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Woodbois Limited
11 October 2021

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

Q3 2021 update

Highlights

- Increased Gabon forest interests by 75% through the acquisition of 71,000 hectares bringing total forest under sustainable management there to 166,000 hectares. Consideration was US$1.5m, of which $0.9m was settled in cash and the remainder in four quarterly payments commencing this month.
- Highest 2021 quarterly production of both sawn timber and veneer as well of containers shipped.
- Q3 2021 revenues of $4.5 million vs $3.2 million for Q3 2020, an increase of 41%.
- Revenues of $12.7 million for first 9 months of 2021 vs $11.8 million for same period in 2020, up 8%.
- 2021 Group gross margin for first 9 months of 20% vs 8% for FY 2020.
- Finance charge of $0.5 million for first 9 months of 2021 vs $2.7 million in same period in 2020, a reduction of 81%.
- Working capital of $10.2 million (including $2.8 million cash) as at 30 September 2021, excluding bank loans of $8.8 million.

Operational

Gabon

- Total sawn timber production 4,700m^3 in Q3 2021. On an average daily m3 production basis, this is a 36% increase over H1 and 128% increase over the first 9 months of 2020.
- Total veneer production 1,140m^3 in Q3 2021. On an average daily m3 production basis a 24% increase over H1 and 85% increase over the first 9 months of 2020.
- The first of two additional veneer lines agreed to be purchased in late April has been dismantled and trucked to the Group's factory in Mouila where the construction works required to house the new machine are progressing on schedule. This line is expected to be online around the end of the year and to increase productive veneer capacity for 2022 by 100%.
- Following the Company's certification application on-site analysis is being performed by appointed forestry certification consultants: their report is due to be presented to both the Company and to the Promotion of Certified Forest Exploitation ("PPECF") in Q4 2021.
- Site visit and initial stage implementation of Pallitracks, the leading digital forestry traceability and management platform for West Africa, currently underway, with the full on-boarding to follow.

Re-forestation and Carbon Credit Division

- Members of the carbon team travelled to Gabon and spent the second half of September assessing potential project sites and planting strategies. This work will feed into a comprehensive feasibility study being prepared in cooperation with an independent consultant for submission to the Government of Gabon.

- The Company continues to field enquiries from major corporations interested in carbon offset services. It is increasingly confident about the fast-growing market opportunity linked to corporate decarbonisation and in its progression towards establishing its first large-scale project in Gabon or elsewhere in West Africa.

- Woodbois is encouraged by new climate change legislation adopted by the Gabonese Republic last month. The new law provides a robust framework for monitoring national emissions, as well as setting out guidelines for generating carbon revenues from emission reduction schemes. These progressive steps taken by the Government further strengthen Gabon's place as an attractive territory for large scale reforestation. Woodbois is excited to continue assessing opportunities to support Gabon in achieving a fair value for their natural forest assets and related ecosystem services.

Senior Hires

- The external search for an additional independent non-executive director is reaching its conclusion and the Company expects to make an announcement shortly. As part of this drive to enhance its corporate governance the Company is also taking steps to split the role of Chair and CEO.

- Mr Kassem Mohssen arrived from Lebanon in July to manage the civil engineering works that are required to provide foundations for and house the two recently purchased 26 tonne veneer peelers and associated boilers, cutters and drying ovens.

Outlook

- Woodbois continues to observe strong global demand for sawn timber and corresponding price support for products, the benefits of which are currently being partially offset by the elevated cost of shipping.

- The general level of container availability and shipping somewhat improved to its highest level in Q3, and the Company believes it is prudent to expect a modest upward change to the situation during the remainder of 2021. Woodbois continues to expect a step-change in the pace of revenue growth when the shipping industry returns to a worldwide equilibrium, which is anticipated during 2022.

- Woodbois' operations performed in line with expectations during Q3 2021. The Company's objectives to turn operationally cash flow positive within Q4 and to record its first ever EBITDAS this year remains on track, subject to operating conditions, most specifically container and shipping availability as well as any new Covid-related restrictions.

- Conditions in Mozambique remain uncertain, and the Group is reviewing its strategy and plans there for 2022.

- In the run-up to COP26, Gabon will likely continue to receive acknowledgement for the leadership it has demonstrated in forest management through extensive media attention. The elevation of the country's profile can only be a positive factor for future forestry-linked carbon-related transactions.

Chair and CEO, Paul Dolan, said "*Having delivered further gains in output in Q3, and with increased veneer capacity due to come on-line early in 2022, the over-riding focus remains on driving returns on the significant investment made in our operations. As operational cash-flow turns positive, the logical next-step is to evaluate the multiple incremental opportunities that exist within our fragmented marketplace. We are actively seeking to bolster our leadership team to help us perform such evaluations, as well as to ensure that we continue to deliver on our internal growth strategy.*

To have increased revenues over the previous quarter, given the backdrop of continuing difficult conditions in the shipping sector speaks volumes about the perseverance and adaptability of the logistics team. Their relentless efforts to secure containers and shipping births allowed us to deliver more product than in the previous quarter and to help us manage our working capital effectively. Their efforts are recognized and appreciated throughout the Group and are highly valued by our customers.

The major carbon markets have continued to attract increased attention from investors and organisations looking to service internal climate goals and gain valuable exposure to

carbon price movements. Increased interest has driven the main compliance markets to new all-time highs, reflecting strong fundamentals and a positive market outlook. Even more encouraging for Woodbois is the growth in the Voluntary Carbon Market. Recent analysis reported that trading volumes for the first eight months of the year were 27% higher than in 2020, with total volumes expected to breach US$1 billion this year. It is also positive to see carbon credits from reforestation projects command significant price premiums over other project types.

Interest in carbon markets has been further buoyed by COP26 coverage. We look towards COP26 with great interest for a number of reasons. Woodbois will have a presence at the conference, and we are excited by the opportunity to contribute to discussions and grow our network in the climate space. We also hope that the conference will set in place further mechanisms for change, hastening global action in line with the goals of the Paris agreement and allowing our inherent strengths to be increasingly relevant to the transformations required."

Enquiries:

Woodbois Limited
Paul Dolan - Chair and CEO + 44 (0)20 7099 1940

Canaccord Genuity (Nominated Advisor and Broker) + 44 (0)20 7523 8000
Henry Fitzgerald-O'Connor
James Asensio
Thomas Diehl

Celicourt Communications (IR/PR) +44 (0)20 8434 2643
Mark Antelme woodbois@celicourt.uk
Jimmy Lea

Background on Woodbois

Woodbois Limited (AIM:WBI) is an African focused forestry company, divided into three distinct, but highly complementary divisions comprising the production and supply of sustainable African hardwood products, the trading of hardwood and hardwood products, and a reforestation and carbon credit division.

Woodbois' forestry division has production facilities in Gabon and Mozambique, managing a total of c470,000 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 with its global customer base.

The Company's carbon sequestration and trading division, which was formed in March 2021, aims to generate voluntary carbon credits for corporate partners through the delivery of large-scale reforestation projects.

The Company's focus on the transparency and sustainability of its timber operations has been recognised by The Zoological Society of London, which ranked Woodbois joint sixth in its Sustainability Policy Transparency Toolkit ('SPOTT") ESG policy transparency assessments for the worldwide timber and pulp industries for 2021.

Please follow the Company on Twitter: @WoodboisLtd

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