MIDWAY LIMITED
ABN 44 005 616 044
10 The Esplanade, North Shore VIC 3214
T +61 3 5277 9255
www.midwaylimited.com.au

MIDWAY LIMITED (ASX: **MWY**)

1 March 2024

Investor Conference Transcript (29 February 2024)

Speakers:

Tony McKenna, Managing Director and CEO (**TM**)
Michael McKenzie, Chief Financial Officer (**MM**)
Georgie Morell, Investor Relations and Media Adviser (**GM**)

TM: Good afternoon. Welcome to the Midway Limited first-half 2024 Financial Results presentation. I'm Tony McKenna, CEO and Managing Director of Midway Limited, and I'm joined here today in Geelong by Michael McKenzie, our Chief Financial Officer. I appreciate your attendance and we'll quickly run through our agenda for today. I'll take you through key highlights, discuss the half-year 24 financial results, update important developments in Midway's growth strategy, look at capital management and then take you through the operating environment and outlook. We would be pleased to take your questions through the Q&A box at the end of the presentation.

As announced at the end of November, a binding MOU has been signed with CHS Broadbent to sell 5.15 hectares of the Geelong site for development of a grain export operation. CHS Broadbent will acquire the site for $15.5 million and their grain throughput will contribute to Midway's shipload of volume commitments through Geelong Port. The sale enables development work on the retained portion of the site and has contributed to a revaluation of the property to $45 million as at 31st of December, increasing our net tangible assets to a $1.64 per share.

There is a huge amount of activity in our new carbon plantation business. We have developed and recruited a team with deep carbon expertise, and we are making substantial progress working with large corporations on assisting with their future obligations under the Safeguard mechanism.

We achieved performance improvement with the positive underlying EBITDA-S of $2.6 million, an increase of $2.3 million over the PCP, despite lower volumes through our export and processing facilities. Increased third-party chip trading partially offset the lower volumes through our facilities. Our refinancing has been completed with the CBA to allow more funding flexibility and we are very positive about the new relationship. The new CBA working capital facility increases the resilience of our business through the cycle. The CapEx associated with the upgrade of the ship loader and development of the retained portion of the Geelong site will be largely funded through a new CBA facility. In December, a fully franked special dividend of five cents per share was paid to shareholders.

Finally, our outlook. There was a sharp downturn in pulp prices, which has led to lower volumes in the first half. However, we experienced stronger shipments through our facilities in January and February, as we have realized some of the deferred sales from the first half. The major contributions to our improved underlying EBITDA-S of $2.6 million came from improved margins in an environment of poor demand and low volumes. Better FX, price and dry fibre all contributed to the better margins. In the first half, the effects of a relatively subdued global pulp price and the surplus of available domestic Chinese wood fibre due to the Chinese property construction slowdown, were felt through reduced demand for Australian wood fibre. As a result, Midway experienced low demand and deferral of contracted sales.

We were able to secure some lower-margin third-party chip trading sales volume that went some way to offsetting the lower volumes through our processing and export facilities. Even with the chip trading sales, Midway volumes excluding South West Fibre were down almost 7% on the PCP at 749,000 green metric tons. South West Fibre's high-value eucalyptus globulus sales volumes suffered particularly with a 63% decline in GMT shipped. Despite the lower sales volumes, sales revenue was higher than in the first half '23. The EBITDA-S waterfall chart shows that bone dry fibre content and FX were the main drivers of earnings improvement. Dry fibre improvement was largely due to a changing product mix, with a reduction of relatively high moisture softwood shipped out of Midway Tasmania. However, this is also reflective of the drier weather in the six months.

The FX rate of 68 cents is much improved over the previous corresponding period. South West Fibre, our joint venture with Mitsui had a particularly difficult half, down $2.9 million on the PCP. High cost of wood and very low sales volumes have hurt performance. The Tiwi operation also suffered from lower production volumes and was below the PCP. Supply costs increased, driven by higher stumpages and higher supply chain costs.

I'm pleased to report that our balance sheet is in a very strong position. As a result of the sale of land to CHS Broadbent and industrial property market movements, the value of the land held at the Geelong site has increased by 174% to $45 million. This in turn increased Midway's net tangible asset position to $1.64 per share. The balance sheet also includes a receivable of $34.2 million from the sale of plantation assets to MEAG, which will be realised in the first half of FY25.

With net bank debt at $9.8 million, the balance sheet is in a strong position leading into the second half. Our operating cashflow is reflective of the sluggish market demand. We experienced a buildup of our net working capital position to 31 December, causing negative operating cash flows of $17.4 million. In the past six months, we've witnessed the importance of a strong balance sheet and the funding flexibility that the CBA facilities provide. Inventory levels peaked at over $50 million in the face of the market slowdown and we were able to support continued operations at that level. Holding that level of inventory has enabled us to achieve very strong sales for January and February, with 10 vessels shipped in the last two months, including two from South West Fibre. The inventory level was $40 million at 31 December. It has come down further in January and February as deferred contracts begin to move. At half end, Midway held a trade receivable for one vessel which was collected within normal terms in January.

Our strategy. Midway is proud of our position as one of Australia's largest wood fibre exporters with a presence processing and exporting from five sites around Australia. Our fibre goes into products that are part of the biocircular economy and we have a strong and growing carbon business. We have a very clear focus on delivering our strategy to create value for shareholders by lifting our operating performance, maximizing the value of assets and pursuing the carbon growth opportunity. On lifting our operating performance, this has been a critical focus for the team. In lifting our operating performance, Geelong has established the capacity to process and export softwood for the first vessel shipped in first half 2024.

Historically, Geelong has solely exported hardwood fibre. The grain project will make an important contribution to the financial performance of the Geelong business in future. In Tasmania, the mill has been commissioned and is fully operational. Supply contracts with Sustainable Timber Tasmania have been secured for additional volume and we shipped the first two regrowth vessels from the new mill. We've also been able to export four third-party trading vessels from Tasmania. We have transitioned our Plantations business model from that of an asset owner and operator to that of a professional manager of plantation and carbon projects. Until the final tranche of the MEAG transaction is settled, it will continue to be a hybrid of the two models. Acquisitions of the greenfield land for Munich Re or MEAG are progressing well, with $35 million invested and a further $27 million under offer. Admittedly, Tiwis has had a tough start to the year with the downturn in the market limiting production volumes. The sales that we have been able to achieve are for biomass energy generation, which presents an encouraging market for the Tiwi acacia product.

The Geelong grain project. Having completed the sale of the plantation estate to Munich Re, our focus has turned to maximizing the value of the Geelong site with the delivery of the grain project. Midway has entered a binding memorandum of understanding with CHS Broadbent to sell them 5.15 hectares of the North Shore site in Geelong for $15.5 million. This has been a catalyst for the $28 million uplift in the value of the Geelong property to $45 million. The Geelong Council have given a planning permit for the subdivision of the land so that, on completion of works, a plan of subdivision can be issued. Settlement is expected to occur in the first half of FY25.

Works have commenced to clear the portion of the site which will be sold and to develop the retained portion of the site. There are many significant benefits of the project to Midway, including the $15.5 million sale of the site, lease income earned from the initial period until land settlement and the contribution to the Geelong ship loader volume commitments.

This image shows the approximate boundary for the subdivision of the site for the sale. Midway will retain the balance of 13.3 hectares of the site and will further develop the underutilized area for usage in the wood chip business and for other potential products.

Midway's core business is establishing partnerships, identifying land for establishing plantations, managing plantations and generating an economic return from them. We identified a compelling new opportunity that sits immediately adjacent to this activity around plantation carbon for abatement and for emission offsets. This is the natural organic growth area for the Midway business. The emerging carbon market presents Midway with an opportunity to leverage off our industry knowledge and geographic footprint into a rapidly growing market.

Carbon growth. From the 1st of July, 2023 new requirements apply for large emitters of carbon dioxide under the Australian federal government's Safeguard mechanism. The Safeguard mechanism sets a cap on total emissions for large emitters, which reduces by 4.9% each financial year, commencing financial year '24. Emitters must reduce their emissions below their baseline, or make good on excess emissions by purchasing Australian carbon credit units for offsets, or paying a fixed liability penalty. The two graphs on this slide show analysts' forecasts for substantial growth in the volume of demand and price for Australian carbon credit units. This is consistent with what we're hearing directly from major carbon emitters and from other industry sources. Despite thin trading, the quality of plantation forestry ACCUs is recognized by the market. Plantation forestry ACCUs traded a significant premium to other methodologies such as landfill gas, alternative waste treatment, Savannah fire management and human-induced regeneration.

Our carbon strategy is evolving as the market develops and as opportunities present themselves. We have developed and recruited a high calibre and experienced plantation carbon team. Our expertise and market presence is increasingly being recognised by large emitters who are looking for plantation carbon solutions. There is a range of significant opportunities that a company with Midway's credentials can pursue. Each opportunity has its own economics and reward for effort that requires continual crafting of the business model. As major emitters come to terms with the requirements of the Safeguard legislation, we are seeing a growing commitment to emission abatement and offsetting. Through the Tiwi second rotation carbon EOI process from the first half, Midway formed associations with a number of leading participants in the carbon market. While those parties are unlikely to fund the Tiwi project in its entirety themselves, it is highly likely that Midway will work with more than one of them on meaningful projects because of the relationships developed through that process.

The model of plantation and carbon manager is the most advanced for Midway. We're seeing a wide range of parties seeking plantation carbon management expertise, including large landowners, large carbon emitters and debt and equity investors. The MEAG project is tracking very well and is a great case study of how Midway's expertise can be applied. For a management fee, Midway identifies land for acquisition, assesses and acquires that land, registers the carbon project, establishes the plantation and manages the plantation as well as the ACCU process. There are a number of proposals for really exciting management projects that are currently under negotiation.

The carbon aggregations model is generating strong interest in Tasmania and Victoria, Southeast Queensland and Northern New South Wales. The team is refining the offering and Midway's Wood Fibre Business Unit staff are making the connection between our carbon team and the landowners. The first aggregation plantings will occur this year, and, while we do not yet have the area signed up that we would like, there are discussions in train with over 65 landowners at various stages of assessment and offer. With 6.5 million ACCUs and genuine indigenous co-benefits, the carbon forward-sale model generated great interest in the Tiwi second rotation. It looks likely that the project will need external equity funding to bridge the gap, to enable the 30,000 hectare project to proceed.

A corporate advisor has been appointed to assist in finding the best partner for Midway and the Tiwi people, to take the second rotation project forward. Any equity would be raised at the Tiwi project level. There are some very encouraging discussions currently underway. This approach to the carbon market will generate incremental income in the short term and is a natural adjacency to our traditional business, which we firmly believe can be transformational. The carbon market is rapidly evolving and our approach is to position Midway at the forefront of the industry so we can capitalize on emerging opportunities.

On active capital management, the sale of the plantation estate to Munich Re has so far generated gross proceeds of just under $120 million. As you'll see from the waterfall chart, the sales proceeds have enabled Midway to repay all long-term debt, substantially reduce the legacy Strategy financing liability, repay a large portion of the working capital facility and support large inventory buildup across the five sites, purchase $5.1 million of pine trees to enable the estate sale, fund a small capital expenditure, to pay tax liabilities and pay investors a special dividend. The final tranches are expected to net another $20 million in the first half of '25.

To the operating environment and outlook. Calendar year 2023 saw a drop off in hardwood chip sales into China of around 19%. This has been driven by the combination of reduced wood chip demand and increased Chinese domestic supply of logs for pulp, as trees are diverted away from the ailing Chinese construction industry. Japan's imports were also slightly down. In January and February, deferred contracts from the first half have begun to move, with Midway shipping eight vessels plus two vessels from South West Fibre for a total of 10 vessels for the two months.

Pulp prices rose for bleached eucalyptus craft pulp from lows of US $450 per ton, to a more sustainable US $650 per ton and have remained steady at that level. The company is cautiously optimistic for improvement in volumes in the second half of FY24, as the 2023 calendar year deferred sales are delivered. However, the calendar year headline wood fibre price for eucalyptus globulus is yet to be set and is likely to be lower than for 2023. It is important that price is high enough for plantation owners and exporters to make a margin, but not so high as to depress demand.

In summary, the key takeouts in today's presentation are, we are making solid progress with our strategy of lifting the operating performance. 1H24 underlying EBITDA-S of $2.6 million continues the signs of improvement against the prior corresponding period, despite low volumes through our facilities, which have been impacted by subdued Chinese demand. Key actions have been taken in each operating business unit to improve their performance, including securing additional volumes, minimising costs and selling into new markets. We also have in place a better financing facility, including a trade finance facility of $35 million, which increases the resilience of our business through the cycle. January and February 2024 have produced stronger wood fibre shipment numbers from sales deferred from the first half.

On maximizing the value of assets, we have a binding MOU for the Geelong grain deal with a sale of land to CHS Broadbent. This will also contribute to our volume commitments with the Geelong ship loader. We have settled the first four tranches of the MEAG sale with one further to come in first half FY25. And in December, Midway paid a fully franked special dividend of five cents per share. In our carbon business, we have developed a highly skilled team with the capability to establish, register and manage plantation carbon projects. We've appointed an advisor to advance funding the second rotation of the Tiwi Islands project with a potential to generate six and a half million ACCUs. We continue to acquire land and establish and manage carbon projects for MEAG.

We are working closely with a range of major companies to help them achieve their carbon emission abatement and offset targets. I'm confident that this will generate new sources of future earnings for Midway. In conclusion, I'd like to thank you all for your interest in our company and for coming on the journey with us as we work to improve the operating performance, maximize the value of the assets and to grow the business in the carbon space. We are now happy to take your questions through the Q&A box.

GM: Thank you. Yes. I have several questions from Chris. The first one. On slide 16 of the presentation it said, "Plantation forestry and environmental planting ACCUs trade at a premium". Can you please elaborate on this and how the ACCUs are traded at a premium?

TM: Sure. So, for example, last week, plantation forestry ACCUs traded in a range between $43 and $59. Savannah fire management ACCUs traded at $32 to $39. Landfill gas ACCUs traded at $36. So there is a consistent week-on-week demonstration that the market genuinely sees the value of plantation ACCUs.

GM: Second question. On slide 29, in the NPAT statement insurance is listed as "blank." Can you please explain fire-risk management and mitigation? Under the MEAG sale of the estate, is the primary risk now a loss of supply?

MM: Thanks for your question, Chris. In terms of our fire risk management strategies, each company in the forestry industry has to have a brigade, so we've got a number of trained operators to fight fires. When developing a plantation we also install fire breaks upfront to manage the risk of fire. There are also various fire suppression activities throughout our plantations. As you'll be aware, and as you quite rightly pointed out, since the sale of the estate to MEAG, we only have about $8 million worth of trees on our balance sheet, so the risk is greatly reduced. And the risk primarily is loss of supply from third parties. In addition, we have a small amount of insurance against that $8-million worth trees.

GM: And the following question. The report emphasizes NTA of 164 cents per share. Can you outline anything complicating or prohibiting takeover? And secondly, under what specific circumstances would you consider further asset sales and return capital to investors?

TM: Yeah. Thanks for that question. The board of directors and I are very conscious of the gap between NTA and our market cap. It's something that we're aware of, we're constantly monitoring and it's one of the reasons that we've flagged it through the presentation. In answer to your first part of the question, there's nothing major complicating a takeover or prohibiting a takeover. There are a number of leases, supply agreements, and take-or-pay arrangements that sit within the company, that require continuation of operations to support those long-term agreements. As to further asset sales, as you can see from what we've done with the plantation estate, the sale that we've recently agreed for the grain sale, we are open to those sort of options and we're constantly monitoring the environment for opportunities. We're continually reviewing the natural ownership of the business and the business units and the assets within the business. And at this time we remain convinced that the best way to create shareholder value is to stick with our strategy, which is all about lifting the operating performance, maximizing the value of assets and pursuing the carbon growth strategy.

GM: Thank you. We have several questions from Anthony, the first being, can you talk through why PMP has made a loss the first half year? And following on from that, the plantation management expense of $3.2 million was higher than the PCP $0.8 million. Is this due to a lag or reimbursement from MEAG? Or does this expense relate to other plantations or carbon initiatives?

TM: So perhaps Michael, do you want to answer the second part of that question?

MM: Yes. No problems. Thanks for your question, Anthony. So, the $3 million in plantation management expenses, you're quite right, is reflective of the work we do for MEAG. So, in Other Income there's a corresponding amount of money coming in that we earn from that at a margin. So, therefore, that's why it's increased on the prior year, because there's been increased activity as the five stages of the transaction occur and there's more area under management.

TM: And the PMP losses for the first half, the production was lower than the previous period, which means that we're not capitalizing inventory at the end of the period. Sales volume was relatively low and the sales that we did secure were for the biomass market, which were a lower price than historically we would've liked for a pulp sale.

GM: Another question. In relation to exchange rate, is there an average foreign exchange rate locked in for the remainder of the financial year?

MM: Yes. I'll take that one. Correct. So, as you'll see in the presentation, the first half was 68. We've got probably 70% to 80% locked away in the second half, at around 65 cents. So, obviously that'll provide a benefit over the first half.

GM: Another question from Anthony. Can you give an update on progress towards the Tiwi second rotation? And are there any further expected biomass shipments this year?

TM: So, we are talking with a number of customers about biomass shipments out of the Tiwis for the year. We do expect that they will come to fruition, but they're not contracted yet. And sorry, what was the first part of the question?

GM: Oh, sorry.

TM: Oh, it was about the progress in the second rotation and I think I covered that off in my talking points. We've appointed an advisor. We ran a process around trying to fund the project exclusively from the ACCUs. The market currently isn't mature enough to absorb that number of ACCUs in such a major project. There are a number of parties for whom it may work. But, as I said in my talking points, we're in the market to raise equity to bridge that gap, to enable the full 30,000 hectare project to proceed.

GM: Thank you. We have several questions from Charlie. Inventory increased $5 million half-on-half, yet pre-tax operating cashflow with negative, $15.5 million before lease-free payments. Can you please reconcile this with EBITDA as positive, when EBITDA was positive $2.6 million, as inventory build doesn't at all explain the difference.

MM: Thanks Charlie for the question. It's a net worth and capital position. You've got to take into account inventory receivables and trade payables. So, at 30 June there were no receivables for vessels. At 31 December we had a receivable for about $8 million for vessels, plus also the difference in the trade payables was a lag of about $8 million. So, you've got about $17 or $18 million in net trade working capital build on the half, which marries pretty closely to the operating cashflow result.

GM: Thank you. Is the intention once inventory is reduced to honour the full 19.5 cent dividend as previously guided?

TM: So, realizing inventory isn't a one-off event. What happens is, we make sales, the inventory comes down, but we are constantly producing more wood chips and the inventory comes up. We hit a slowdown in the market, the inventory builds up and we are carrying levels that we saw where we got as high as $50 million. So, it's not a one-off event that then releases capital that's available for distribution. So far as special dividends, the special dividend has been paid in December, the five cents. And the board's constantly monitoring the position on future dividends.

GM: Can you rule out further growth projects funded by the Midway balance sheet until this dividend is paid in full?

TM: No. I'm not in a position to say that the board of directors will rule out growth projects. If the growth project appears, it's compelling for the company, that will be considered by the board.

GM: Another question from Charlie. Inventory held at cost if sold at, say, $180 per ton, US, what profit will be crystallized and how much was sold post period? What is the inventory in net cash balance today?

MM: So I think in the presentation, Charlie, we alluded to the fact that there were eight vessels sold in January and February. That's quite a bit of cash. Each vessel yields $7-8 million in cash. So you can do the sums on that. In terms of inventory, we still have the inventory significantly reduced at the end of February. As a result of that, I think we are down to around $20 million in inventory.

GM: Another from Charlie. Will the lease paid for by the grain project compensate you for the $4.6 million CapEx?

TM: So, the lease is not intended to compensate us for that. The lease is a return for the use of the land.

GM: You said you were developing a retained portion of the Geelong site. How much CapEx, and is required to build what exactly?

TM: So what we are doing at the moment, and I think Charlie you might've seen the site, there was an undeveloped area that we call the GATIC area. We're putting down a chip pad, a concrete pad that will hold wood chip stockpile, and also a log yard. So developing that for a log yard. We're developing a new site office, because there's no site office on the retained part of the site and there'll need to be other infrastructure for moving wood chips. The initial budget for those works is $4.5 million dollars and that was announced when we originally announced the grain project. And I think at the time I'd said that there were other upgrades that we were looking at, that may form part of those developments but which aren't formally approved at this stage.

GM: Thank you. Why is Geelong held for sale at $12.36 million, versus $15.5 million [inaudible] sale price?

TM: It's an accounting matter and I'll let Michael answer that one.

MM: The valuation of the site was done at 31 December, not necessarily based off the binding MOU. So, when you value the entire site on a per-hectare-rate basis, compared to comparable sales around the region, that's the value that the valuer came up with. So, it's an independent valuation. When the sale goes through. Obviously, if it goes through at the $15.5 million, which is what is in the binding MOU, then there'll be a small uplift of $2 or $3 million, compared to the book value.

GM: Michael, the extra $18 million lease liabilities for port usage, can you please explain?

TM: Again Michael?

MM: Yes. So, as you're aware, AASB 16, which is the leasing standard, makes you gross up the balance sheet with the asset and liability. We recently signed a 10-year lease with the Port of Brisbane up at Queensland. So, that 10-year lease, really we're just paying the lease liability over the 10 years and there's a corresponding right of use asset.

GM: Is the land sale settling calendar year '25 a financial year?

TM: So the land sale on the grain project, the timing isn't certain, it'll depend on stuff. But, I think as I said in the talking points, we're expecting first half FY25.

GM: Do you still profit from the Tiwi sales being sold for biomass?

TM: If we can do enough volume we do, but at low volumes, the overheads of keeping operations going on the island mean that we don't.

GM: How much of the $46 million receivables balance relates to MEAG? Has the expected tax payments of AFF Timber also been provided for on the balance sheet?

MM: Yeah. So, of the $46 million in receivables, $34 million relates to the final tranche. There's an interest component that unwinds to get to $35 million, and the rest is the vessel I spoke to earlier on the call and also some other receivables including GST, which makes up the balance to the $46 million. In terms of tax provisioning, we're fully provided for all our tax liabilities on the balance sheet. And you'll see there's a tax receivable sitting on the balance sheet at 31 December for $4.5 million.

GM: Deferred tax of $17 million. How much relates to land sale and revaluation of that remaining land, versus the MEAG sale?

MM: So, the increase in deferred tax liabilities was driven by the Geelong land revaluation as that got revalued to $45 million from $16 million. So, that's the $20 million uplift. So, 30% of that relates to the Geelong land revaluation. The rest of it is, some of it's the last tranche of MEAG, there's probably $4 or $5 million and the rest of its other bits and pieces.

GM: Another question from Charlie. Your target through cycle from wood fibre segment $10 to $15 million, is that EBITDA a free cashflow?

TM: That's EBITDA-S.

GM: What is the new carbon offering being developed for 2025? Can you please elaborate?

TM: Yeah. So, we are working on a number of really interesting things in the carbon space. In the aggregations we are working with some financiers about a finance product as well as the aggregation carbon and plantation product, which should provide Midway with a very, very attractive offering and some good margin in that. So, that's still being worked up. We're also working on a number of other carbon projects with large emitters who have come to us, or we've come across working on plantation carbon projects to address their emission needs. It's a really exciting time. There's a lot of opportunity. It's a new market. The emitters are still getting their heads around it. We're still working out where the best places and the best opportunities are for us, but there's a lot of really exciting stuff happening.

GM: Question from Richard. For four to five years now you've been optimistic of an improvement in the core business, but always fail to turn a profit. It's clear the best days are behind you. Has the board given any consideration to winding up the business?

TM: So winding up the business isn't as simple as winding up the business. There's a whole lot of ongoing ... as I've mentioned before, there's long-term leases. There's take-or-pay arrangements, there's long-term supply agreements. And we don't accept, or I don't accept that the business has had its day and we think that there's a lot of potential for the business. It's the market is different to what it was before, it's more volatile and we need to adjust to that. We need to take out the negatives. We need to really focus on the things that can get extra volume through our wood chip, wood fibre sites and we need to really chase the growth in the carbon business, which is enabled by the presence that we have in our wood fibre business. And so, we have a very clear strategy around what we're doing there and we certainly haven't given up on the business. And we think there's other ways to realise value and that giving up on the business would destroy value rather than creating it.

GM: Thank you. A question from Simon. Can you explain your competitive advantage in the carbon offering? Why would emitters work with you? What is the earnings potential of this division?

TM: Yeah. Great question. So, what's our competitive advantage? Our competitive advantage is that in basically all the major forestry areas of Australia, Midway has a significant presence. We know the land, we know the landowners, we know the productive rates of the trees and we've built a carbon team who can tell you exactly what every block of land can generate from a carbon potential. They can model the different scenarios, they can prepare proposals for landowners, big or small. And that was such a natural extension of our business. We brought in a couple of new people and the people in our team who are passionate about forestry have just run with it as well. And so we've developed a really good core strength there.

It's our space around the forestry, it's our space. We know the regions where the trees can grow, we know the species, and increasingly, because we have projects of scale like the Tiwis, we're introduced to large emitters and that's creating opportunities for other projects that spin off from that. As I say, there's some really exciting opportunities around that flow out of what's coming from our connections. And why are they coming to us? Because it's our business. That's what we know.

They know that they've got a problem and increasingly we are seeing parties pick up the phone cold call us, or people that we've come across before coming back and saying, "All right. We've developed our thinking. We now know that the Safeguard mechanism is real and it's coming at us and we are doing something about it." And we're committed to this and we're starting to see these larger emitters develop people, teams, at the other side that we can sit across the table from. And they're now understanding what we are doing and they're understanding the solutions that we are providing for them and it's creating, as I say, a lot of opportunity for a company like us.

GM: Thank you. Another question from Richard. How long do you think before we can start to receive income from the carbon business?

TM: So, we're already receiving income from the carbon business. Every block of land we buy for MEAG, they pay us to register that block of land for carbon and to manage the carbon process there. We have projects going in Tasmania in the aggregation space, and we're working on others that are pre-contract, pre-revenue stage, but confident that that's not far off.

GM: Another question from Charlie. Do you think Midway will generate a positive free cashflow this year, given inventory has reduced significantly?

TM: I hesitate to speculate. All things being equal, yes we should. But, we've seen what happens in the market. I'm not game to make a forecast like that.

GM: Another from Charlie. Can you explain the remaining $45 million valuation applied to the Geelong site?

TM: Yeah. So the $45 million is for the entire site, including the portion held for sale. It's been done on a ... valuers have come in with it. There's a couple of independent values have had a look at it. Everyone's accepting that there's a significant uplift of that order. It's done on a rate per square-metre that reflects the value of land that has connection and access to the port and to the ship loader, not just as historically has been valued as industrial land. So, through delivering the grain project or signing agreements around the grain project what we've done is we've created ... we've proved the connection that this land is of value to third parties to access the infrastructure that sits immediately across the fence.

GM: Thank you. What portion of the ACCUs do you tend to retain, projects executed to date?

TM: It varies by all different projects. And we're taking a position where we're managing our risks, so we'll take a mix of cash income for fees and we really like the idea of getting some exposure to ACCUs, so we are taking that as well. But, it varies on different project to project.

GM: Another question from Richard. Roughly what percentage or amount of income do you think will come from the carbon business in say one, three or five years from now?

TM: Yes. So in the immediate term, it's not going to be huge in income numbers. Hopeful that in the next, or even in this financial year, we'll start to see some meaningful contribution to net profit before tax coming from the carbon business. And see a very encouraging line of sight for it to be meaningfully, ideally, five years' time. We're looking that it's the same sort of contribution of the same size as our wood fibre business.

GM: Should SWF recover to profitability this half?

TM: It will depend entirely on whether the sales can be secured and the sales and price haven't been confirmed yet. Everything's there. If the market comes back, it will trade profitably as it has in the past. But at the moment, volumes are ... it's difficult.

GM: Thank you, Tony. At this stage we have no further questions.

TM: Just give it an extra minute or so. If anyone else has got any questions, more than happy to answer them. And if not, I would like to reiterate my appreciation for everyone's interest in our presentation and in our company and do believe that we're on the right track. There's some really exciting initiatives. And appreciate your time this afternoon. Thank you.

The conference can be viewed at:

https://www.youtube.com/watch?v=acgMm0h6ESM

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

For further information contact:

Georgie Morell
Investor Relations and Media Adviser
T: +61 438 008 383
E: georgie@morellandco.com

Rob Bennett
Company Secretary
T: +61 438 556 145
E: rbennett@midwaylimited.com.au

About Midway Limited

Midway Limited is a leading Australian plantation management and wood fibre 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 has operations in five centres around Australia including Midway Tasmania, based at Bell Bay, and Plantation Management Partners (PMP), based on Melville Island. Midway also operates South West Fibre Pty Ltd (SWF) based in the Green Triangle and Queensland Commodity Exports Pty Ltd (QCE) based in the Port of Brisbane. Midway has a strong and growing plantation carbon management business. For further information, visit www.midwaylimited.com.au.