
Sale of plantation estate and strategic review update

May 2022

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

Transaction highlights

Sale of plantation estate

- Midway has signed contracts for the sale of 17,000 hectares of its existing plantation estate in the central and south-west regions of Victoria to a special purpose vehicle (SPV) owned by a client of MEAG, Munich Re's asset manager, for an estimated \$154 M¹
- Settlement will occur in a series of tranches with the last tranche due to occur in September 2024

Greenfield commitment

- The SPV has also committed to invest A\$200 million in land acquisition for new hardwood 'greenfield' plantations in south-west Victoria over the next five years
- This new plantation estate will materially increase future woodfibre volume for Midway Geelong
- Greenfield volume is expected to be available for harvest and processing from 2035

Revenue opportunities

- Midway will purchase logs from the combined SPV plantation estate for the next two rotations for processing and sale to overseas customers at market prices
- Asset and carbon management fees will be earned by Midway for managing the plantation estates on behalf of the SPV and registering and administering relevant carbon credits
- Opportunity to participate in carbon credits or revenue if the SPV elects to register certain pre-defined areas of the plantation estate under the continuing plantation provisions of the CFI plantation forestry method

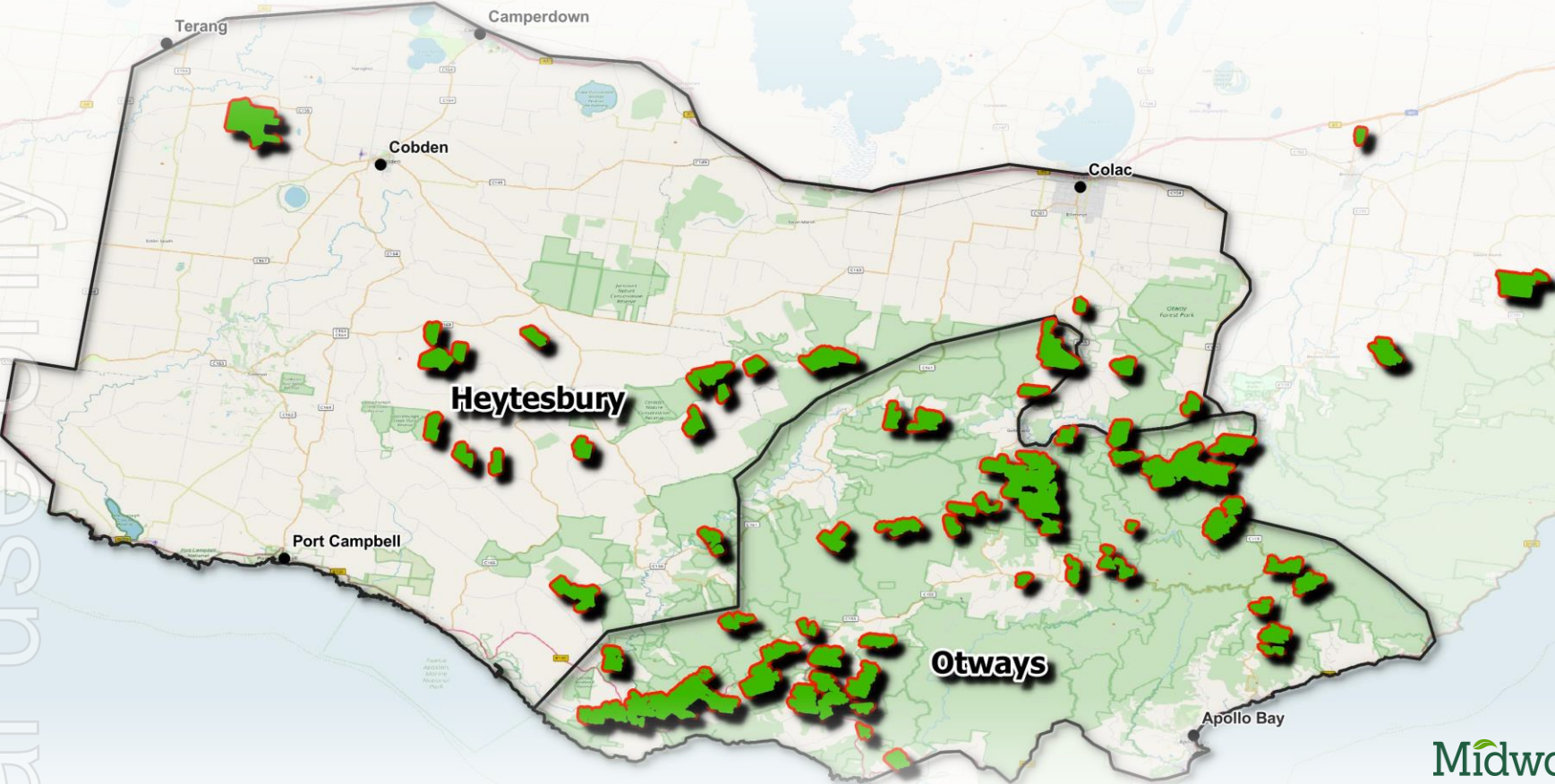
Capital management

- The sale generates an estimated \$86.2M in net proceeds after the repayment of the Legacy Tree Financing² and income tax
- Capital management options include reducing net debt, re-investment in higher return opportunities and returns to shareholders
- Use of net sale proceeds to be determined through a capital management review

¹: Final proceeds to be determined after final harvest reconciliation prior to completion and the amount of stamp duty payable being confirmed.

²: Legacy Tree Financing refers to the "Strategy financial liability" as referred to on the Midway balance sheet.

Divestment of existing plantation estate



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Key transaction details

Transaction rationale (Why)

- Phase one of Midway strategic review has concluded that selling the existing plantation estate is the best way to maximise value from forestry assets on the balance sheet for the benefit of shareholders
- The sale generates a strong value increase for shareholders - net sale proceeds are an estimated \$10.9M¹ above book value before tax compared with the balance sheet as at 31 December 2021
- The new hardwood plantations in south-west Victoria will materially increase woodfibre volume in the Geelong catchment to sustain the Midway processing and export facility at Geelong
- Change in ownership and control of the plantation estate will simplify the Midway balance sheet and remove annual valuation changes in biological assets
- Broadly EBITDA-S² neutral impact from the transaction on the earnings of Midway Geelong

Mechanics (What & How)

- Midway will buy-back the Legacy Tree Financing trees and resell them to the SPV
- The buyback of the trees will occur at the earliest point contractually available to Midway and is required to release title, which is why the settlement occurs in staggered tranches
- The Legacy Tree Financing fixed volume and price offtake agreement will be replaced by a variable offtake agreement indexed to the export market price
- The offtake agreement with the SPV includes a minimum annual quantity of 140,000 GMT over the first 10 years
- Midway avoids volatile annual forestry yield impacts while the SPV receives the benefit of any 'fair value' uplift
- Midway will also earn asset and carbon management fees from the plantation estate and save on establishment costs for plantations, direct land management expenses, rates, etc

Timing (When)

- Settlement of the first stage of the transaction is expected to occur mid-CY22 following necessary regulatory approvals, including the Foreign Investment Review Board (FIRB)
- Midway will have a contracted forestry management right with a seven year minimum term
- The offtake agreement will be in place for two rotations or 35 years

1: Final net profit after tax will be determined at settlement of each tranche

2: EBITDA-S: Underlying earnings before interest, tax, depreciation and amortisation excluding revaluation of biological assets

Cashflow impacts of transaction

Indicative cashflows \$'M

| Estimated transaction cashflows (Financial Year) | 2022 | 2023 | 2024 | 2025 | 2026 | TOTAL |
|--|--------------|-------------|------------|-------------|--------------|-------------|
| Proceeds from sale ¹ | - | 95.3 | 23.7 | 35.1 | - | 154.1 |
| Transaction costs ² | (1.8) | - | - | - | - | (1.8) |
| Repayment of strategy liability ³ | - | (29.4) | (11.1) | (6.5) | - | (47.0) |
| Income tax liability | - | - | (10.3) | (1.9) | (6.9) | (19.1) |
| Available for capital management / further debt repayment | (1.8) | 65.9 | 2.3 | 26.7 | (6.9) | 86.2 |

1: Subject to movements in stamp duty which comes off the transaction price and a final harvest reconciliation prior to completion.

2: Estimated based on payments to corporate advisors.

3: The Legacy Tree Financing liability can be impacted by movements in CPI and changes to market pricing (USD FOB BDMT sales price of E Globulus).

Use of proceeds

- Use of the net proceeds to be determined by the Midway Board on a tranche by tranche basis following a capital management review
- Will include purchase of pine trees located on the existing Midway estate owned by third parties
- Other options include:
 - Debt repayment
 - Future growth initiatives, including carbon management opportunities
 - Return of funds to shareholders
- Strong net debt position post FY23 when this transaction and Kerrisdale⁴ completes; settlement of Wandong⁵ completed May 2022

4: Total proceeds \$3.2M to be used for the Bell Bay project.

5: Total proceeds \$17.0M; \$6.0M of the proceeds used for long term debt repayment with a further \$6.0M to be used for the Geelong Grain project or further debt repayment.

Outstanding items

FIRB approval of the transaction

Final stamp duty amount payable on sale of the plantation estate as this will impact the transaction price paid to Midway

Completion of land acquisition program for each phase of the greenfield project in order to deploy the \$200M commitment

Achieving SPV hurdle rates on greenfield plantation development before capital is deployed which includes meeting an IRR hurdle rate

Timing of settlement of deferred tranches is contingent on achieving clear title by unwinding the Legacy Tree Financing arrangement

Strategic review update

| | Status | |
|-----------------------------------|--|--------------------------------|
| Balance sheet optimisation | Review of natural ownership of Plantation Estates | Complete |
| | Sale of Wandong – A\$17 million, settlement completed May 2022 | Settled |
| | Sale of Kerrisdale – A\$3.2 million, expected to complete July 2022 | Contracted |
| | Sale of 17,000ha plantation estate in south-west Victoria to the SPV, A\$154 million, | Contracted |
| Business development | Exit of Midway Logistics – on schedule to wind down operations by end FY22 | Commenced |
| | Tasmanian Bell Bay Development project: | |
| | <ul style="list-style-type: none"> Berth 7 Development works - first shipment due late June Stage one Norfolk Street due for completion in August 2022 | Complete Under Construction |
| | Geelong Grain project negotiations and diligence with potential partners | Progressing Well |
| Carbon asset management | First asset and carbon management contract signed with the SPV | Signed |
| | Secured \$200 million commitment for land purchases for new tree plantings in South west Victoria | Signed |
| | Midway has participatory rights for 3,766 ha of the plantation estate sold to the SPV | Signed |
| | Building in-house carbon project capability | In Progress |
| | Feasibility study commencing for Tiwi Islands second rotation forestry and carbon project | In Progress |

Board renewal

Governance

| | Status |
|--|-------------|
| Independent Chair commenced 1st May 2022 | Complete |
| Advisors appointed for external search for new independent non-executive Directors | In Progress |
| Advisors appointed for Board remuneration review | In Progress |

