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Woodbois Limited

("Woodbois", the "Group" or the "Company")

Establishment of new reforestation and carbon credit division

Paul Dolan, Chairman and CEO said:

"*Entering the rapidly growing carbon credit market is a natural next step in the Woodbois growth story. It plays to our expertise in African forestry and laser focus on sustainability, whilst also being a significant commercial opportunity as we strengthen our position within the asset class. Entering the carbon credit market will see Woodbois offering businesses the chance to purchase carbon credits via the Voluntary Carbon Markets initiative, thereby helping them to offset their emissions while simultaneously helping to preserve and restore Africa's carbon-storing natural forest habitats.*

To summarise the scale of the opportunity, the Voluntary Carbon Market is forecast to have a value of up to $30billion in the coming decade[i]. To meet the high demand for quality carbon credits there must be supply of transparent and verifiable credit generating projects. We believe that forests currently represent the safest, proven and economically viable method of capturing carbon at scale. Consequently, the establishment of this new division is a very important and exciting step for Woodbois and we look forward to updating investors as we start to execute initiatives in this regard."

BACKGROUND

The Directors believe that the Company has identified an attractive commercial opportunity to deliver reforestation projects at scale in Africa, generating carbon credits for corporate actors in the expanding Voluntary Carbon Markets. The new initiative will answer growing calls for high quality nature-based carbon sequestration projects, contributing to a wider global effort to address the ecological and socio-economic stresses posed by climate change.

The proposed business presents a valuable add-on to the Company's existing sustainable forest management operations, and fits naturally within the management team's field of expertise. The Directors believe that the identified opportunity will diversify the revenue stream of the business, whilst capable of being significantly EBITDA accretive and increasing the Company's hardwood asset base. In addition, the Company's carbon credit generation and distribution activities will deliver a bespoke call option on the price of carbon, providing investors with new exposure to a growing environmental asset class.

The Company is involved in active discussions with government representatives in West Africa, seeking access and carbon rights to areas of degraded land suitable for reforestation. The Company plans to design, implement, manage and market the projects with its own team and the support of local labour. Existing human resources will be bolstered by key new hires to bring experience of delivering large-scale projects of this kind. The Company is also analysing potential acquisition opportunities with the view to securing already established teams that could add strength to the new reforestation division.

At the core of the Company's strategy is the need to actively involve local governments and communities in all stages of the project development and on-going management. The business will provide invaluable environmental, social and economic benefits to the local communities, and support emerging national efforts to build green economy initiatives in Africa. The strong focus on climate, biodiversity, local skilling and employment is expected to further boost the Company's standing as one of the best-in-class ESG investments.

CLIMATE CHANGE AND THE VOLUNTARY CARBON MARKETS

Under the 2015 Paris Agreement, the representatives of 196 state parties approved an international treaty on climate change, making a commitment to limiting the rise in average temperature to 2.0 degrees Celsius above pre-industrial levels[ii]. In order to achieve this goal, scientists suggest that greenhouse gas emissions must be cut to net-zero no later than 2050.

Companies and investors are increasingly acknowledging the critical role they have to play in meeting these targets. As a result, companies are increasingly committing to strategies to reduce, offset or eliminate emissions. A significant number of the world's businesses won't be able to reach net-zero on their own using the technology available today to reduce and capture emissions. Consequently, the Voluntary Carbon Markets will provide a critical mechanism for hard-to-abate sectors to offset emissions by acquiring credits generated by third party reduction and sequestration projects.

Based on stated needs for voluntary carbon credits, industry experts predict that global demand could reach 1.5-2.0 $GtCO_2$ by 2030 and as much as 7.0-13.0 $GtCO_2$ by 2050. Using these figures and predicted price scenarios, projections indicate the value of Voluntary Carbon Markets could exceed USD$50 billion by mid-century[i].

The growing demand for quality carbon credits must be met with new supply of credit generating projects. At this point in time forests represent one of the few safe, proven, and economically viable methods of capturing carbon at scale[iii].

REFORESTATION

The Company believes that photosynthetic carbon capture is one of the most effective tools available today for limiting the rise of atmospheric CO_2 concentrations. The Intergovernmental Panel on Climate Change suggest that new forest cover could retain one-quarter of the atmospheric CO_2 required to counteract global warming and maintain the limits established by the Paris Agreement. This relies on the planting of 1 billion hectares of new forest by 2050[iv].

Reforestation projects are increasing in number across the globe, but not yet at the rate required to meet specified targets. Efforts have focused on a limited number of countries, mainly in Latin America and Asia. The potential to establish large-scale nature-based projects in Africa has not been fully realised. The Company is confident in its capacity to lead a new drive to regenerate and reforest at scale in Africa, transforming the existing industry, which is largely characterised by small scale NGO driven projects.

GEOGRAPHICAL FOCUS

The Company's new reforestation activities will extend an existing commitment to provide long term economic and social development benefits in Africa. Woodbois has an established presence in Africa with production facilities and forestry concessions in both Gabon and Mozambique.

The Company is aware of various opportunities in the region to reforest areas that have been degraded, including by the extractive industries and illegal logging. Gabon for example, is one of the world's most densely forested countries with a unique local bio-climate, which is suited to rapid tree growth and optimal CO_2 sequestration. Research has demonstrated that under these conditions, replanted forests can sequester CO_2 at an average removal rate of approximately 25t/ha/year between years 0 and 20[v].

The Gabonese government has demonstrated a strong commitment to the environment, addressing deforestation and investing in green industries as a core part of the Green Gabon Initiative, which aims to accelerate the transition away from an extractive-based economy[vi]. In addition, there is clear evidence that the Government is receptive to foreign investment in environmental schemes, with significant high-value conservation agreements already in place[vii].

The Company's experienced operational team there have access to local labour, plant, and equipment and have built a strong reputation in the region by working closely with local Government and Ministries to develop sustainable forest management.

The Company has proven its ability to build high quality teams on the ground in Africa, and to execute complex operations in the region and is confident that it can develop a re-forestation model that is replicable across Africa, diversifying geographic and political risk.

CORPORATE ACTIVITY IN THE VOLUNTARY CARBON MARKETS

Corporate organisations are increasingly investing in carbon offsetting initiatives in order to meet sustainability and corporate responsibility targets. A recent survey carried out by a leading professional services firm found that 84% of companies with long-term greenhouse gas emission reduction and elimination objectives planned to use voluntary carbon credits as part of their climate change strategy[viii]. Corporate demand is largely being driven by a race to achieve net-zero status. At present more than 1,500 companies, representing over US$ 11.4 trillion in revenue have committed to reaching net-zero by 2050. So far commitments have been highest amongst the consumer discretionary, industrial, and industrial services sectors in Europe and North America [ix].

With unique operational experience in Africa and in-house knowledge of global financial markets, the Company considers itself well placed to engage with these types of organisations to deliver mutually beneficial projects that can generate high quality nature-based carbon credits for emission offsetting. Additionally, the Company is confident that corporate demand for voluntary carbon credits will continue to grow as changes in regulation and shifting attitudes amongst consumers and investors drive more responsible environmental behaviour.

TECHNOLOGY AND ACCREDITATION

The Directors see an opportunity to engage with innovative technologies in the design and monitoring of projects in order to create transparent progress reports for stakeholders. The Company is exploring cutting-edge artificial intelligence and LiDAR systems that are capable of processing large amounts of data to track forest development and support the accurate recording of this vital carbon sequestration.

Historically reforestation projects have been criticised for a lack of transparency and credibility around carbon reporting. The Company believes that technology can be used to close the information gap between the end-buyers of carbon credits and the remote projects they invest in, providing data based models of actual forest growth and development.

The Company will also work with leading standards agencies to ensure that projects meet the highest quality and reporting criteria. As part of this process all projects will need to be verified and validated by third party auditors in both the design and monitoring phases.

CARBON CREDIT MARKET AND RETURNS

The price of voluntary re-forestation carbon credits varies dramatically between individual projects: the current average price is estimated to sit between USD5-10 /tCO_2. The Company is aware of reforestation credits being sold at levels as high as USD25 /tCO_2.

Economists have calculated that in order to achieve the Paris Agreement temperature target, carbon prices need to reach a level of USD50-100 /tCO_2 by 2030[x].

The Company feels confident that voluntary carbon credit prices will continue to rise in the medium term as the demand from corporates grows with local and global climate change policies increasingly pricing carbon higher to incentivise critical shifts in behaviour. In addition to general market confidence, the Company also strongly believes that its strategy of creating high quality and transparent projects could allow it to price its credits at a premium.

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Background on Woodbois

Woodbois Limited (AIM:WBI) is an African focused forestry and timber trading company, which produces, processes, manufactures and distributes sustainable African hardwoods and hardwood products to customers around the world.

Woodbois' forestry division has production facilities in Gabon and Mozambique, managing a total of c400,000 hectares of natural forest concessions. The trading division comprises a highly experienced team of timber specialists, who source and supply sustainable timber to a global customer base. Its proprietary technology developed in house, captures, stores and presents data, providing a matching engine to build scale and optimise trading opportunities.

Sustainability is at the heart of the business, with a clear focus on maintaining the transparency and sustainability of its timber operations. This has been recognised by The Zoological Society of London, which ranked Woodbois third in its Sustainability Policy Transparency Toolkit ('SPOTT") ESG policy transparency assessments for the worldwide timber and pulp industries for 2020.

Please follow the Company on Twitter: @WoodboisLtd

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[i] McKinsey & Company. A blueprint for scaling voluntary carbon markets to meet the climate challenge. 2021. Available at: https://www.mckinsey.com/business-functions/sustainability/our-insights/a-blueprint-for-scaling-voluntary-carbon-markets-to-meet-the-climate-challenge

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[iv] IPCC. Special Report - Global Warming of 1.5 degrees Celsius. 2018. Available at: https://www.ipcc.ch/sr15/chapter/spm/

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[ix] IUCN. Nature-based Solutions in Nationally Determined Contributions. 2019. Available at: https://portals.iucn.org/library/sites/library/files/documents/2019-030-En.pdf

[x] Carbon Market Watch. Pricing carbon to achieve the Paris goals. 2017. Available at: https://carbonmarketwatch.org/wp-content/uploads/2017/09/CMW-PRICING-CARBON-TO-ACHIEVE-THE-PARIS-GOALS_Web_spread_FINAL.pdf

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