performance rights if shareholders have been rewarded with relatively good returns over the next three years. The proxy votes we have received are 43.6 million for the

resolution and 300,000 against, indicating a majority of 99% in favour. Rob, are there any questions relating to the item five?

RH: No, Chair.

GD: Before we proceed to the closure of the meeting, I think it's appropriate that we do pick up any other questions from shareholders on any of the matters that have been raised.

RH: Thanks, Chair. I've got several questions outstanding. Two from David Zhu. The first question, which I think relates to the managing director, relates to the MEAG transaction and it says, "How do you see the greenfield land price reacting to recent interest rate increases? Will that mean that MEAG will get more land? Will that generate more ACCUs and more management fee income for Midway?"

TM: Good question again. We haven't yet seen movement in the value of land, but we've seen the market slow and we expect that it will translate into a reduction, certainly a stabilizing of land values, which, if that plays out, will create the opportunity to acquire more land which will generate therefore more revenue for MEAG, more investment for MEAG, and more revenue for Midway.

RH: Thank you, Tony. The second question from David relates to the Tiwi Islands. The form is in ACCUs as you mentioned for the Tiwi second rotation. Is that the total expected amount for the whole rotation of 16 years?

TM: That's right. That's over the life cycle of the project.

RH: Thank you. Next question is from Charlie Kingston, once again to the managing director. Can you comment please on the hedging strategy going forward? Given the disappointed history, noting current FX is very favourable.

TM: Sure.

GD: Michael, did you want to speak to this?

MM: Yeah. Thanks, Charlie, for your question. So, obviously disappointing to be at 75 cents, but at the same time we do need to protect our risk and that's our currency risk. Going forward, we've gone through a comprehensive exercise of looking at what's our overall hedge exposure taking into account the natural hedge that is our supply cost, and we are hedging only highly probable firm exposure. In time band, so i.e., within three months, we can hedge up to 100%, within six months we hedge between 75% and 50% of highly probable forecast sales, and then between six to nine months that drops down to 25 to 50%. And then beyond 12 months will then go back to board approval. So, with that strict policy in place, we only hedge, as I said, highly probable forecast transactions, and that's currently what we're doing. So that means we do have some hedge book exposure for the next three to six months outstanding, but obviously at much better rates than 75 cents.

GD: Thanks, Michael.

RH: Thanks, Chair. There's one last question on the chat line. I'm not sure whether this is for you or the managing director but it says, from Anthony Bak, "Further to the

question on options around the natural ownership structure of the business, what are your current thoughts and options?"

GD: Look, I think all I can say is Tony has announced... we announced in March that we're following a process and that that process is not exclusive of any options, as we've previously said. And as we're in a position to make decisions and announce them, we will.

RH: Two more questions, Chair. First from Charlie Kingston. There will be approximately \$30 million in cash following the potential dividend. Is the board's preference to return this to shareholders over the future of capital initiatives given the poor track record today of those initiatives? I appreciate that was under previous board members' leadership.

GD: Yes, I can answer that. We've been using the opportunity to reset the direction of the company and reset its balance sheet which was... So part of that was we announced we were paying back long-term debt, which, referring to an earlier question, for a business with inherent volatility and earnings like Midway, that's a sound thing to do. And we've taken action on the logistics business, which in retrospect was going be difficult at any point. So the board's very cognizant that some of the initiatives in the past haven't played out as they might have been expected, but part of Tony's brief is to bring a discipline to decision making around future initiatives, and I know the board is very focused on that both individually and collectively.

TM: And I think it's important to note that the receipts from the tranches after the ones that we're aiming to get completed in December won't be earned until the '24 and '25 financial years, so a lot can change in the world between now and then. I think we're not in a position to be saying what will happen that far out.

RH: That's a good segue to the next question, Chair, which is for the managing director to clarify a position on the further tranches to be completed in December compared to the two tranches of the [inaudible]. So just a clarification.

TM: Yeah, sure. So, in the first year we have three tranches, first one's already settled. We have then two that we still need to sort out a couple of conditions to unencumber the titles, but we're aiming to have that done by the end of this calendar year. And then we have another tranche in... and there's just one in FY24 and one in FY25.

RH: Thank you. Another question from David Zhu. Why is the carrying book value of our Geelong Port land and when was the last valuation?

GD: Michael, best you talk to the numbers.

MM: So, the carrying value at the moment is \$16 million or thereabouts, and the valuation was done in June.

RH: So the next revaluation was done... June next year.

TM: Correct. We're obliged to do that.

RH: Final question on the chat so far, [inaudible]. How is the sale to MEAG going to affect our cost of goods sold and future profitability?

TM: Again, a good question. Michael, do you want to talk to the details on that?

MM: Yeah, so there's a couple of elements to that question. So, the cost of goods sold will be impacted a little bit but it's more the cash position will change. So, because the trees are already on our balance sheet at fair value, they're already transferred through cost of goods sold at fair value when they were sold. So the P&L impact is minimal but the cash position, whereas we previously owned the trees, we didn't have to pay for the stumpage or cost of buying the wood, we now have to buy the wood back essentially. However, we do save on not having to establish the forest anymore, and then maintain the forest, and we also generate a revenue line item on income from managing the forest for MEAG, so if you balance all that up, our net position or exposure isn't too bad on a P&L basis and also a cash basis.

RH: One last question from Charlie Kingston, for the managing director. When do you anticipate the strategic review will conclude?

TM: So, most of the key initiatives about getting in and assessing the business and working out what business we are in, what we're not, has been done. Our focus around carbon will be an evolving strategy because it's a rapidly changing market, but our commitment to that and our general direction has been set as part of the process. Obviously, the sale of the assets has been concluded, and then there is an ongoing brief around looking at initiatives that can help us maximize the value of the company, and that is a continuing and ongoing thing that doesn't have a fixed timeframe at this point.

RH: That concludes the questions, Chair.

TM: Thank you.

GD: Thank you, Rob. If there's no other questions, we'll now... Oh, sorry.

Peter Jewell [a shareholder]: How do you see Midway looking in five years' time? What's the image of Midway in 2027?

GD: Yes. I think you'll see some things will be the same and some things will be quite different. And the geographic footprint will probably be what we currently see but enhanced activity in Tasmania, hopefully a longer-term position on the Tiwi Islands will develop an attractive project there, a clear focus on volumes through Geelong and Brisbane. So I think the traditional wood export business will... Hopefully the global demand for wood products is very high, and projected to remain high because of the population growth and people's consumption. And then hopefully I think also some of the initiatives that Tony's talked about, particularly the carbon initiative, I'm very much of the same mind that there's only one proven way to take CO₂ out of the atmosphere and that's photosynthesis. There's emerging technologies and that's what we do, we produce fibre:

So I can see that'll be a stronger piece. The other element which goes hand in hand with that is emerging markets for other elements of the benefits you get from growing trees, like biodiversity credits and so on. And so we're starting to see water quality credits. So I think those markets for ecosystem services will continue to grow, and I'm

pretty sure that Tony and the team, as they get more experience with the carbon piece under their belt, can be quite active in that part. How the balance between those different streams of activity ends up, that's too far away to say, but I think it will be different in that way.

Cameron Wood [a shareholder]: Can I ask a small question, Chair?

GD: Yes, sure.

Cameron Wood: In the future, I kind of think about it now with all the water around. When we have bush fires again, who's responsible for the forests? Is it you guys or MEAG?

TM: So, the ownership and the risk sits with MEAG. The responsibility for managing them is contracted to us. So, as you know, there's a whole lot of steps you can take to try and minimize the risk of fire and to manage fires when they do occur. And we are very actively involved in those. But the ultimate ownership and loss risk sits with MEAG.

GD: That's on the front. We of course would have a supply side disruption, but not the financial take.

RH: Chair, two additional questions just from chat line. The first one was from Anthony Bak for you, Chair. Have there been any approaches from third parties to acquire Midway?

GD: Generically Chairs can't comment on that because we've got obligations. We've got obligations to be quite open. There's quite strict disclosure rules, the ASX, and they've got hurdles and triggers in them, and it's just a road you choose not to go down because it's not productive either way. So I wouldn't stumble down there.

RH: And the second question, it's from Charlie Kingston to the managing director. It's a fairly broad-based question. Can you please run through the key items affecting Midway profitability, key drivers and price volumes. At what stage does the board anticipate profitability is achievable? With the business earning \$30 million EBIT at times, can we ever return to this or are the structural issues impacting profitability?

TM: So, it's obviously a business that has its cycles. We expect a return to profitability in the second half of the financial year. We expect that that will be driven by increase in prices and strong underlying demand that we are seeing in the market, but there's still work that needs to be done to realize those or secure those prices and to secure contracts. And then ultimately a contract's not worth anything until you've actually delivered on it with some of the clients that we've got. So we expect to be returning to profitability second half of this financial year. And cycles, we might have FX and price go our way and the years where we are back at those sort of levels, but really you're seeing an increase in sophistication in our suppliers in the wood supply.

And so I think the years of pulling massive profits because we're buying wood really cheaply are probably gone, but the future of maintaining a really strong margin and getting the benefit of good pricing and good FX, I think, is very real and in the not too distant future.

RH: Final question, Charlie Kingston for the managing director. Have you considered selling the Geelong property?

TM: Yes, I mean, I've thought about it. How do you structure the businesses? Are we the natural owner of this asset? Consciously chosen not to because we think we can add some value to it through the grain project, we think we can add some value through some of our own activities. And banks like some real assets on the balance sheet if we're going to carry the working capital debt, which I think is a natural way of funding this business. So it's definitely been given some consideration. We've come to the view, I've come to the view, that it's not the time to sell it. And so, at this point we remain the natural owners of that asset, or this asset, because we're stronger now. That may change.

RH: No further questions, Chair.

GD:

Thanks. We'll now proceed to the close of the meeting. Shareholders may now, if they wish, vote on items two, three, four, and five. Voting is via the voting application as shown in the notice of meeting. You'll need your SRN or HIN to access the voting website. Or if you are a proxy, you would've received a specific login access code from our share registry computer share. The poll will remain open for 20 minutes after the close of the meeting and the results of the poll will be notified to the ASX later this afternoon. That concludes the business of the meeting. I'd like to thank you, our shareholders, for your attendance, and ongoing support of Midway. I now declare the meeting closed. Thank you.

The meeting can be viewed at:

<https://www.youtube.com/watch?v=QXK1QByPrfw>

This announcement has been approved by Midway's Company Secretary.

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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 woodfibre 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.