

MIDWAY LIMITED (ASX: MWY)

1 December 2023

Transcript of AGM (30 November 2023)

Speakers:

Gordon Davis, Chair (**GD**)

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

Georgie Morell, Investor Relations and Media Adviser (**GM**)

Nils Gunnensen, Non-executive Director (**NG**)

GD: Good morning, ladies and gentlemen, welcome to Midway's 2023 Annual General Meeting. I'm Gordon Davis, chair of Midway. All your directors are in attendance and we have a quorum present so I can now declare the meeting open.

On my right is our Managing Director, Tony McKenna, and on my left is Nils Gunnensen, who is also standing for re-election today.

Voting on all resolutions of today's meeting will be conducted by a way of a poll conducted online. You will 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 then, and the results of the poll will be notified to the ASX following the meeting.

As I deal with the resolution at today's meeting to shareholders, I'll provide an opportunity for shareholders to ask any questions or make comments. Questions or comments should be submitted via the Q&A panel on your screen.

At this meeting, there are five items of business, four of which would 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 figures are as at the closing time for the receipt of proxies. As chair, I will vote all available undirected proxies in favour of each item of business.

Before we move onto the formal business of today's meeting, I would like to address shareholders in relation to the company's performance and I shall then invite our Managing Director to deliver a more detailed presentation to shareholders. A copy of my address and Tony's presentation have been lodged with the ASX.

The financial performance of the business during the 2023 financial year was an improvement on 2022 but remains disappointing to management, shareholders and the board. It's important to understand the factors which influence the fortunes of the company, but more relevant is what management is doing to improve performance.

In March 2022, the board implemented a broad strategic review of the company designed to develop and implement an action plan to position Midway for sustainable

growth. The earnings profile for Midway has become more volatile in recent years, reflecting challenging market conditions on pulp and paper markets, particularly in China.

Our response has been to structure the finances of Midway to become more flexible and more aligned to the levels of business activity, which Tony will detail in his remarks.

We've also worked to mitigate some of the legacy obligations. We have recast our banking arrangements with a focus on working capital, not core debt.

We have also settled outstanding obligations under the sale of trees to Macquarie some years ago, known as the Strategy transaction.

And finally, we announced this week an agreement to sell a portion of the Geelong site to CHS Broadbent so they can utilize the ship-loader for grain exports. As you know, the ship-loader agreement with GeelongPort has a significant take or pay element. Extending the utilization of the loader to grain will help mitigate our obligation.

Midway is also developing its expertise in the management of forest assets for the sequestration of carbon. Globally there's a growing demand for verifiable secure long-term approaches to carbon capture. It is a natural adjacency for our plantation business.

I'm very pleased with the progress over the past 12 months as the management team successfully implemented and continues to implement a range of initiatives to improve business performance and develop a range of other options which will maximize long-term shareholder returns. We have recruited several new senior team members and do not have any problems attracting talent.

Turning to the trading conditions. Unfortunately, the underlying improvement in business performance by Midway in FY23 has been masked by deterioration in woodfibre trading conditions in China during the second half of the financial year. The Japanese economy bounced back from its COVID-19 shutdown and our major customers in that country committed to a 10% increase in the export price to US\$198.75 per bone dry tonne. However, new pulp and paper mill capacity coming on stream in China at a time of prolonged weakness of the Chinese economy following the end of the COVID-19 shutdown, resulting in higher pulp and paper stocks and China's customers deferring woodfibre export contracts.

The management team responded quickly to these external developments by implementing a range of remedial measures. These mitigated the impact on Midway's earnings and cash flow and that included deferral of harvesting plans and production at various mill sites we operate. We are seeing signs of recovery in the first half financial year '24, however, uncertainty remains.

Midway recorded sales revenue of \$187.8 million across the full financial year, which was effectively flat on the previous corresponding period after Midway Logistics is removed as a discontinued business.

The company also achieved a positive underlying EBITDA for FY23 of \$2.9 million, a \$4.7 million turnaround on an underlying EBITDA loss of \$1.8 million in the previous corresponding period.

The full year accounts have several significant items, including a pre-tax \$7.8 million provision for the value of an aged receivable held by PMP on the Tiwi Islands. The decision to write off the aged receivable was due to the deterioration of trading conditions in China in the second half of the financial year. The net impact of these significant items meant that Midway recorded a statutory net loss after significant items from continuing operations of \$2.2 million in FY23. This followed a statutory net loss after tax and significant items from continuing operations of \$9.1 million in the previous corresponding period in FY22.

Given the increasingly uncertain trading outlook during the year, the board of directors applied a prudent approach to capital management. As a result, the company used the proceeds from the sale of surplus land and the Victorian plantation assets to repay all long-term corporate debt, substantially repay the legacy Strategy financial liability and manage through the unexpected working capital buildup in the second half of FY23. This prudent approach to capital management saw company net debt fall from \$41.9 million in FY22 to only \$3.9 million as of the 30th of June 2023 and in parallel Midway building a very strong balance sheet with net tangible assets of \$1.43 per share.

Midway expects further cash injections over the next few years, including another \$33.6 million in net proceeds from the sale of its Victorian plantation estate to MEAG in FY24 and FY25, subject to us meeting various operating hurdles and completion of all the remaining transactions.

The company also recently announced that it refinanced its banking facilities with the Commonwealth Bank. The revised facility consists of a trade finance facility allowing drawings up to \$35 million against inventory and debtors that will allow Midway to support cyclical working capital buildups.

Midway is also pleased to announce a 5 cent fully frank special dividend to be paid on the 22 December 2023 with a record date of 8 December 2023. This special dividend is being paid out of the net proceeds of the sale of the plantation estate.

Coming to the board. The size and composition of the Midway board of directors has changed significantly in the last few years as the company sought to broaden its skill set and expertise to understand and facilitate our new growth strategies.

With the retirement of former Chairman and founding shareholder, Greg McCormack, and independent non-executive director Tom Keene in November 2022, Midway appointed Kellie Benda to the board as an independent non-executive director. Kellie brings a wealth of experience in energy markets and logistics as well as the forest product sector to the board. The Midway board now comprises three independent non-executive directors, including myself as chair, Kellie Benda and Leanne Heywood, two longstanding shareholder non-executive directors Nils and Tom Gunnensen, and the management director Tony McKenna.

The board is working well together with the management team to achieve one objective: to positively position Midway for future growth that will deliver greater value for shareholders. We will continue to explore all options to reach that objective. Despite headwinds we have much to look forward to in both the short and long term. Tony will speak to our carbon strategy, operating environment and various other highlights in more detail.

But in closing, thank you for your ongoing support and patience. The management team has certainly not underutilized its initiative to reimagine this business. I'll now hand over to our Managing Director, Tony McKenna.

TM: Thank you, Gordon. We'll put up a presentation on the screen behind you. Would you like to turn around? You can...

GD: Yes. If you want to [inaudible].

TM: Rearranging the room... So I've now been at Midway for just under two years and this is my second AGM with the company. I'm pleased to report that we're beginning to make some meaningful progress against our strategic plan and I'll take you through some of the key points in our presentation this morning.

We've continued to take decisive steps to reposition the company and we are building momentum with a strong team across the board. Our agenda for today begins with key highlights. I'll then take you through some important developments on the capital management front. We'll cover our strategy and progress on the key elements and then the operating environment and outlook. We'll then be happy to take questions through the Q&A box.

We have a clear focus on creating shareholder value and we've made progress on a number of fronts, including firstly signing a really important grain deal with CHS Broadbent.

Secondly, declaring a fully franked special dividend of 5 cents per share.

Thirdly, improving our banking facilities, which will increase Midway's resilience through market cycles.

Fourth, making progress on our strategy execution in the operating business, improving performance in a tough market.

And fifth, building a very strong team of experts in the plantation carbon field.

Regarding the outlook for the business, we've seen significantly lower volumes to China and a precipitous drop in pulp prices in the first half, but pulp prices are showing signs of improvement.

I'll now turn to our capital management initiatives. On the 29th of November, Midway declared a fully franked special dividend of 5 cents per share. The record date for this dividend is 8th of December and payment date will be the 22nd of December. The special dividend has been made possible from the sale proceeds from the MEAG transaction.

Michael McKenzie and the finance team have done a fantastic job in securing the financing and refinancing of our banking facilities. The new CBA facilities are competitively priced and better suit the needs of our business. A key element of the new facilities is a trade finance facility line of up to \$35 million. This line can be drawn down against inventory and receivables and will improve the resilience of our business.

The sale of the plantation assets to MEAG has so far generated gross proceeds of around \$121 million. As you can see from the waterfall chart, the sale proceeds have allowed Midway to repay all long-term debt, to substantially reduce the legacy Strategy financing liability, to repay working capital debt and support large inventory balances across our five sites, to purchase \$5.1 million worth of pine trees to enable the MEAG transaction, to fund a small capital investment, and to pay tax liabilities.

I'll now discuss Midway's strategy and where we are focusing our efforts. Midway has a very clear focus on its strategic priorities. These are, firstly, lifting the operating performance of the business. Secondly, maximizing the value of the company's assets. And thirdly, growing the carbon business. Solid progress is being made on each of these items.

In lifting the operating performance, Geelong has established the capacity to process and export softwood with two vessels scheduled for export in the coming months. The Geelong grain project will make an important contribution to the earnings of this business unit.

In Tasmania, the Norfolk Street mill has been commissioned and is fully operational. Supply contracts with Sustainable Timber Tasmania have been secured for additional volume and we've received positive market feedback for the thinnings product out of there. We've also been able to complete four CIF vessels from Tasmania for this half.

The plantation and carbon segment is a new business opportunity for Midway and we're working on a number of compelling projects. Real progress has been made with developing a high calibre and experienced team.

Acquisition of greenfield land for MEAG is progressing well. The pipeline for carbon projects is very encouraging.

The Tiwis has had a tough start to the year with the downturn in the market limiting sales volumes. We've been selling Tiwi chips for biomass, which generally doesn't achieve the pulp chip premium, but has kept the operations going.

Having completed the sale of the plantation estate, the focus has been on maximizing the value of the Geelong site. To do this, we need to maximize utilization of the ship-loader asset and better utilize the 19 hectare waterfront site. Midway has now entered into a binding memorandum of understanding with CHS Broadbent to sell them five hectares of the North Shore site in Geelong for \$15.5 million, which is well in excess of the current carrying book value.

Under the arrangement, CHS Broadbent will develop grain export infrastructure on the acquired five hectares and pay Midway for use of the ship-loader. CHS Broadbent is a joint enterprise between the Broadbent family, a third-generation Australian grain

business, and an American cooperative company, CHS Inc. CHS Inc is a Fortune 100 company. We're really pleased to be working with CHS Broadbent and I believe this is a very important milestone for Midway. There are many significant benefits of the project to Midway and these include: lease revenue earned for the initial period until settlement of the land sale; revenue for use of the ship-loader; realized proceeds of \$15.5 million on settlement of the land sale; and recognition of the value of the balance of the site.

This image shows the approximate boundary for the subdivision of the Geelong site. Midway will retain the larger part of the site to the right of the green dividing line. We intend to develop the unused portion of the retained site for the woodchip business and other potential products which could go across the ship-loader.

I'll now take you through the carbon opportunity that sits adjacent to our traditional business and which is rapidly becoming part of our core business. Midway's traditional business is forming partnerships, identifying land, establishing plantations, managing those plantations, and generating an economic return from them. The plantation carbon opportunity has arisen immediately adjacent to our traditional business. I see it as the most natural growth opportunity for Midway, and I'm genuinely excited about these prospects.

The two graphs on this slide clearly show the expected trajectory of the carbon opportunity over the next 10 years. Analysts are forecasting substantial growth in volume and price for Australian carbon credit units. This is consistent with what we are hearing from major carbon emitters and other industry sources. Midway is very well-placed to be a solution provider and to take a lead role in the plantation carbon industry.

The three broad models that Midway is using to participate in the carbon industry include, firstly, managing carbon plantations. We are seeing a wide range of parties seeking plantation carbon management expertise including large landowners, large greenhouse gas emitters and debt and equity investors. Midway is currently providing this service to MEAG and in discussions with a number of others.

Secondly, managing carbon aggregation projects, starting in Tasmania with the first property signed up with carbon earnings to commence in FY24.

And thirdly, participating as a plantation owner such as the second rotation on the Tiwi Islands.

This three-pronged approach will generate incremental income in the short term and has the potential to be transformational for the Midway business. Midway has now secured access to an AFSL license that will enable us to provide greater value adding services on carbon projects. The carbon market is rapidly evolving. Our approach is to position Midway at the forefront of the industry so we can capitalize on emerging opportunities.

Sustainability and safety are fundamental to Midway's business and are key enablers to our overall growth strategy. For example, our safety LTIFR is consistently below industry averages.

Our relationship with the Tiwi people is very important to us. In 2023, 27% of our staff on the Tiwi project were Tiwi people.

Midway products contribute to the bioeconomy initiatives such as the replacement of plastic packaging and growth in bioenergy production.

Over the past 18 months, we've developed and recruited talent in plantation carbon. We've built a team of experts in registering and managing plantation carbon projects. Knowledge has been shared with each of the business units so that opportunities can be identified and executed in each local market. We'll continue to expand sustainability initiatives as part of our growth strategy.

FSC and PEFC sustainability certifications are an important third-party endorsement of the way we conduct our business. These certifications help us to achieve better pricing on some products and to access the broader market.

Onto the operating environment and outlook. 2023 has seen a major drop-off in woodchip sales into China. The reduced demand for pulp has reduced total consumption of woodchips. This has coincided with increased availability of domestic Chinese logs for chipping due to the downturn in the Chinese construction industry.

The Japanese market has been relatively stable for the year, but Japanese pulp producers are taking a very cautious approach to next year.

There are signs of recovery in both the volume sold to China and in the hardwood Kraft pulp price. We are cautiously optimistic about the prospects of improved volume demand.

In summary, the key takeouts of today's presentation are that we're making solid progress in our strategy to lift operating performance. We expect first half '24 earnings to continue to show signs of improvement despite low volumes. Key actions have been taken in each operating business unit to improve their performance, including securing additional volumes, minimizing costs, and selling into new markets. The completion of the Tasmanian Bell Bay facility, securing increased fibre volume and the progress with the marketing of the thinnings product in Japan are all important achievements for the business.

On maximizing the value of assets. We've signed the Geelong grain deal for the sale of land to CHS Broadbent. In addition to an earnings boost, this will generate a profit on the land sale and improve the value of the site. We've settled the first four tranches of the MEAG plantation sale with one further to come in September 2024.

We have in place a better financing facility including a trading finance line of \$35 million, which increases the resilience of our business through the cycle, and we've now declared a fully franked special dividend of 5 cents per share.

In our carbon business, we've developed a team of highly skilled operators with the capability to register and manage plantation carbon ACCU projects.

We have in place arrangements to use an Australian Financial Services License endorsed for carbon. We are progressing the second rotation of the Tiwi Islands project with potential to generate six and a half million ACCUs.

We've signed the first properties in the Tasmanian carbon aggregation program and registered carbon projects for MEAG. The pipeline of potential carbon projects is most encouraging.

In conclusion, I'd like to thank you all for your interest in our company and for coming on the journey with us. We'll continue to work to improve the underlying operating performance and to grow the business in the carbon space while looking to maximize the value of the assets of the company. It has not been an easy path, but I'm confident that we can create meaningful shareholder value. Thank you for joining us.

GD: Thank you, Tony. And now to the formal business of the meeting.

The first item of business of this meeting is consideration of the audited financial statements and related reports for the year ended 30th of June 2023.

The Corporations Act requires that the audited financial statements and related reports for the 2023 financial year be considered at the meeting. Shareholders are not required to vote on these reports, but I welcome any discussion or questions. The company's auditors are KPMG and Simon Dubois, the partner responsible for the company's 2023 audit is present at the meeting today and is willing to answer any questions on the conduct of the audit. As the reports have been available for some time, I don't believe any further background information on this item is required.

We do have some questions submitted by shareholders and one was submitted in advance. John Ferguson asks about Midway's involvement in sustainable aviation fuel production as a form of biofuel. I'll ask Tony to comment on that.

TM: Thank you, Gordon. That's an area that we are tracking closely. Currently, the economics don't work. So the question involved both woodchip pellets and sustainable aviation fuel.

There is a real interest that we're seeing from big users of diesel and obviously the aviation companies in sustainable biofuels. We have the potential to be part of that solution. We are monitoring, we're talking to people, but at the moment, woodchip pellets, the economics don't work because you've got additional processing costs and the value of pellets is currently below the value of the woodchips and on the biofuel, as I said, we're talking to a number of parties. The opportunities aren't quite there yet, but as things emerge, we're at the table with the right parties.

GD: Thank you. Georgie, are there any other questions or comments from shareholders?

GM: Yes, there are.

GD: Thank you.

GM: This one's for you, Tony. From Anthony Bak an investor. "Well done on the grain terminal deal. The complexities you would've experienced in constructing the deal are evident. Can you give an indication of the likely revenue to Midway from the use of the ship-loader?"

TM: I think we need to be a little bit cautious about the numbers on that, but it's a couple of million dollars annually we should see an improvement in our operating performance through Geelong with contributions for the use of the ship-loader, assuming the volumes come through.

GM: Another question from Anthony. "One of the last major initiatives outstanding was the second rotation on the Tiwi Islands. Can you give further details on the progression of plans and your discussions with major companies?"

TM: Yes, sure. So, the Tiwis has obviously been a major project on our agenda, not without its difficulties. Anything on Tiwi Islands has got the additional difficulty of being remote and additional costs and working with the traditional owners has been a real privilege and pleasure, but it also has its challenges in reaching arrangements.

But really the opportunity as we see it is around a carbon project there, which is supported by a woodfibre project. We've been to market around funding the project 100% out of the revenues from carbon, but the market for future carbon isn't deep enough to take a project of that size and nature. So, we're currently talking to potential equity investors to come in alongside of us.

As I said, the project's not without its challenges. We will either be proceeding with it with the additional momentum or we'll be reviewing our options on the Tiwis.

GM: Another question from Anthony. Bear with me. This is long.

"In terms of Bell Bay the public information available indicates around 14 woodchip vessels departed or are expected to depart from Berth 6 alone, six months from July 2023 to the end of December 2023. This suggests a strong export market. How many of these vessels were from Midway's product and can you outline the competitive landscape for Tasmanian woodchips? How different is it from when the business case for investment in additional capacity at Bell Bay was approved?"

TM: Thank you, Anthony. The vessels coming out of Bell Bay are coming from our operations from Reliance Forest Fibre and also from another party who's got a woodchipping mill and export business there. We export some of our volume through them. The exact number of vessels out of Tasmania, for this year we've had six, yes, four CIF and two out of our facility.

GD: Georgie, any other questions?

GM: Yes, we do. We have several more questions from another investor, Charlie Kingston. I'll start with you, Gordon.

GD: Yes.

GM: "Why is the company continuing to trade well below NTA?"

GD: Good question, Charlie. The share price reflects a range of market factors, some of which were outside the control of the company. We're being focused, as Tony said, on doing everything we can to improve performance and driving shareholder returns and initiatives such as the grain terminal and the special dividend announcements are evidence of that. Hopefully, particularly the positioning the company again as being

able to return surplus cash to shareholders through dividends as we go forward will be an important aid to closing that gap between NTA and market price.

GM: Thank you. Another question for you, Gordon. "Does the company still intend to pay the original 19.5 cents per share special dividend?"

GD: I think as the board said in its announcement and we've detailed in our presentations, we've applied a lot of the funds from that original MEAG detail to restructuring down to just repaying our core debt, repaying Strategy obligations, and now as further funds arise, we'll be in a stronger position to return those funds to shareholders, but we're not going to commit to the original 19.5 cents.

GM: Thank you. Another question for you, Gordon. "What is the natural ownership of Midway. Should Midway remain listed?"

GD: That's a good question, Charlie. We commissioned a broad strategic review, as we said in last March, and one of the options was to look at all ownership options including private ownership, however that requires, firstly, someone who's willing to take that on, but equally many elements of the business, a higher value to Midway and are in the early stages of development, for instance, the Tasmanian projects. So at this point, it didn't make sense to change our structure.

GM: Thank you. "Is further board renewal required?"

GD: We've had substantial board renewal over the past few years, but that's something which never goes away, and as we develop into different business areas, we'll continue to make sure that we've got the board with the right skills and experience to deliver our strategies.

GM: Thank you. Just one last one for you, Gordon. "Why have directors not acquired more shares in Midway given the discounts at NTA?"

GD: Again, it's a popular question around AGM time. Part of the issue here, as you're aware, Midway's fairly thinly traded, so directors have had aspirations to buy more shares, as have other major shareholders, but we've also been constrained in those opportunities by our knowledge of what initiatives and other elements the company's working on. So there hasn't been as many opportunities as people would like to increase their shareholdings.

GM: Thank you, Gordon. Now a question for you, Tony. "Why was Midway so slow to get into the carbon market?"

TM: Yes, thank you. I'm not sure that we have been slow to get into the carbon market. The carbon market's an emerging market. We're, if not the lead in the Australian plantation industry, we'd be in the top couple of companies. We've really built some strong expertise. We have a range of strategies going. I talked through some of them in my presentation. I think we've really embraced it. I think the opportunity sits there for us.

There are some companies who in the advisory space have got the jump on us, but I think we're rapidly catching up and we do have that natural advantage of having the footprint of our business and the deep knowledge that we have in the plantation

industry that sets us up well to be delivering on some of those strategies that I talked through just before.

GM: Thank you, Tony. Another one for you. "Are there structural issues limiting a return to previous levels of earnings and what do you expect through cycle of EBITDA levels in the future?"

TM: Thanks, Charlie. The expectation and as we've spoken about previously, is really around \$10 to \$15 million of sustainable earnings through our base woodfibre business. We're looking to grow that substantially on the carbon side. That will take time to come through as we need to get projects up and going and revenue streams happening.

The structural issues, Geelong is probably never going to make the money on a purely woodfibre basis that it has in the past in the halcyon days, and that's partly because of the supply of woodfibre in the Geelong catchment and partly because of increasing sophistication of the markets that we're selling into. But there's certainly prospects of improvement definitely from where we are today.

GM: Thank you, Tony. We have several questions from Robert Munday. I'm going to direct them all to you. "Given the new trade finance facility, do you anticipate this might free up cash for further special dividends from the MEAG proceeds or in a shorter term, do you think this will be consumed with a further inventory build-up given relatively low-poll markets?"

TM: Yes, so the facilities, the trade financial facility is specifically useful for building up inventory. The reason building up inventory is important or the ability to be able to do that is because turning contractors on and off doesn't work for the business. You have to give a baseline level of business for the contractors for them to stay in business and when the market comes back, we need to be in a position where the contractors are there and ideally where we've got inventory to sell into that market.

So, we're carrying high inventories at the moment, higher than ideal, but it's a really strong situation to have a financing facility that can support that and that's where the bulk of the facilities will be consumed in the short term.

I think Gordon's spoken to the board's approach around capital management. The company's not going to sit on funds if we don't have compelling growth opportunities and need for the money in the business, but I don't think there's any, as I say, Gordon's made this position very clear on that.

GM: Thank you. "Besides the announced CapEx for the grain project, what do you expect the CapEx profiles to look like in FY24 for other projects including the Tiwi second rotation and the flagged further developments at the retained portion of the Geelong site?"

TM: Yes, thanks. So at the moment, we don't have any major approved CapEx, either on the Tiwi and the Geelong outside what we've identified. There is potential if we get some good momentum around the softwood that we're just starting up now, that we would put up a case to invest more in improving the Geelong site so that it works really

well for a softwood product as well. But that hasn't been put up to the board. We haven't got the business case around that yet because we're still proving up the market.

Other CapEx, there may be other items, but really at this stage there's no other approved and there's no business cases before the board. We are not proposing making a large investment or substantial investment in Tiwis outside the funds that are already in there, that we may consider converting to equity with some of the debt we've got there.

GM: Thank you. Another question for you. "There are a number of other organizations also seeking to develop and aggregate carbon projects in Australia such as Climate Friendly and New Forests. Can you offer some commentary on the dynamics behind being in its market and what you regard as Mid West's competitive strength?"

TM: Yes. So Climate Friendly and New Forests are two companies that we have very close dealings with, we know well and they have quite different business models. Climate Friendly is really an advisory business that doesn't have an operating business as we do in the plantation space.

Our competitive advantage against groups like that, and there are a number of them, is that we have relationships with the landowners. We know every block of land where you can grow a tree around the major forestry regions in Australia. We have the deep in-house expertise, and we have that ability to also show how you can generate a commercial return from plantations in a way that isn't in their core space.

Against the New Forests. New Forests is the leader in the plantation carbon space in Australia at the moment. They have a different model. They're a big fund management organization. We have the advantage over them that we can be completely flexible and we can pursue, whether it's managing estates up for large landowners, putting in trees for a fee, registering projects under an aggregation. We've got the flexibility that we can pursue whatever model make sense for us where they're to a greater extent constrained by their structure, which is around being a fund manager first and foremost.

So I think our positioning in the market, there's things starting to happen, but we really are at the forefront of what's happening and as opportunities develop, we're getting a really good look at it and we've got the team now and the opportunity to convert on a lot of those.

GM: Thank you, Tony. One final question for you. "You mentioned further developments of the retained site of the Geelong port site as well as other projects. Can you expand on what the potential plans are for the site?"

TM: Yes, sure. So as I said, there's not an approved process and we haven't put up a case yet because we're still looking to see what would happen with the softwood opportunity, both on the supply side and the demand side. To do that really well with big volumes, we'd need to extend the conveyor towards this part of the site where we're sitting now and put in another reclaim and potentially some other supporting infrastructure expanding the log yard and the chip pad further. Again, if we put that up, it'll be on the basis of that softwood market's starting to work really well for us.

Other opportunities, it's not a secret that mineral sands is something that can go over the same ship-loader as woodchips and as grain. We'd love to get a mineral sands operation in our yard here. That would be the perfect trifecta to have grain, mineral sands, and woodchips. Now, there's some companies that are now in the market expanding their mineral sands operations that need to export out of this region. There's a couple of others that will come online over the next couple of years, and that's something that we definitely have a really hard crack at, and that'll involve some CapEx, if we're successful on that. But the business case around those I think will be very compelling for both the board and for investors where we can get in a position where we can execute on those opportunities.

GM: Thank you. There are no further questions.

Chris Honig [a shareholder]: With the CHS Broadbent sale, I understand the sale and demand. Got it. I understand there's a lease to use the port facility and you said [inaudible] 2 million a year roughly, but the thing I can't get is [inaudible] to contribute to meet the minimum volume requirement. Can you just give us a ballpark value of the expense Midway incurs now [inaudible]?

TM: Yes, so another way of looking at it is that they will pay us. So we've got an obligation to pay for the ship-loader, and we are well below the minimum volume that we have there. So we're paying for that. So it's our asset. We pay for it every year, but we have an asset. So what we're doing is we're giving CHS Broadbent access to that asset and they're paying us for that. And so you can work it out roughly on a dollars per tonne basis that a grain producer or a grain exporter would pay on a ship-loader and multiply it by the number of tons that they're anticipating, which for mine will be somewhere between half a million and a million tons on a sustainable basis.

Chris Honig: Okay.

GD: They've announced in their material for the deal an aspiration in those tonnage ranges.

Chris Honig: That's right.

GM: Any further questions?

Chris Honig: Yes, just a couple. I have a hard time understanding how forex affects the business. Can you just talk us through the duration time and contracts that you have normally with Japanese and Chinese consumers?

TM: Yeah, so pricing for the woodchip market is set on an annual basis at the moment for the Japanese market and Chinese market is currently running on an annual basis, but has in the past been on a six monthly basis. I'm very keen to have that move to a six monthly basis for the full market. And so, what we sell in U.S. dollars, and so we know we've got U.S. dollar revenue coming in and we hedge that as we get greater certainty that vessels will actually ship and as we get greater certainty about what the U.S. dollar price is. So obviously we don't want to get over-committed when we don't know what the U.S. dollar price is going to be, and for next year, that'll be up in the air

for a while, but at the same time, we know that we're going to have U.S. dollar revenue and our costs are all obviously in Australian dollars.

Chris Honig: Yep. Okay. And last question that when Dan Andrews closed native forest logging, it's hard to understand how that fully affected the business because there's this native forest, hardwood, which is going through the new markets going inside Victoria, and there's also, I don't know if this is the fact that the people that service those industries are now looking for more work as well. I'm not sure if that's affecting operating costs for the business. Can you just talk us through those and especially how it can affect the operating costs and labour supply for those contractors?

TM: Yes, sure. So, you're right, there's a number of dynamics that that decision has had on the business. So, you've got the loss of supply. So, the year before it closed, we did about 120,000 ton of native out of Geelong. That's all closed, so that business doesn't happen anymore now. That was probably declining anyway.

What it has opened up is that the closure of the native supply for the pulp mill at Maryvale in Gippsland, so they had a hardwood line. They've closed that line, and so that's freed up some plantation hardwood that if it's not going to be used domestically would logically naturally flow through the Geelong site. And we've had some of that product, some of the Nitens coming through here now. So that's created additional supply of plantation hardwood, which is a more attractive product, easy on the market.

On the availability of contractors. Yes, there's a lot of contractors. There's still a lot of them holding out because the negotiations with the State Government is still ongoing around compensation, and so they will be holding positions there.

The market for some of the harvest equipment has obviously tanked. A lot of it's not suitable for the work that we do. It's quite specialized gear, different plantations into the native. We have seen some benefits with contracting crews have moved from Victoria to Tasmania, and that's helped us bolster our contracting crews in our Tasmanian operation.

I expect we'll see a little bit more, and you might, well, you would've seen that it's about 12 months ago, our biggest issue is access to contractors and staff. Now that pressure will be released with the closure. We're not seeing lots of contractors coming over to the plantation space yet, but there will be that additional, there'll be a little bit of slack come into the system into a market that's been really tight.

GM: I have one last question from Charlie Kingston for you, Tony. "Can you please explain how much net cash Midway currently has? You are set to receive 12 million cash from MEAG in FY24, post-tax expenses, yet you are now only returning 4 million in dividend. Why so little and what is the net cash position today?"

TM: Yeah, so one of the things that you won't have seen, because it's obviously not public yet, but at the moment we'd be carrying inventory that would be not quite, but nearly \$50 million. Now that's the highest the company's ever carried. It's because we've got additional sites over what we've had in the past, and it's because the market's slow. Anyone here in person, you can see it driving anywhere in Geelong. You can see

the woodchip stack, you can see where our money's tied up. That will move. We've got a number of vessels scheduled over the next couple of months, but we've seen, and it's just been so important to be able to build that inventory because our contractors are still able to keep operating. We've dialed them back. Geelong, we've been running at 80%. In Portland, we've turned them all off, turned them on again, which is far from ideal. We've got to have those contractors. We've got to keep them viable so that they can support us when the market's here and we need to move volume through quickly.

So really the answer is that the capital's tied up in inventory at the moment. We have received that tranche as I mentioned in the presentation, that tranche has been received from MEAG. And the net proceeds have primarily gone into the inventory build. I haven't missed anything there, have I, Michael?

Michael McKenzie [CFO]: No.

TM: Thank you.

Campbell Morgan [a shareholder]: What do you think is a normalised level of inventory in a \$50 million environment, mid-\$20s?

TM: Around \$30 million, I would think, and the really important thing is that we've got the flexibility to go \$50 million when we need to and then run it down when the market's there and we're moving stuff through. But yes, sustainably I never want to have... Yes, \$30 million, about the level. We don't want to run it down too low because then demand comes in, you can't move stuff out.

GM: Any further questions?

GD: No, if there's no further questions as I said, item one is just is not for a vote, so we'll move on to item two. The next item of business, it's a non-binding resolution to the company's remuneration report, which is set out in the company's 2023 annual report. A summary of the remuneration report also appears in the notice of the 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.

The proxy votes we have received, 35.7 million for the resolution, 4.9 million against, indicating a majority of 88% in favour.

Georgie, are there any questions or comments on this resolution?

GM: No there's not.

GD: Thank you. The next item of business, item three, relates to my re-election as a director. I'll hand over to my fellow director, Nils Gunnensen, to chair the meeting for this item.

NG: Thank you, Gordon. Gordon's qualifications and experience are set out in the notice of the meeting, and I'll now invite Gordon to address this.

GD: Thank you, Nils, and thank you for acting as chair for this item.

I joined the Midway board in 2016 just prior to the ASX listing. It's been a source of some pride to see Midway develop over that time tinged with a sense of disappointment at some of the missteps along the way. Going forward, the foundations of a more resilient business are being established, and a board and management are aligned on the direction and prospects for the company. If elected, I look forward to being able to continue to contribute to that journey.

NG: Thank you, Gordon. The proxy votes we've received are 45.3 million for the resolution and 5.1 million against, indicating majority of 90% in favour.

Georgie, are there any questions or comments on this resolution, please?

GM: No.

NG: Thank you. Gordon, I think that brings that to a close. I'll hand the chairmanship back to you.

GD: Thank you, Nils. The next item of business, item four, relates to the re-election of Nils Gunnersen as a director.

Nils' qualifications and experience are set out in the notice of the meeting. I'll now invite Nils to address the meeting.

NG: Gordon, thank you, and to my other board colleagues for your support for my re-election. As I have, if elected, I'll continue to draw upon my deep experience across all aspects of Midway's business to direct, challenge, oversee, and support management. In particular, I'll assist and lead Midway's focus on operational safety and sustainability across the core and evolving business.

I assure you the "skin in the game" reality that sees my directorship judged as non-independent is a strength. It ensures alignment. Despite continuing challenges, we've seen real progress in key areas, and I look forward to what happens next. Know, that as a Midway director, I'm committed to this business on your behalf. Thank you.

GD: Thank you, Nils. The proxy votes we have received are 41.7 million for the resolution and 8.7 million against, indicating majority of 83% in favour.

Georgie, are there any questions relating to this resolution-

GM: No questions, Gordon.

GD: The next item of business, item five, seeks 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 terms of the performance rights are set out in the notice of the meeting and in an addendum to the notice of the meeting issued subsequently. The proxy votes we have received are 49.1 million for the resolution, 1.3 million against, indicating a majority of 97% in favour.

Georgie, are there any questions relating to this resolution?

GM: No questions.

GD: 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 the meeting. You'll need your SRN or HIN to access the voting website.

The poll will remain open for 20 minutes after the close of the meeting. The results of the poll will be notified to the ASX later this afternoon.

That concludes the business of the meeting. I would like to thank you, our shareholders, for your attendance and ongoing support for Midway. I now declare the meeting closed. Thank you.

The meeting can be viewed at:

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

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.