



Midway Limited

ABN 44 005 616 044

Initial Public Offering

Prospectus



Joint Lead Managers

BELL POTTER

Morgans IN ALLIANCE WITH **CIMB**

ORD MINNETT

Important Notice

Offer

The Offer contained in this Prospectus is an invitation to apply for fully paid ordinary shares in Midway Limited (ABN 44 005 616 044) (**Midway** or the **Company**) (the **Shares**) that will be sold by Midway SaleCo Limited (ACN 611 573 043) (**SaleCo**). This Prospectus is issued by the Company and SaleCo for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**).

Lodgement and Listing

This Prospectus is dated 17 November 2016 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The Company will apply to ASX Limited (**ASX**) within seven (7) days after the Prospectus Date for admission to the Official List and for official quotation by the ASX of all of the issued shares of the Company, including Shares offered by this Prospectus. None of ASIC, the ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the Offer contained in it.

Expiry Date

This Prospectus expires on the date which is 13 months after the Prospectus Date (**Expiry Date**). No securities will be allotted, issued or transferred based on this Prospectus after the Expiry Date.

Underwriting

The Offer is being arranged, managed and underwritten by Bell Potter Securities Limited, Morgans Corporate Limited and Ord Minnett Limited (together, the **Joint Lead Managers**).

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, personal circumstances (including financial and taxation issues) or particular needs of any prospective investor.

Applicants should read this Prospectus in its entirety before deciding to invest in the Company. In particular, Applicants should refer to Sections 4 and 5 for Financial Information relating to the Company and details of the risk factors that could affect the performance of the Company. Applicants should consider the prospects of the Company in light of their individual objectives, circumstances, financial situation and needs. Applicants should seek professional advice from a stockbroker, solicitor, accountant or other independent financial adviser before deciding to invest in the Company. There may be risks in addition to those risks set out in this Prospectus that should be considered in light of your personal circumstances.

Disclaimer

Except to the extent required by law, neither the Company, SaleCo nor any other person guarantees

the success of the Company, the repayment of capital, the payment of dividends or the price at which the Shares will trade on the ASX.

As set out in Section 7.11.3, it is expected that the Shares will initially be quoted on the ASX on a deferred settlement basis. The Company, SaleCo, the Joint Lead Managers, the Company's share registry Computershare Investor Services Pty Limited (**Share Registry**) and the Selling Shareholders disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Obtaining a copy of the Prospectus

A paper copy of this Prospectus is available free of charge to any person by telephoning the Midway Offer Information Line on 1300 781 323 (toll free within Australia) or +61 (3) 9415 4673 (outside Australia) between 9.00am and 5.00pm (AEST) Monday to Friday.

This Prospectus is also available in electronic form at www.midwaylimitedoffer.com.au only to persons within Australia. Persons who access this Prospectus electronically should ensure they download the entire Prospectus, accompanied by the relevant Application Form for the Shares (**Application Form**). Any person accessing this Prospectus electronically will be sent a paper copy of the Prospectus and Application Form by the Broker free of charge, on request, during the period of the Offer.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a complete and unaltered paper copy or electronic version of this Prospectus. The Company reserves the right not to accept a completed Application Form if it has reason to believe that, when the Applicant accessed the Application Form electronically, the Applicant did not also obtain a complete electronic version of this Prospectus and any relevant supplementary or replacement Prospectus, or has reason to believe that the Application Form, or any of those documents, has been altered or tampered with in any way.

Applications for Shares

An Application for Shares in the Company (**Application**) may only be made on a paper copy of the Application Form attached to, or accompanying, this Prospectus. There is no facility for Applications to be accepted electronically. Please refer to Section 7 for instructions as to how to make an Application for Shares.

Exposure Period

The Corporations Act prohibits the Company from accepting or processing Applications in the seven (7) day period after the Prospectus Date (**Exposure Period**). This Exposure Period may be extended by ASIC by up to seven (7) further days. The purpose of

the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Distribution of Prospectus

The distribution of this Prospectus (including in electronic form) in jurisdictions outside of Australia (including the United States) may be restricted by law. Persons who obtain this Prospectus in jurisdictions outside of Australia should seek advice on and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or an invitation in any place outside of Australia where, or to any person to whom, it would be unlawful to make such an offer or invitation.

Foreign selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

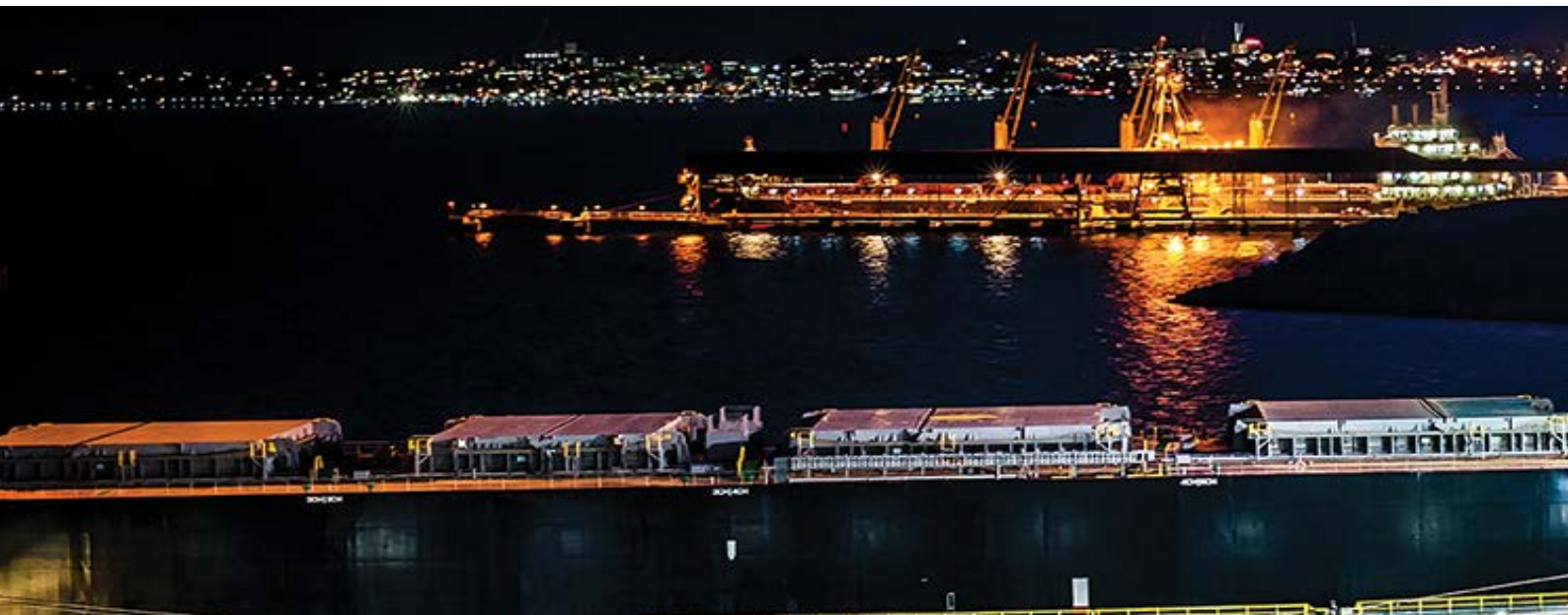
In particular, the Shares have not been, and will not be, registered under the *U.S. Securities Act of 1933* (as amended) (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction in the United States and the Shares may not be offered, sold, pledged or otherwise transferred, whether directly or indirectly, in the United States unless the Shares are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act and any other applicable securities laws is available.

Accordingly, the Shares are being offered and sold only outside the United States in reliance on the exemption from registration provided by Regulation S promulgated under the U.S. Securities Act.

See Section 7.8 for more detail on selling restrictions that apply to the offer and sale of Shares in jurisdictions outside of Australia.

Liability for Prospectus

No person is authorised to give any information, or to make any representation, in connection with the Offer, other than that which is contained in this Prospectus. Any information or representation not contained in



this Prospectus may not be relied on as having been authorised by the Company, SaleCo, the Directors of the Company or SaleCo, the Joint Lead Managers or any other person in connection with the Offer. The Company is not liable for this Prospectus, or in respect of the Offer, except to the extent required by law.

Forward-looking statements

Certain statements, beliefs and opinions contained in this document, particularly those regarding the possible or assumed future financial or other performance of the Company, industry growth or other trend projections are or may be forward-looking statements. Forward-looking statements can be identified by the use of "forward-looking" terminology, including, without limitation, the terms "believes", "estimates", "anticipates", "expects", "predicts", "intends", "plans", "propose", "goals", "targets", "aims", "outlook", "guidance", "forecasts", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future, assumptions which may or may not prove correct, and may be beyond the Company's ability to control or predict which may cause the actual results or performance of the Company to be materially different from the results or performance expressed or implied by such forward-looking statements. Forward-looking statements are based on assumptions and contingencies and are not guarantees or predictions of future performance. No representation is made that any of these statements or forecasts will occur or that any forecast result will be achieved. Similarly, no representation is given that the assumptions upon which forward-looking statements may be based are reasonable. You should make your own independent assessment of the information and seek your own independent professional advice in relation to the information and any action taken based on of the information. None of the Company, SaleCo, the Joint Lead Managers or any other adviser to the Company makes any representation or warranty as to the accuracy of any forward-looking statements contained in this document. Forward-looking statements speak only as at the date of this document and the Company, SaleCo, the Joint Lead Managers and all other advisers to the Offer disclaim any obligations or undertakings to release any update of, or revisions to, any forward-looking statements in this document.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions, are for illustration only and should not be interpreted to mean that any

person shown in them endorses this Prospectus or its contents, or that the assets shown in them are owned by Midway. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables included in this Prospectus is based on information available to the Company at the Prospectus Date.

Statements of past performance

Past performance information in this Prospectus is given for illustrative purposes only and should not be relied on as (and is not) an indication of future performance. Actual results could differ materially from those referred to in this Prospectus.

Market and industry information

This Prospectus contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to Midway's business and markets, as cited in relevant sections within this document. The information contained in these cited reports has been accurately reproduced, and, as far as Midway is aware, no facts have been omitted which would render the information provided inaccurate or misleading. Midway has not independently verified, and cannot give any assurances as to the accuracy and completeness of the market and industry data contained in this Prospectus that has been extracted or derived from the cited reports. Accordingly, the accuracy and completeness is not guaranteed. Investors should note that market data and statistics are inherently predictive, subject to uncertainty, and are not necessarily reflective of actual market conditions.

Privacy

Persons who make Applications for Shares will provide personal information to the Company, SaleCo and the Share Registry, which is contracted by the Company to manage Applications. Taxation and Company law requires some personal information to be collected in connection with Applications for Shares. If an Applicant does not provide the information requested, the Applicant's Application for Shares may not be able to be processed efficiently, if at all.

The Company, SaleCo and the Share Registry collect, store and use the personal information provided by each Applicant in order to: assess the Applicant's Application for Shares; service the needs of the Applicant as an investor in the Company; provide facilities and services requested by the Applicant as an investor in the Company; and carry out relevant administration.

The Company, SaleCo and the Share Registry may disclose an Applicant's personal information to their agents and service providers, for purposes related

to the Applicant's investment in the Company. The Company and the Share Registry may also disclose an Applicant's personal information as otherwise authorised under applicable privacy legislation. An Applicant has a right to gain access to his or her personal information that Midway and the Share Registry may hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to Midway's registered office or the Share Registry's office, details of which are included in the Corporate Directory on the final page of this Prospectus. Applicants can obtain a copy of Midway's privacy policy by visiting the Company's offer website (www.midwaylimitedoffer.com.au). By submitting an Application, you agree that Midway and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer.

Report on Financial Information and Financial Services Guide

The provider of the Investigating Accountant's Report is required to provide Australian retail clients with a Financial Services Guide in relation to the review under the Corporations Act. The Financial Services Guide is provided in Section 8.

Midway website

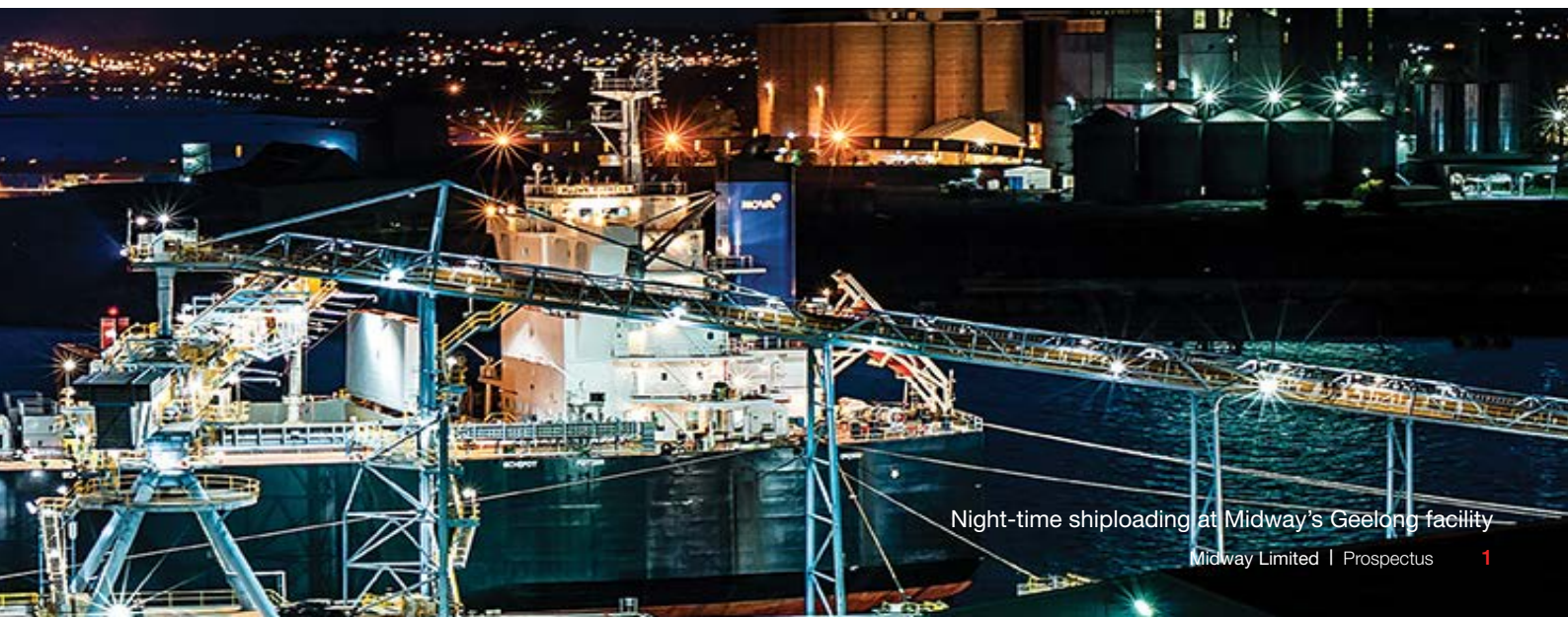
All references to the Company's website in this Prospectus are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in the sources contained in this Prospectus, is incorporated by reference into this Prospectus.

Defined terms and abbreviations

Please refer to the Glossary on page 131 for explanations of defined terms and abbreviations used in this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, Australia. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. There may be discrepancies between totals and sums of components in tables contained in this Prospectus due to rounding.

Questions

If you have any questions about how to apply for Shares, please call your Broker. If you have any questions about whether to invest in Midway, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Midway. For any other questions about the Offer, please contact the Midway Offer Information Line on 1300 781 323 (within Australia) +61 (3) 9415 4673 (outside Australia) between 9.00am and 5.00pm (AEST), Monday to Friday.



Night-time shiploading at Midway's Geelong facility



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Key Offer Information

Key Offer statistics	
Offer Price	\$2.50 per Share
Total number of Shares offered under the Offer ¹	15.0 million
Total value of Shares offered under the Offer ²	\$37.4 million
Number of Shares held by Existing Shareholders at Completion of the Offer ³	59.9 million
Total number of Shares on issue at Completion of the Offer	74.8 million
Market capitalisation ²	\$187.0 million
Enterprise value ⁴	\$214.0 million
Enterprise value to pro forma forecast FY2017 EBITDA (times) ^{5, 6}	7.6x
Offer Price to pro forma forecast FY2017 NPAT per Share (times) ^{5, 7}	11.4x
Implied dividend yield for FY2017 at the Offer Price (based on the midpoint of the target dividend payout ratio of the pro forma forecast FY2017 NPAT) ⁸	7.0%

1. The Shares under the Offer will be offered by SaleCo. For further information, refer to Section 7.1.

2. Based on the Offer Price.

3. As set out in Section 7.7, the majority of these Shares will be subject to voluntary escrow arrangements.

4. Enterprise value calculated as the sum of market capitalisation of Midway at the Offer Price and the net debt contained in the pro forma balance sheet (see Section 4 for further details).

5. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix D, and is subject to the key risks set out in Section 5. There is no guarantee that forecasts will be achieved. Certain financial information included in this Prospectus is described as pro forma for the reasons described in Section 4.3.

6. EBITDA is defined as earnings before interest, amortisation, depreciation and income tax.

7. This ratio is commonly referred to as a price to earnings (PE) ratio. The PE ratio is calculated as the Offer Price of \$2.50 per Share divided by pro forma forecast net profit after tax (NPAT) per Share.

8. Determined at the midpoint of the target dividend payout ratio range of 70% to 90% of the pro forma forecast FY2017 NPAT, franked to the maximum extent available, as referred to in Section 4.14.

Important dates

Prospectus lodgement	17 November 2016
Retail Offer opens ¹	28 November 2016
Retail Offer closes	5 December 2016
Settlement	6 December 2016
Issue and transfer of Shares (Completion of the Offer)	7 December 2016
Expected commencement of trading of Shares on ASX (deferred settlement basis)	8 December 2016
Expected completion of dispatch of holding statements	9 December 2016
Expected commencement of trading of Shares on ASX (normal settlement basis)	12 December 2016

Dates may change

The dates above are indicative only and may change without notice. Midway, in consultation with the Joint Lead Managers, reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are encouraged to submit their Application Forms as early as possible after the Offer opens.

All times are AEST.

How to invest

Applications for Shares can only be made by completing and lodging the Application Form. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

Questions

Call the Midway Offer Information Line on 1300 781 323 (toll free within Australia) or +61 (3) 9415 4673 (outside Australia) from 9.00am until 5.00pm (AEST), Monday to Friday during the Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

1. The Retail Offer includes the Broker Firm Offer and the Priority Offer.



Dear Investor,

On behalf of the Board of Midway Limited (Midway or the Company), it is my pleasure to invite you to become a Shareholder. Midway is one of Australia's largest producers of woodchips and a leading company in the Australian forestry sector, primarily involved in the production and export of high quality wood fibre to producers of pulp, paper and associated products in China and Japan.

Midway has a proud heritage and history spanning 36 years. The Company, during this time, has established and developed a wholly owned and strategically located processing and export facility in Geelong as well as majority shareholdings in processing and export facilities in Portland and Brisbane.

One of the key strengths of Midway has been its stable Board and management team who have overseen the significant and consistent growth in sales volume while guiding the business through the difficult trading conditions post the global financial crisis.

Most of Midway's processing and handling capacity of approximately four million GMT per annum has been developed in the last decade, with all of the facilities designed and constructed to maximise supply chain efficiency from receipt of resource at mill gate to completion of ship loading.

During this period, Midway has also been able to develop and refine several key components of the business which have been essential to its success:

- ability to secure access to resource;
- strategic rights to access scarce, high quality, port facilities;
- enduring relationships with key customers; and
- a skilled and loyal workforce.

The Directors expect that, in the short term, demand from key customers in China and Japan is likely to exceed our supply arrangements. As additional supply arrangements are secured, we will seek to satisfy this excess demand as well as broaden our customer base in Japan, China, Taiwan and India.

Midway will continue to pursue further growth opportunities both organically and through acquisitions by:

- securing additional supply to meet expected unfulfilled demand from existing and potential customers, including through a strategic alliance with asset and investment manager GMO Renewable Resources, LLC GMORR and collaboration with other interested parties;
- proactively seeking new opportunities to utilise spare capacity at the three processing and export facilities utilised by Midway;
- continuing to evaluate the potential acquisition of existing Australian woodchip production and exporting businesses; and
- exploring complementary business opportunities which utilise our marketing, processing and supply chain management skills.



As set out in the table contained in Section 4.5.1, the Directors forecast that in FY2017 Midway will generate pro forma revenue of \$206.5 million, pro forma EBITDA of \$28.1 million and pro forma net profit after tax of \$16.5 million. Further, it is the Directors' intention to target a dividend payout ratio of between 70% and 90% of pro forma net profit after tax, franked to the maximum extent available, as referred to in Section 4.14.

The purpose of the Offer is to enable willing Existing Shareholders to realise their investment in Midway, provide Midway with access to capital markets to enable it to pursue further growth opportunities, broaden the Company's Shareholder base and provide a liquid market for its Shares. Proceeds from the Offer will be used to pay the consideration payable to the Selling Shareholders in respect of the sale of their Shares to SaleCo, as referred to in Section 7.1.

Entities I am associated with hold approximately 13.0 million Shares (17.3% shareholding) in Midway. Chebmont Pty Ltd, an entity associated with my fellow Director, Mr Nils Gunnersen, holds approximately 28.5 million Shares (38.1% shareholding) in Midway. Neither my nor the Gunnersen associated shareholdings will be offered for sale in connection with the Offer, and our respective shareholdings will be escrowed until Midway lodges with ASX its Appendix 4E (Preliminary Final Report) for FY2018. Upon Completion of the Offer, new Shareholders are expected to hold 20.0% of the Shares. Existing Shareholders, including management, will hold the remaining 80.0% of Shares (see Section 7.7 for further details).

This Prospectus contains detailed information about the Company, the Offer, the industry in which Midway operates and its financial and operating performance. As with any Company, there are a number of risks associated with an investment in Midway which investors should consider as part of their investment decision. Key risks associated with an investment in the Company are set out in Section 5 of this Prospectus and include general economic conditions, increased competition, acquisition risk, contractual risk, loss of key personnel, foreign exchange rates and availability of financing facilities amongst others. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

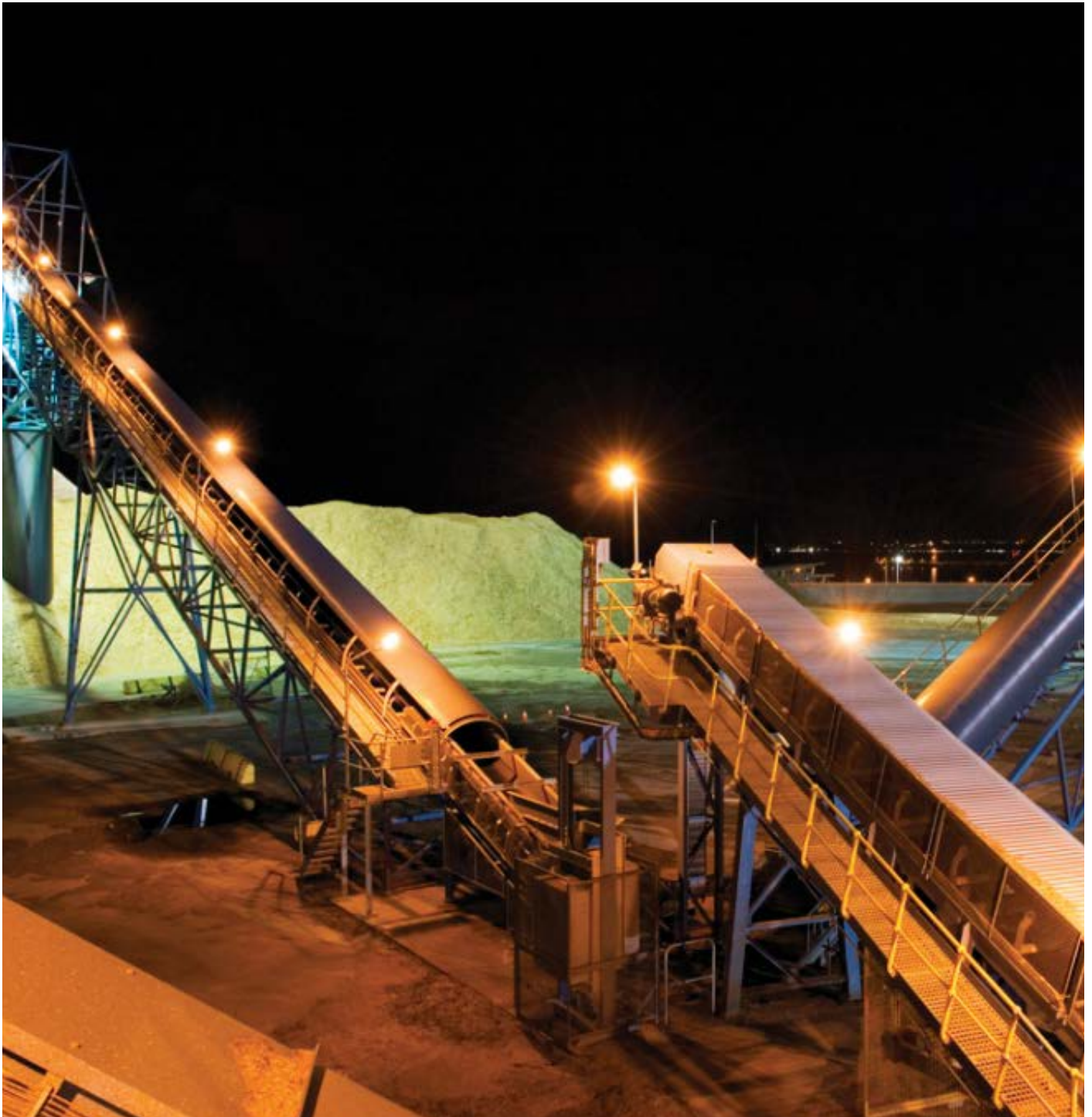
This Offer provides an opportunity for you to share in Midway's exciting future. On behalf of the Board of Directors, I look forward to welcoming you as a fellow Shareholder.

Yours sincerely,

A handwritten signature in black ink, appearing to read "G. McCormack", is positioned above the printed name of the Chairman.

Greg McCormack
Chairman, Midway Limited

INVESTMENT HIGHLIGHTS



Plantation hardwood stockpile conveyors at Midway's Geelong facility

1.1 Introduction

Topic	Summary	For more information
What is Midway?	<p>Midway is a leading Company in the Australian forestry sector, primarily involved in the production and export of high quality wood fibre to producers of pulp, paper and associated products in China and Japan:</p> <ul style="list-style-type: none"> • founded in 1980, Midway wholly owns strategic processing and export facilities in Geelong and is the majority shareholder and manager of strategic processing and export facilities in Portland and Brisbane; • while Midway does not own a material amount of trees in its own right, it does have secured substantial future supply of approximately 13 million tonnes over the 10 year period ending 30 June 2026 from native hardwood and plantation growers (which is in addition to any currently unsecured supply that is likely to become available during that • key trading relationships have been established with several pulp and paper producers in China and Japan with a combination of FOB and CIF sales generating forecast sales revenues of \$206.5 million in FY2017; and • Midway owns freehold plantation land of approximately 16,000 ha with a book value of \$68.3 million as at 30 June 2016. There is the opportunity for this land to potentially be sold off for higher value uses while the existing tree crop, which is owned by a third party, is progressively harvested and supplied to Midway over the next 10 to 12 years. 	Sections 2.1 and 3
Why is the Offer being conducted?	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> • give Existing Shareholders an opportunity to realise their investments in Midway; • provide the Midway business with the benefits of an increased profile that arises from being a listed entity; • provide Midway with access to capital markets which will afford the business additional financial flexibility to pursue further growth opportunities, including by paying for such acquisitions by way of the issue of Shares; and • provide a liquid market for its Shares and an opportunity for others to invest in Midway. 	Section 7.1.2

1.2 Key features of Midway's business model

Topic	Summary	For more information
How does Midway generate income; and what are Midway's key costs?	<p>Midway's primary source of income is derived from producing hardwood and softwood woodchips from logs acquired, mostly from private plantation owners in Victoria, South Australia, New South Wales and Queensland, and exporting those woodchips from facilities in the ports of Geelong, Portland and Brisbane to several different producers of pulp, paper and associated products in China and Japan.</p> <p>The most significant cost item to Midway's operations is the cost of raw materials, consumables and other procurement costs. The key cost items comprising costs of goods sold are the purchase of raw materials (stumpage, harvesting, and road freight), ship loading, ocean freight and direct wages. Total costs for raw materials, consumables and other procurement costs for FY2017 amounted to \$127.3 million or 61.6% of sales revenue based on pro forma results.</p>	Sections 3.2, 3.3 and 4.9.1
Which geographical markets does Midway operate in?	<p>Midway currently exports woodchips to customers / pulp mills in China, with a mix of FOB and CIF sales, and to customers / pulp mills in Japan on an FOB basis. Together, based on the findings in the RISI Report, China and Japan account for more than 90% of Asia's current import volume of hardwood woodchips, with the majority of the balance imported by Korea, Taiwan and India. Whilst the latter represent potential future markets, they are not immediate priorities.</p>	Section 3.2

1. Investment Highlights

Topic	Summary	For more information
What are Midway's key assets?	<p>Midway has a number of key assets including:</p> <ul style="list-style-type: none"> approximately 16,000 ha of freehold plantation land valued at \$68.3 million as at 30 June 2016. There is the opportunity for this land to potentially be sold off for higher value uses while the existing tree crop, which is owned by a third party, is progressively harvested and supplied to Midway over the next 10 to 12 years; approximately 19 ha of portside freehold land in Geelong with substantial capital improvements including a head office for the Company, two static woodchip mills with a combined annual woodchip production capacity of 1.8 million GMT and extensive woodchip storage and processing facilities; 51% of the issued shares in South West Fibre Pty Ltd (SWF). SWF owns 100 ha of freehold land in Myamyn, with a static woodchip mill capable of producing 1.2 million GMT of woodchip per annum, together with associated log and woodchips storage and handling facilities; 90% of the issued shares in Queensland Commodity Exports Pty Ltd (QCE). QCE leases a 4 ha site in the Port of Brisbane until 2022 and has production and handling infrastructure with a capacity of 0.6 million GMT of woodchips per annum; and as at 30 June 2016, the book value of Midway's inventory was \$11.7 million comprising \$11.6 million of woodchip stock and \$0.1 million of log stock. 	Section 3.2
Who are Midway's customers?	<p>Midway's customers include several major producers of pulp, paper and associated products in China and Japan. Midway continues to explore opportunities to expand its customer base in other regions, including in Korea, Taiwan and India.</p>	Section 3.3
How does Midway source timber?	<p>Midway has a number of contracted timber supply arrangements with several plantation owners within close proximity to the Company's current processing facilities. The timber supply arrangements cover a range of supply periods and pricing terms. Whilst the focus is on securing additional supply commitments for the next three years, some of the existing arrangements extend to FY2025.</p> <p>Until recently, between 10% and 20% of timber supply was from the Company's own freehold plantation land. In February 2016, the majority of the standing trees of that estate were sold to Strategy Timber Pty Ltd as trustee for the Strategy Timber Trust (Strategy), an investment trust managed by GMO Renewable Resources, LLC GMORR, a Timber Investment Management Organisation (TIMO), with the sale transaction including the following:</p> <ul style="list-style-type: none"> that plantation hardwood from the land will be sold back to Midway at the time of harvest on agreed terms and conditions; and that Midway and GMORR enter into a Strategic Alliance Agreement. The Strategic Alliance was entered into in February 2016. The Strategic Alliance Agreement is non-binding other than in respect of exclusivity and confidentiality, through which Midway and GMORR agree to work together to identify hardwood plantations for GMORR to acquire or establish on behalf of its investors within the Portland and Geelong catchments for supply to Midway at harvest (Strategic Alliance). <p>Further details regarding the sale transaction between Midway, Strategy and GMORR are set out in Section 9.6.1.</p>	Sections 3.2, 3.5 and 9.6.1

Topic	Summary	For more information																																									
What is Midway's growth strategy?	<p>Midway will continue to seek to grow its business both organically and through acquisitions, including by:</p> <ul style="list-style-type: none">• securing additional supply to meet unfulfilled demand from existing customers and, potentially, commencing trade with existing Asian buyers with whom the Company does not currently transact;• seeking new opportunities to utilise any surplus capacity at the three processing and export locations, including exploring potential opportunities in connection with other compatible dry bulk products;• evaluating the potential acquisition of existing Australian woodchip producers and exporters;• working with other industry stakeholders to establish arrangements to secure the long-term supply of timber, including through the Strategic Alliance with GMORR (as described above); and• acquiring complementary business opportunities which utilise existing Midway marketing, processing and supply chain management skills.	Section 3.5																																									
How does Midway expect to fund its growth strategy?	<p>For opportunities that meet Midway's investment criteria, growth will be funded in one or more of the following ways:</p> <ul style="list-style-type: none">• Cash at bank. Based on the pro forma balance sheet set out in Section 4.7.1, Midway has approximately \$4.0 million of cash.• Operating cash flow. Midway expects continuing strong cash flow from its operations will be potentially augmented by proceeds from any plantation land which is sold off for higher value uses while the existing tree crop, which is owned by a third party, is progressively harvested and supplied to Midway over the next 10 to 12 years.• New capital. The listing of Midway will provide it with access to equity capital markets which may afford the Company additional financial flexibility to pursue further growth opportunities.	Section 4.5.1																																									
What is Midway's historical and forecast financial performance?	<table><tr><th rowspan="2">\$ millions</th><th colspan="3">Pro forma historical</th><th>Pro forma forecast</th><th>Statutory forecast</th></tr><tr><th>FY2014</th><th>FY2015</th><th>FY2016</th><th>FY2017</th><th>FY2017</th></tr><tr><td>Sales revenue</td><td>82.6</td><td>130.3</td><td>200.3</td><td>206.5</td><td>206.5</td></tr><tr><td>EBITDA</td><td>2.2</td><td>16.6</td><td>35.6</td><td>28.1</td><td>25.6</td></tr><tr><td>EBIT</td><td>(1.5)</td><td>13.0</td><td>32.1</td><td>24.6</td><td>22.1</td></tr><tr><td>Net profit before tax</td><td>(2.8)</td><td>11.8</td><td>30.9</td><td>23.2</td><td>20.7</td></tr><tr><td>Net profit after tax (NPAT)</td><td>(2.1)</td><td>9.2</td><td>23.4</td><td>16.5</td><td>14.8</td></tr></table> <p>The Financial Information presented above is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information disclosed in Section 4, including the assumptions, management discussion, analysis and sensitivity analysis, as well as the risk factors set out in Section 5. Certain Financial Information is described as pro forma for the reasons described in Section 4.2 and 4.3.</p>	\$ millions	Pro forma historical			Pro forma forecast	Statutory forecast	FY2014	FY2015	FY2016	FY2017	FY2017	Sales revenue	82.6	130.3	200.3	206.5	206.5	EBITDA	2.2	16.6	35.6	28.1	25.6	EBIT	(1.5)	13.0	32.1	24.6	22.1	Net profit before tax	(2.8)	11.8	30.9	23.2	20.7	Net profit after tax (NPAT)	(2.1)	9.2	23.4	16.5	14.8	
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Net profit after tax (NPAT)	(2.1)	9.2	23.4	16.5	14.8																																						

1. Investment Highlights

Topic	Summary	For more information
What is Midway's dividend policy?	<p>The payment of a dividend by Midway is at the discretion of the Directors and will be a function of a number of factors, including general business conditions, the operating results and financial condition of Midway, future funding requirements, compliance with working capital facilities, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Midway, and any other factors the Directors may consider relevant.</p> <p>The Directors intend to target a dividend payout ratio of between 70% and 90% of NPAT, franked to the maximum extent available. However, the level of the dividend payout ratio is expected to vary between periods depending on the factors above. No assurances can be given by any person, including the Directors, about the payment of any dividend or the level of franking on any such dividend.</p> <p>It is the current intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is anticipated that interim dividends will be paid in March and final dividends will be paid in September following the end of the relevant financial period. It is expected that all future dividends will be franked to the maximum extent available.</p>	Section 4.14
When will the first dividend be paid after Completion?	Subject to the factors set out above, the Board may declare and pay a dividend after Completion in respect of the six-month period ending 31 December 2016.	Section 4.14

1.3 Key business highlights

Topic	Summary	For more information
Major Australian producer of woodchips	Midway produced 2.9 million GMT of woodchips in calendar year 2015, being more than any other Australian operator.	Section 3.1.1
Highly successful business with significant barriers to entry	<p>Midway has developed and refined several key components essential to its success, which include:</p> <ul style="list-style-type: none">• secure supply arrangements;• secure access to quality port facilities;• established relationships with key customers; and• a skilled and loyal workforce. <p>Given the time, relationships and costs required to develop and refine the components referred to above, the Directors consider that there are high barriers for new entrants to enter the market and to compete with Midway in the locations in which it operates.</p>	Section 3.1
Strategic land holdings, port facilities and processing facilities	<p>Midway's three processing and export facilities in Geelong, Portland/Myamyn and Brisbane are well located and in close proximity to available timber supply in each catchment.</p> <p>In addition, Midway has expended considerable amounts on its infrastructure to process timber at these facilities, with a combined processing capacity of approximately 4.0 million GMT per annum.</p>	Section 3.2

Topic	Summary	For more information
Favourable industry supply and demand dynamics	<p>In recent years, Japanese imports of hardwood woodchips have grown slightly, despite the country's economic conditions and the impact that technology has had on domestic demand for newsprint and office paper. At the same time, demand for imported hardwood woodchips from China has grown strongly, reflecting both the growth of that economy and the replacement of a large number of old, smaller pulp mills (which mainly utilised bamboo and straw) with more modern facilities utilising hardwood woodchips. According to the RISI Report (described below), China's import volumes of woodchips have grown from approximately 2.0 million GMT per annum in 2008 to more than 17.0 million GMT per annum in 2015.</p> <p>In early 2016, Midway commissioned the highly regarded U.S. Boston based global forest products research house, RISI, to produce a regional hardwood woodchip supply/demand forecast analysis for the period up to 2030 (RISI Report). Amongst other things, subject to the various qualifications set out in that report, the RISI Report notes that:</p> <ul style="list-style-type: none"> • China's demand for imports of hardwood woodchips is likely to grow at 2.5% annually to 2020; • Japan's demand for imports of hardwood woodchips is likely to decrease slowly; • total regional demand for hardwood woodchip imports is likely to remain relatively stable over the next 15 years; • total regional supply of hardwood woodchips is likely to decrease over the next 15 years resulting in a supply deficit; and • the forecast regional supply/demand position for hardwood woodchips will move from the current balanced position to a supply deficit of 0.8 million BDMT in 2020, rising to 2.1 million BDMT by 2030, creating a favourable pricing environment for suppliers. 	Sections 2.2 and 2.23
Confirmed supply of timber	<p>Midway has entered into arrangements to seek to secure the supply of timber over the next decade for each of its three production and export facilities, which includes arrangements in respect of the following:</p> <ul style="list-style-type: none"> • 12.9 million GMT of timber agreed to be supplied up to the end of FY2020; and • the majority of such timber supply is from 11 major suppliers with varying supply periods and purchase arrangements. <p>In addition, the Directors estimate that there is approximately 7 million GMT of additional timber available for supply over the next decade within the Geelong, Portland and Brisbane supply catchments.</p>	Sections 3.2.4, 3.5 and 9.6.1
Strong and established customer relationships in key Asian markets	<p>Midway currently trades with several key producers of pulp, paper and associated products as follows:</p> <ul style="list-style-type: none"> • Midway has long-term relationships with two major producers in Japan who, according to the RISI Report, together account for around 49% of the country's hardwood woodchip imports; and • Midway exports woodchips to several producers in China which collectively, according to the RISI Report, account for more than 90% of the country's hardwood woodchip imports. <p>In FY2016, the combined demand from Midway's customers in China and Japan exceeded the amount of woodchips that Midway has been able to source from its existing timber supply arrangements.</p> <p>If additional timber supply arrangements are entered into, the increased capacity to fulfil demand from existing customers, together with potential sales to other customers in China and Japan (and producers in Taiwan, South Korea and India) provide opportunities for growth and potential for increased sales by Midway.</p>	Section 3.3

1. Investment Highlights

Topic	Summary	For more information
Long standing and experienced Board and senior management team	<p>Three of the five current Non-Executive Directors have had a long and close association with Midway (together with their respective family companies), and have been heavily involved in various aspects of the Australian forestry and wood processing and marketing sectors. The other two current Non-Executive Directors, both independent, have previously held senior management and Board positions at various companies in the agricultural, forestry and/or export industries. The Non-Executive Directors have an average of approximately 10 years on the Midway Board and have a strong knowledge of the Company's operations, markets and key management.</p> <p>The current CEO, Tony Price, joined Midway in October 2015. Tony has had a close association with Midway and its key staff and markets through previous positions. He has extensive relevant experience with more than 30 years in the industry including senior roles in North Forest Products and Global Forest Partners.</p> <p>Apart from the CEO, the management team comprises five seasoned professionals who have an average of more than 18 years with the Company and who are highly regarded throughout the industry.</p>	Sections 6.1 and 6.2

1.4 Key risks

Topic	Summary	For more information
Loss of major customers	Although Midway has diversified its markets in recent years, all of its current customers are individually material and most are not subject to long-term contracts. There is a risk that Midway may not continue to transact with one or more of its major customers or that the level of sales to its customers could decrease.	Sections 3 and 5.2.1
Security of supply of timber	There is a risk that Midway may not be able to acquire sufficient quantities of timber supply to meet the requirements of its customer base or to maintain the current utilisation of its processing and export capacity.	Section 5.2.5
Future acquisitions and joint ventures	From time to time, Midway may undertake acquisitions or enter into joint ventures consistent with its stated growth strategy. The successful implementation of acquisitions or joint ventures will depend on a range of factors including funding arrangements, cultural compatibility and integration. To the extent that acquisitions are not successfully integrated with Midway's business, the financial performance or prospects of Midway could be adversely affected.	Section 5.2.4
Loss of key personnel	Despite the low historical staff turnover, the loss of key members of senior management may adversely affect Midway's ability to develop or implement its business strategies and may adversely affect its future financial performance.	Section 5.2.10
Seasonal, natural and environmental conditions	There is a risk that Midway could be exposed to a number of natural events such as rainfall variations, storms, fires, pests, disease and other adverse natural or environmental conditions which may negatively impact suppliers' operations and/or the Company's own harvesting and marketing operations.	Sections 5.3.3 and 5.2.13
Logistics delays and other scheduling issues	Weather events, industrial action at ports, port congestion and other factors, including political and regulatory factors, may impact Midway's ability to transport woodchips in a timely manner, to maintain current levels of capacity utilisation or to meet customers' demands.	Section 5.2.9

Topic	Summary	For more information
Banking facilities	Midway is subject to the risk that it may not be able to refinance its existing or future bank facilities as and when they fall due, or that the terms available to Midway on refinancing will not be as favourable as the terms of its existing or future bank facilities. In addition, and as set out in Section 4.7.2, Midway has a debt facility which is subject to various covenants. Factors such as a decline in Midway's operations and financial performance (including any decline arising from any adverse exchange rate fluctuations) could lead to a breach of its banking covenants. If a breach occurs, Midway's financier may seek to exercise enforcement rights under the debt facility, including requiring immediate repayment, which may have a materially adverse effect on Midway's future financial performance and position.	Section 5.2.3
Exposure to foreign exchange rates	A substantial proportion of Midway's sale revenue is denominated in USD whilst costs are in AUD. Any adverse exchange rate fluctuations or volatility in the currencies in which Midway generates its revenues, and incurs its costs, would have an adverse effect on its future financial performance and position. In particular, a significant appreciation of the AUD against the USD would have a material adverse effect on Midway's revenues and profitability. The Company does hedge its currency movements from time to time and as of 17 November 2016 has entered into FX contracts to cover substantially all of its forecast sales for the Q1 FY2017 and Q2 FY2017 periods at average AUD:USD rates of 0.735 and 0.749, respectively.	Section 5.2.2
Lease not renewed	There is a risk that QCE's lease with the Port of Brisbane is not renewed when the current term expires in 2022.	Section 5.2.11
Product contamination	Woodchips can become contaminated with foreign agents such as rubber or plastic in the production process. If not detected early, contamination either at the loading or receiving port may render the product worthless. Contamination may also result in a claim by a pulp and paper producer if it remains undetected throughout the supply chain, with both financial and reputational impacts.	Section 5.2.6
Legislative change	Midway must comply with a range of legislative requirements including the Corporations Act, ASIC policy, ASX Listing Rules and the Occupational Health and Safety Act. Changes to any of these may impact negatively on operations or performance.	Sections 5.2.13 and 5.2.14
Other key risks	A number of other specific key risks to an investment in Midway and general investment risks are set out in Section 5.	Section 5

1.5 Midway Directors and key executives

Topic	Summary		For more information
Who are the Directors of Midway?	Greg McCormack	Non-Executive Chairman	Section 6.1
	Tony Price	Managing Director and CEO	
	Nils Gunnersen	Non-Executive Director	
	Anthony Bennett	Non-Executive Director	
	Tom Keene	Independent Non-Executive Director	
	Gordon Davis	Independent Non-Executive Director	
Who are the other key corporate executives of Midway?	Tony Price	Managing Director and CEO	Section 6.2
	Stephen Roffey	Development Manager	
	Ashley Merrett	Chief Financial Officer	
	Michael Taylor	Operations Manager	
	Rowan Eyre	Resources Manager	
	Sophie Karzis	Company Secretary	
	Malcolm Hatcher	Group Technical Services Manager	

1. Investment Highlights

1.6 Significant interests of key people

Topic	Summary					For more information	
Who are the Existing Shareholders in Midway and what will be their interest following Completion of the Offer?			Shares held at Prospectus Date		Shares held at Completion of the Offer	% Shares held at Completion of the Offer	Section 7.1.4
	Existing Shareholders			% pre-Offer			
	Chebmont Pty Ltd		28,525,892	38.1%	28,525,892	38.1%	
	Entities associated with Mr Greg McCormack		12,978,379	17.3%	12,978,379	17.3%	
	Management, Board and employees		5,542,232	7.4%	2,922,234	3.9%	
	Other Existing Shareholders		27,773,430	37.1%	15,425,737	20.6%	
	Investors in the Offer		-	-	14,967,691	20.0%	
	Total		74,819,933	100.0%	74,819,933	100.0%	
What significant benefits are payable to Directors and other persons connected with Midway or the Offer and what significant interests will they hold?	Key people		Interest or benefit				Section 9.4.2
	Selling Shareholders		Each of the Selling Shareholders has agreed to sell all or some of its Shares in Midway to SaleCo in accordance with the Share Sale Deeds. The amount payable by SaleCo to each Selling Shareholder is the same as the Offer Price under this Prospectus.				
	Non Selling Shareholders		Each of the Non Selling Shareholders will after Completion of the Offer retain the Shares that they held in Midway immediately prior to Completion of the Offer, with the vast majority of such Shares to be held subject to the escrow restrictions contained in Section 7.7.				Sections 7.8, 9.4.3 and 9.4.4
	Managing Director and Senior Managers		The Managing Director and Senior Managers will be entitled to remuneration in respect of their employment, as well as being eligible to participate in the short term incentive program and LTI Plan adopted by Midway (subject to the discretion of the Board). In addition, the Managing Director and certain Senior Managers will be issued with IPO Bonus Rights on Completion of the Offer, as described in this Prospectus.				Section 6.3.3.2
	Non-Executive Directors		The Non-Executive Directors will be entitled to remuneration in respect of their roles.				Section 6.3.2.1
	Advisers and other service providers		The advisers and other service providers will be entitled to the fees and remuneration for the provision of services.				Section 6.3.1

In addition, the table below shows the number of Shares held by Directors immediately prior to, and to be held immediately after, Completion of the Offer. The number of Shares noted in the table includes any Shares held via trusts, companies or superannuation funds associated with the Director.

Topic	Summary					For more information
What significant benefits are payable to Directors and other persons connected with Midway or the Offer and what significant interests will they hold? (continued)						Sections 6.3.2 and 6.3.1

1.7 Overview of the Offer

Topic	Summary	For more information
What is the Offer?	The Offer is an initial public offering of 15.0 million Existing Shares for sale by SaleCo. The Shares being offered will represent 20.0% of Shares on issue following Completion of the Offer.	Section 7.1
What is SaleCo?	<p>Midway SaleCo Limited (ACN 611 573 043) (SaleCo) was incorporated on 30 March 2016 as an Australian public Company limited by shares.</p> <p>SaleCo is a special purpose vehicle established to enable Existing Shareholders to sell all or part of their investment in Midway on Completion of the Offer. Each Director of Midway is also a Director of SaleCo. The sole shareholder of SaleCo is Mr Tony Price, Managing Director of Midway.</p> <p>SaleCo has no material assets, liabilities or operations other than its interest in the Share Sale Deeds and the other documents referred to in Section 9.4.</p>	Section 9.4
What will happen on Completion of the Offer?	On Completion of the Offer, SaleCo will acquire in total 15.0 million Shares from Selling Shareholders which will be transferred to successful Applicants under the Offer at the Offer Price.	Section 7.1.4
Who are the issuers of this Prospectus?	Midway and SaleCo.	

1. Investment Highlights

Topic	Summary	For more information
Will the Shares be quoted on the ASX?	<p>Midway has applied to the ASX for admission to the official list of the ASX and for quotation of the Shares on the ASX under the code MWY.</p> <p>If approval is not given within three months after the date of this Prospectus (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>It is expected that quotation will initially be on a deferred settlement basis. Completion of the Offer is conditional on the ASX approving this application.</p>	Section 7.2
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Joint Lead Managers.	Section 9.5
How is the Offer structured and who will be eligible to participate?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> the Broker Firm Offer, which is open to persons who receive an allocation of Shares from their Broker and who have a registered address in Australia; the Priority Offer, which is open to selected investors in Australia who have received an invitation to participate; and the Institutional Offer, which consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. <p>There is no general public offer of Shares.</p>	Section 7.1.1
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer shall be determined by the Joint Lead Managers, with the agreement of Midway.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers as to how they wish to allocate Shares among their eligible retail clients.</p> <p>The allocation of Shares among Applicants in the Priority Offer will be determined by Midway, following consultation with the Joint Lead Managers.</p> <p>The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers, with the agreement of Midway.</p>	Section 7.3
Is any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	A summary of certain Australian tax consequences of participating in the Offer and investing in the Shares is set out in Section 9.11.2. The tax consequences of any investment in the Shares will depend on an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9.11.2
When will I receive confirmation my Application has been successful?	<p>It is expected that initial holding statements will be dispatched by standard post on or about 9 December 2016.</p> <p>Applicants in the Broker Firm Offer should confirm their allocation of Shares with the Broker from whom they received their allocation.</p>	Section 7.11.3
How can I apply?	<p>You may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus.</p> <p>To the extent permitted by law, an application by an Applicant under the Offer is irrevocable.</p>	Section 7.3

Topic	Summary	For more information
When can I sell my Shares on the ASX?	<p>It is expected that trading of Shares on the ASX will commence on or about 8 December 2016 on a deferred settlement basis.</p> <p>It is expected that dispatch of holding statements will occur on or about 9 December 2016 and that Shares will commence trading on the ASX on a normal settlement basis on 12 December 2016.</p> <p>It is the responsibility of each Applicant to confirm its holding before trading its Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</p>	Section 7.11.3
Can the Offer be withdrawn?	<p>The Company and SaleCo reserve the right not to proceed with the Offer at any time before the transfer of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Section 7.9
Where can I find out more information about this Prospectus or the Offer?	<p>For more information, call the Midway Offer Information Line on 1300 781 323 (within Australia) or +61 (3) 9415 4673 (outside Australia) from 9.00am until 5.00pm (AEDT) Monday to Friday.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Midway is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p>	Important Notice

2

INDUSTRY OVERVIEW



Eucalyptus plantation

2.1 Introduction

Midway's primary business is the purchasing, processing, marketing and exporting of woodchips. The operating environment therefore consists of the procurement of timber resources within Australia, processing, materials handling and exporting of woodchips, and the international woodchip market.

Woodchips are produced by chipping pulp logs harvested from plantations or native forests, and by chipping waste or residue wood from sawmills. They are used in the production of pulp, which is primarily used for the production of paper and paper products such as writing and printing paper, newsprint, cardboard and tissue. The pulp and paper industry consumes the majority of the total traded woodchip volume, with the balance being used in the production of reconstituted boards, speciality pulps and, more recently, biomass.

The primary use of internationally traded woodchips is for the production of Kraft pulp. The Kraft process involves the chemical breakdown of the woodchips into lignin (usually used as a fuel in the pulp mill) and cellulose fibre used for the production of a wide range of paper products. The uses of hardwood Kraft pulp are printing and writing papers, and in tissue products, whereas softwood Kraft pulp is mainly used in packaging, but also in tissue and to add strength to other paper grades.

Some hardwood woodchips are also used for the production of dissolving pulp and chemi thermomechanical pulp. Dissolving pulp is produced by additional chemical refinement and is used in textile manufacture such as rayon. Chemi thermomechanical pulp is used in the same paper products as Kraft pulp and, although less expensive to produce, is generally of a lower quality.

2.2 Asian woodchip consumption trends

Imports of hardwood woodchips into Asia reached new record volumes in each of the past six years. The Asian market reached record volumes in 2008, which was also the peak in Japan's imports. After total market demand for hardwood woodchips fell in 2009 due to the global financial crisis, expanding Chinese demand pushed imports to new record annual volumes in 2010-2015.

An expansion in plantation fibre supply from within Southeast Asia and a desire for less expensive (albeit lower quality) woodchips pushed up demand for hardwood woodchips in the Asian importing markets in 2008-2013. This reduced demand for the more expensive and higher-quality woodchips from traditional major hardwood woodchip suppliers in Australia, Chile and South Africa, which declined from two thirds of the total supply in 2008 to 35% in 2013. In 2014, Australia became the new focus for Chinese demand, while South Africa benefited from the new Indian import market. The share of hardwood woodchips supplied by Southeast Asia decreased to 55%, while the share from traditional suppliers increased to nearly 40%¹. This trend continued into 2015, as Chinese imports of hardwood woodchips from Australia expanded and the traditional suppliers of hardwood woodchips increased their market share to over 40%. The key factor was Chinese companies using higher-quality Australian woodchips, which proved their value and changed their buying patterns.

Whilst there are some exports of softwood woodchips to China and South Korea, Japan continues to represent more than 90% of the Australian export market. Japanese importers have long standing relationships with suppliers from the USA, Australia, New Zealand, Canada and Fiji.

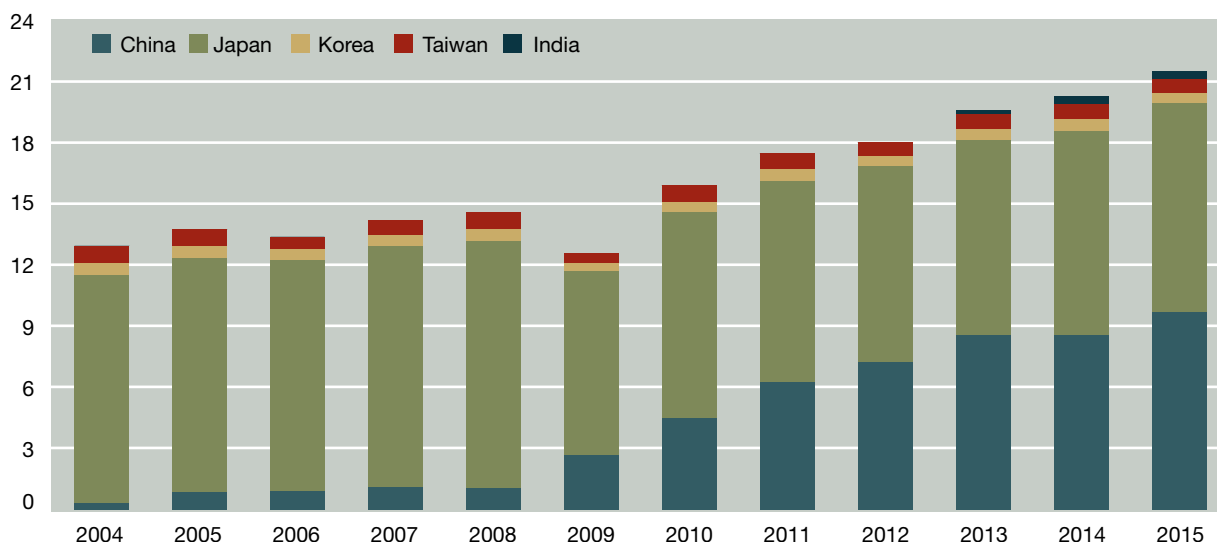
1. Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030 RISI 2015, RISI Monthly Asia Pacific Woodchip Market Update 2 2016.

2. Industry Overview

2.2.1 Asia imports

Asian demand for imported hardwood woodchips has consistently increased since 2004, with the exception of the impact of the global financial crisis in 2009. Increasing imports from China and a recovery by Japan following the 2011 tsunami has resulted in steady increases in Asia imports.

Figure 1: Asia hardwood woodchip imports (million BDMT)



Source data: Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030 RISI 2016

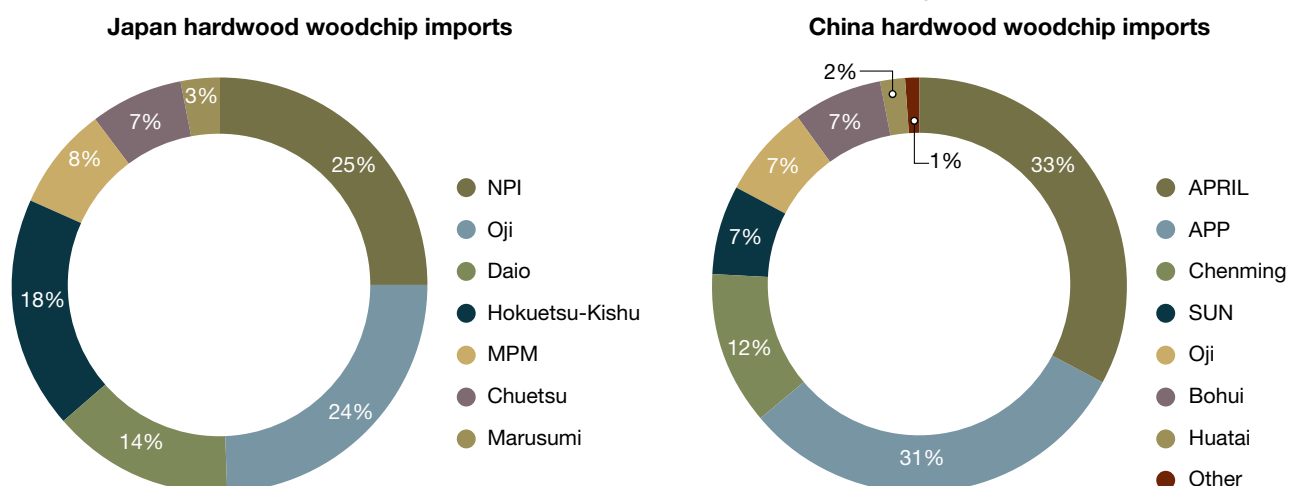
2.2.1.1 Asian hardwood import market

The import market for hardwood woodchips into the Asian region is dominated by China and Japan, each importing similar volumes in 2015. The data below includes some native hardwood woodchip trade, but the vast majority of imported hardwood woodchips are from plantations.

Woodchips are imported into Japan primarily for the manufacture of pulp and paper. Most Japanese mills are integrated, that is, they produce both pulp and paper, almost exclusively for domestic consumption. Although many of China's pulp mills have paper machines on the same site, the level of integration is significantly less than that in Japan. Some Chinese mills have the ability to produce market pulp and their paper mills have the option of purchasing pulp third parties.

In Japan, Nippon Paper Industries and Oji Paper make up approximately half of the hardwood woodchip imports. China's hardwood woodchip imports are more concentrated than Japan's, with two companies accounting for 64% of total imports: APRIL, with all volume going to the two pulp lines it operates at Rizhao, in Shandong Province; and APP, with most of the fibre for its BHKP mill on Hainan Island and two other mills. Approximately 85% of China's woodchip imports go to pulp mills located at ports.

Figure 2: Japanese and Chinese companies' hardwood woodchip import percentage 2015

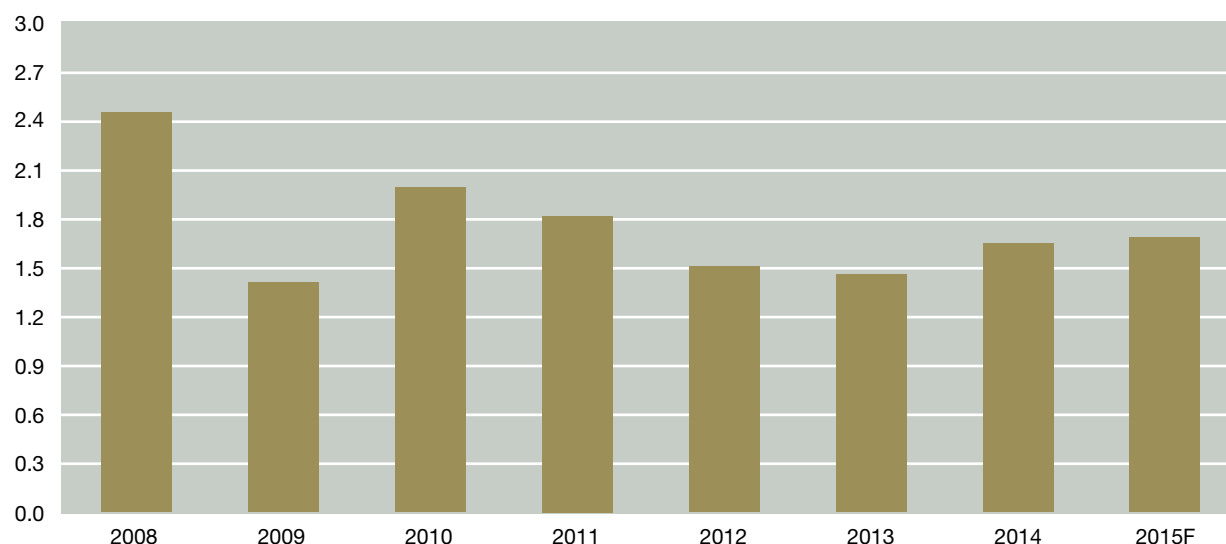


Source data: Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030 RISI 2016

2.2.1.2 Asian softwood import market

Japan is the dominant Asian importer of softwood woodchips, and import volumes have fluctuated due to domestic demand for paper, inventory levels and domestic production of sawmill residues. As with hardwood, Nippon Paper Industries and Oji Paper are the major importers.

Figure 3: Japanese softwood woodchip imports ('000 BDMT)



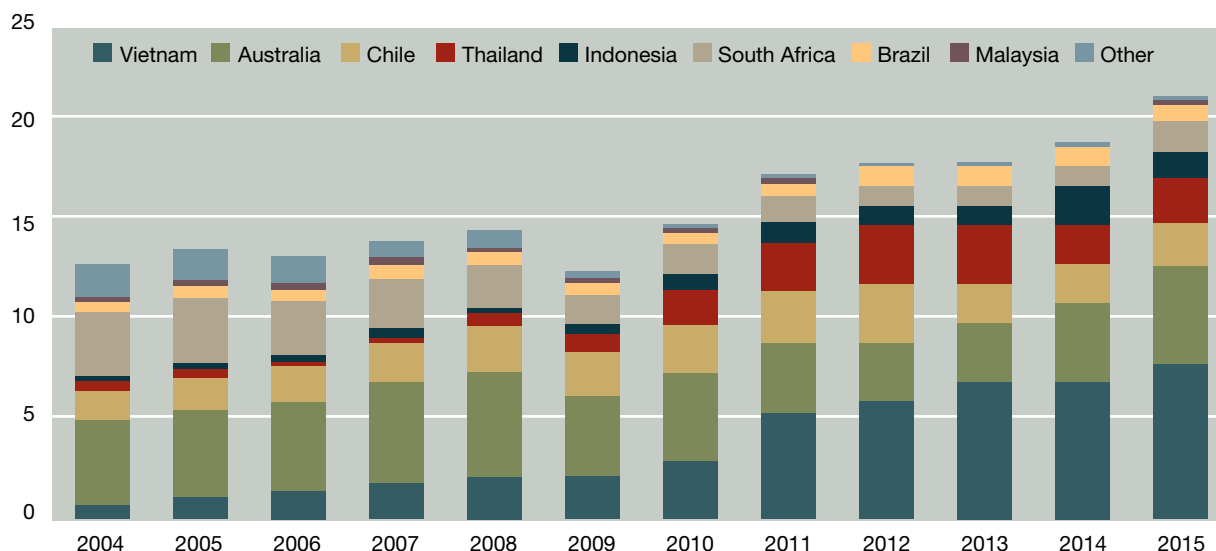
Source data: RISI, Monthly Asia Pacific Woodchip Market Update 2 2016; RISI International Pulpwood Trade Review 2015

2. Industry Overview

2.2.2 Asian supply overview

Asian suppliers have been increasing market share; however, recently, higher-quality suppliers, and particularly Australian exporters, have regained some lost ground and are picking up the majority of the growth in Chinese imports.

Figure 4: Supply sources of hardwood chips for Asia (million BDMT)



Source: Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030, RISI 2016

There are a number of competing countries supplying into the Asian market. Australian hardwood woodchip exporters have a strong position in the Asian market, with 23% market share, and are ranked second behind Vietnam in 2015.

2.2.2.1 Vietnam

Most pulpwood plantations in Vietnam are grown by farmers in small plots of eucalyptus and acacia, established with the assistance of government programs to develop a domestic wood fibre source. Vietnam exported a record 7.9 million BDMT of mostly lower-quality hardwood woodchips in 2015; however, the Vietnam Government is implementing policies, including export taxes on woodchips, to encourage domestic manufacture of pulp and furniture. RISI believes that the government policies will have some impact and anticipates that the sustainable supply of export woodchips will drop to 5.8 million BDMT per annum by 2025.

2.2.2.2 Thailand

Thailand expanded woodchip exports in response to increasing Chinese demand; however, volumes peaked in 2012 at 2.9 million BDMT. Thailand's woodchips have a reputation for low quality in the market. With low pulp yields, reduced planting, increasing domestic demand and limited infrastructure near the plantation resource, RISI expects exports not to increase above current levels (2.3 million BDMT in 2015) through to 2025.

2.2.2.3 Indonesia

Almost all of the hardwood woodchip exports from Indonesia are from APRIL plantations (to its pulp mill in Rizhao, China), APP plantations (to its pulp mill in Hainan, China) and Korindo/Oji Paper Holdings (from its Indonesia based plantations to Oji Holdings' pulp mills in China and Japan). Most exports have been lower-quality acacia woodchips. The Indonesian acacia plantations have experienced serious growth problems with pests, diseases and fire damage impacting on the potential supply. There has been a move to *E. pellita* (still significantly inferior in quality to *E. globulus*). Exports fell to 1.3 million BDMT in 2015 and RISI expects exports to reduce further to 1.0 million BDMT per annum by 2025.

2.2.2.4 Chile

Supply of hardwood woodchips from Chile to Asian markets has been dropping since 2012 due to increasing domestic consumption and the fact that over one third of exports are from Japanese owned operations to their own pulp mills. Further significant expansion of the domestic pulp and paper industry is expected to be matched by increased availability of woodchips, with exports forecast to remain stable at 2.2 million BDMT per annum from 2015 through to 2025.

2.2.2.5 South Africa

South Africa's plantation estate has been shrinking due to other land use pressures, resulting in a steady drop in exports from a peak of over 3 million BDMT in 2005. Two thirds of South Africa's exports are acacia. Due to its proximity and lower shipping costs, South Africa has become the preferred supplier to the small but growing Indian market. Forecast supply constraints and domestic demand are expected to result in South Africa's exports staying around the current level of 1.5 million BDMT per annum through to 2025.

2.2.2.6 Australia

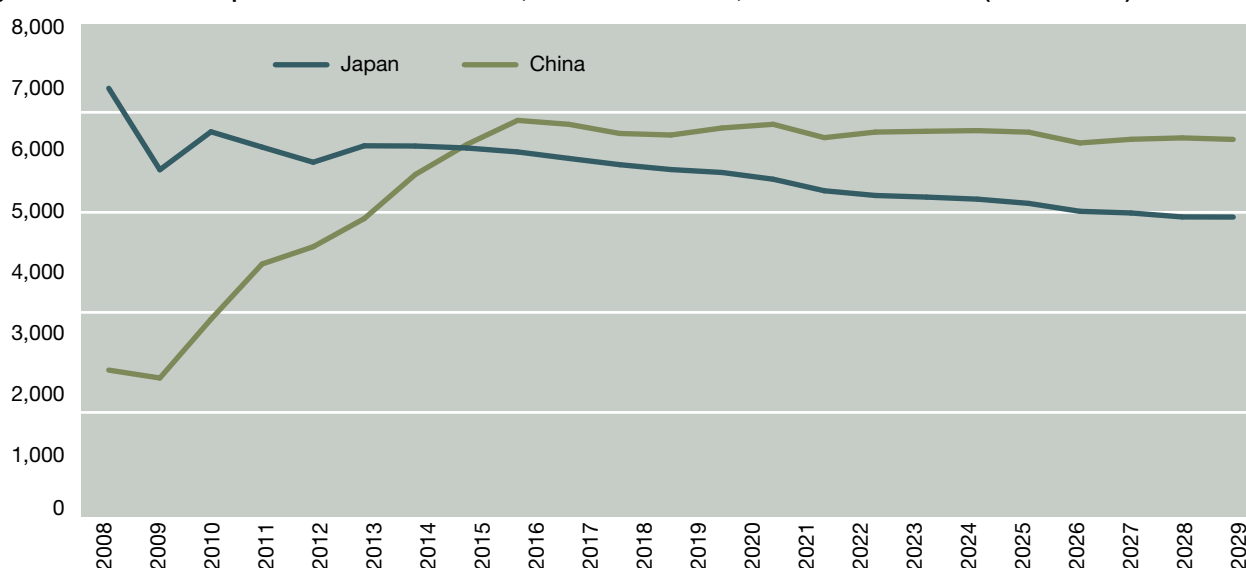
There is currently strong supply of eucalyptus plantations available for harvest and export due to the expansion of the estate following the managed investment schemes (**MIS**) investment boom. Due to the uneven nature of the age distribution and the fact that several owners have stated that a portion of the planted area will be converted back to other land uses after harvest, long-term forecasts are for a decline in availability and exports. RISI forecasts that exports will rise from current levels of 5.0 million BDMT to peak in 2020 at 6.5 million and then decrease to 4.8 million per annum by 2025.

Supply of native forest hardwood woodchips from Australia is expected to continue to decline¹, and any exports will be to those markets not seeking high-quality woodchips.

2.2.3 Forecast supply and demand balance

RISI has analysed and prepared the RISI Report in relation to the expected demand and potential supply of hardwood woodchips in Asia. Forecast demand is not based on the continuation of the rapid expansion of Chinese capacity, but rather on gradual production improvements in existing production facilities. Demand from Japanese mills is forecast to decline slowly. Forecast pulp production (a strong indicator of woodchip demand) for both countries is shown below.

Figure 5: China and Japan: Production of BHKP, 2008-2015 actual, 2016-2030 forecast ('000 tonnes)



Source data: Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030 RISI 2016

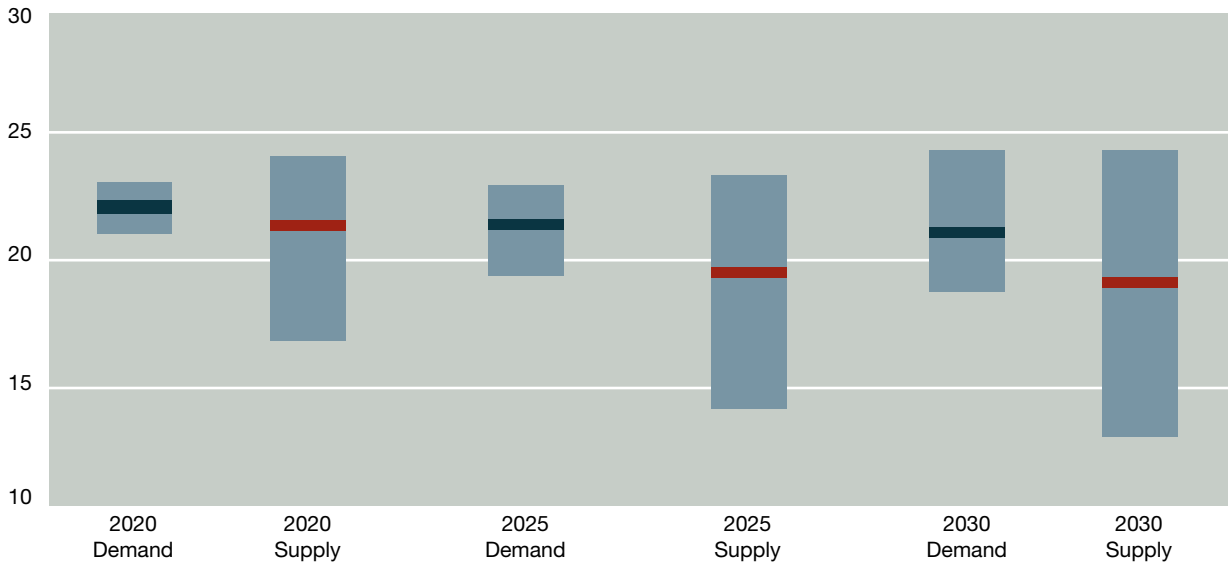
1. Source: ABARES, "Outlook scenarios for Australia's forestry sector: key drivers and opportunities", April 2015.

2. Industry Overview

With relatively stable long-term demand forecasts, changes in supply will be the main variable determining the future supply/demand balance. Changes in supply from the major countries are discussed above, and RISI has combined its total supply and demand analysis to predict a significant future shortfall in hardwood woodchips supply in Asia. In RISI's base case scenario for hardwood woodchip demand and supply, a deficit of 4% (0.8 million BDMT) is predicted in 2020, which will increase to a deficit of 10% (2.0 million BDMT) by 2025 and to a deficit of 11% (2.1 million BDMT) by 2030. RISI observes that, despite the forecast woodchip supply deficit, supply and demand will, of course, be balanced in the market. This will most likely occur through higher pricing, which will tend to both reduce demand and increase supply from some marginal sources. However, even with higher prices, attracting additional volumes will be difficult.

RISI has prepared low, base and high supply and demand forecasts for hardwood woodchips as shown in the figure below. In the chart, the heavy lines (dark blue in demand, red in supply) indicate the base case forecast and the blue column indicates the range in the low volume to high volume scenarios. RISI notes that the likelihood of all countries achieving either the high or low volume demand or supply scenario in the same year is extremely small and concludes that, even under the high supply volume forecast, covering the projected base case demand will not be easy.

Figure 6: Asian hardwood chip demand and supply forecast (million BDMT)

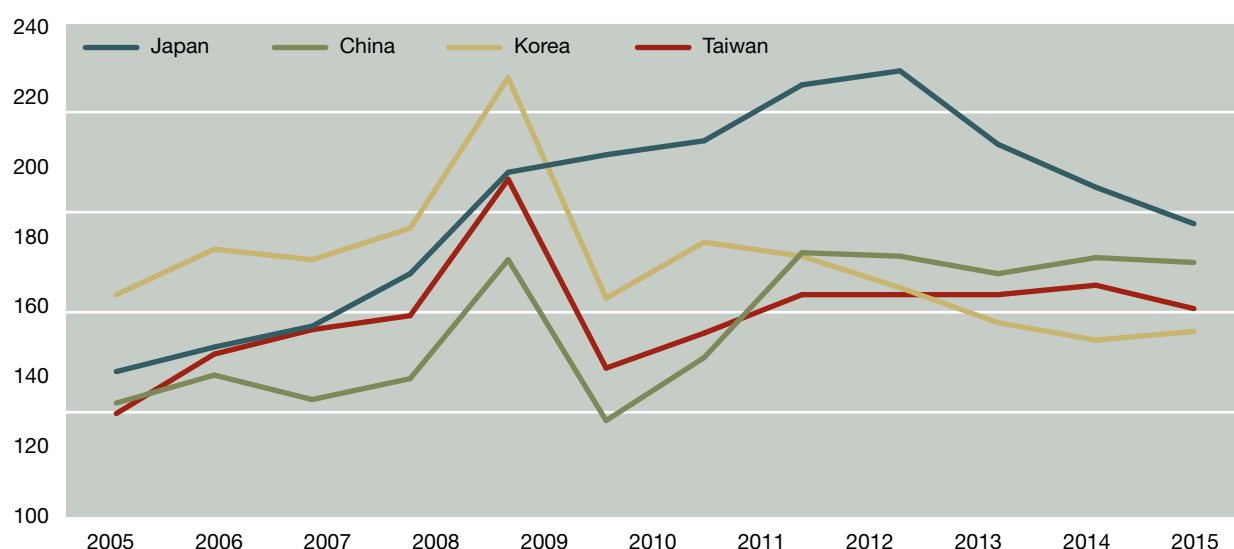


Source data: Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030 RISI 2016

2.2.4 Historic Asian woodchip pricing

Japan based companies have historically focused on importing high-quality and high-yielding (more expensive) hardwood woodchips from Australia, South Africa and Chile. In contrast, China has historically focused on price for hardwood woodchips, regardless of the quality and yield. However, in the last several years this trend has reversed, as Japan based companies have shifted demand to lower-priced (and lower-quality) sources in Southeast Asia, whereas China based companies have shifted to higher-quality sources like Australia. Historical prices delivered to the importing country in USD per BDMT are shown below.

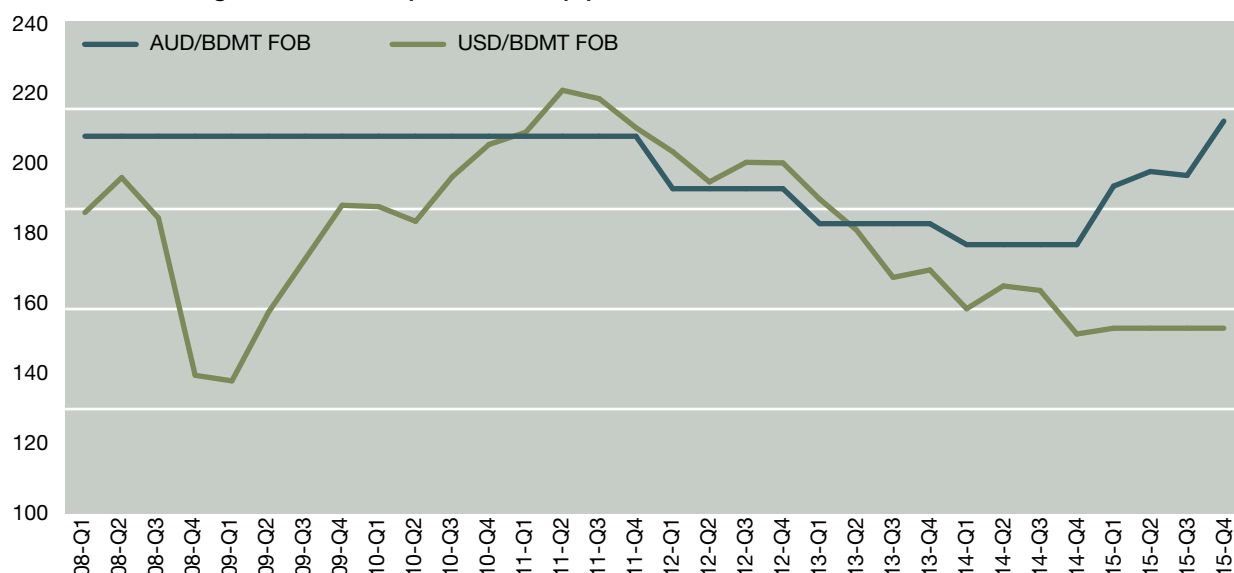
Figure 7: Average hardwood chip import prices in Asia (USD/BDMT CIF) ('000 tonnes)



Source data: Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030 RISI 2016

Historical hardwood chip CIF prices are influenced not only by quality, but also by shipping costs. For Australian exporters, the FOB price in AUD is most important. Between 2011 and 2015, USD FOB prices for plantation *E. globulus* woodchips exported to Japan fell by approximately 30%. Prices also declined in AUD by approximately 15% between 2011 and 2014. The current FOB price in AUD is approximately \$198.

Figure 8: Australian *E. globulus* FOB export woodchip prices



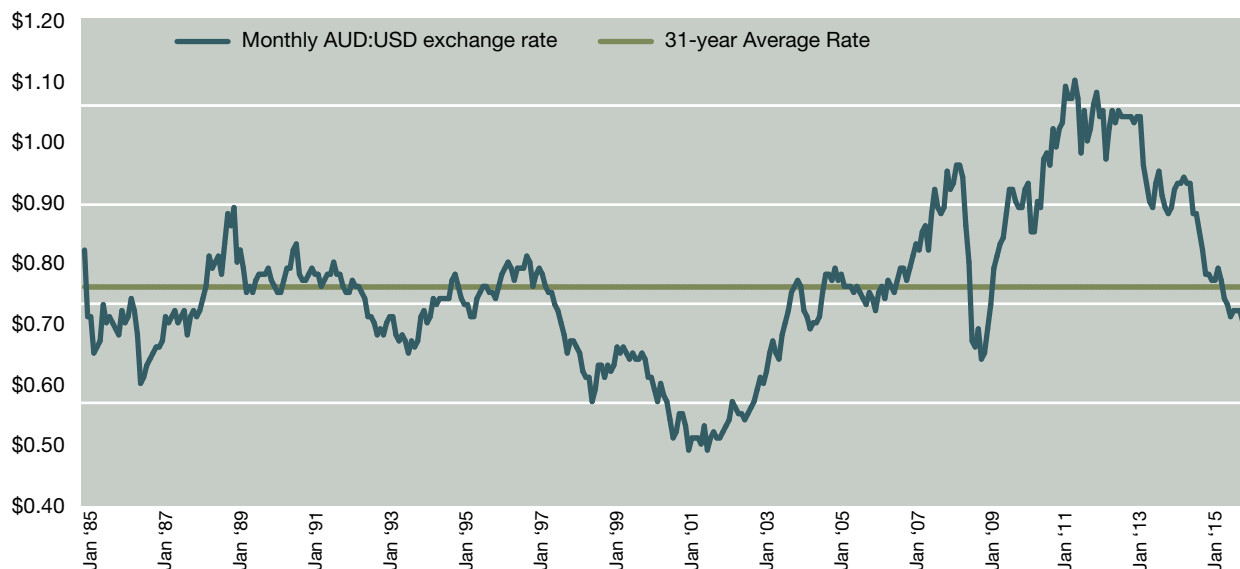
Source data: Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030 RISI 2016

When Australian hardwood woodchip exports were priced in AUD, as they were for exports to Japan in 2015, the exchange rate impacted the equivalent USD pricing. But for exporters, their costs are in domestic currency, so a weakening of the exchange rate, against the USD, allows them to reduce USD selling prices and still maintain the same profit margin (or to increase their profit margin while maintaining the same price).

The majority of hardwood woodchip exports are now priced in USD and, as the AUD exchange rate against the USD weakens, Australian exporters' profit margins increase.

2. Industry Overview

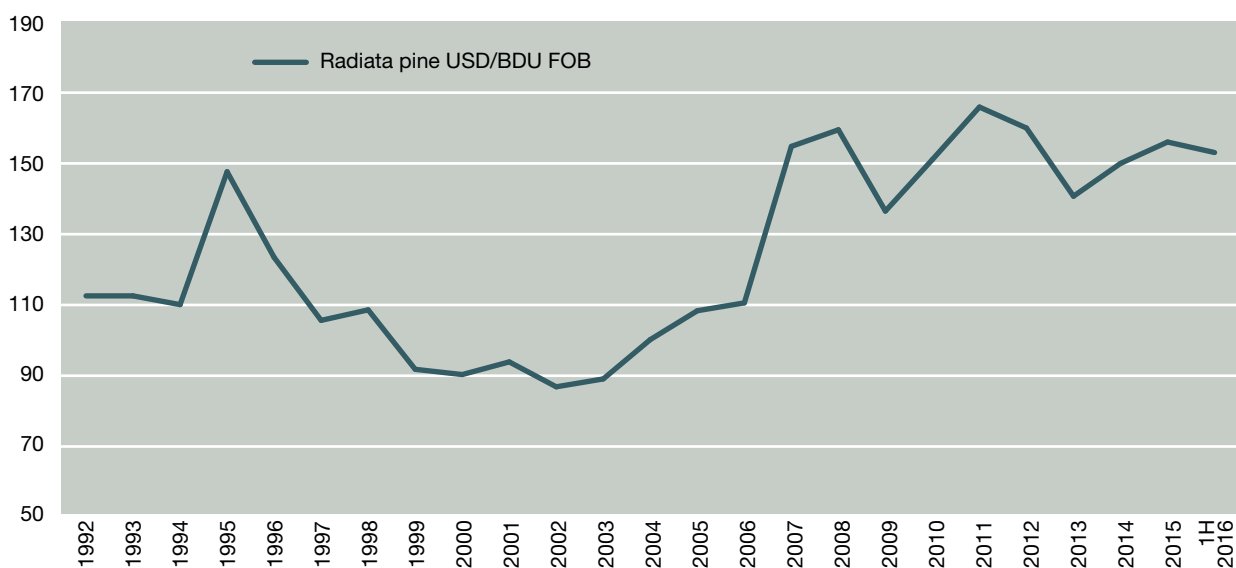
Figure 9: 31-year AUD:USD exchange rate



Source data: Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030 RISI 2016

Historical Australian softwood woodchip prices are recorded by RISI for radiata pine in USD per BDU¹ (the unit of sale for internationally traded softwood woodchips). Prices for other softwood species, particularly the Southern Pine species exported from Brisbane) are higher, but have followed the same price trend.

Figure 10: Radiata pine FOB export chip prices (USD/BDU)



Source: RISI International Pulpwood Trade Review 2016

1. 1 BDU = 1.089 BDMT

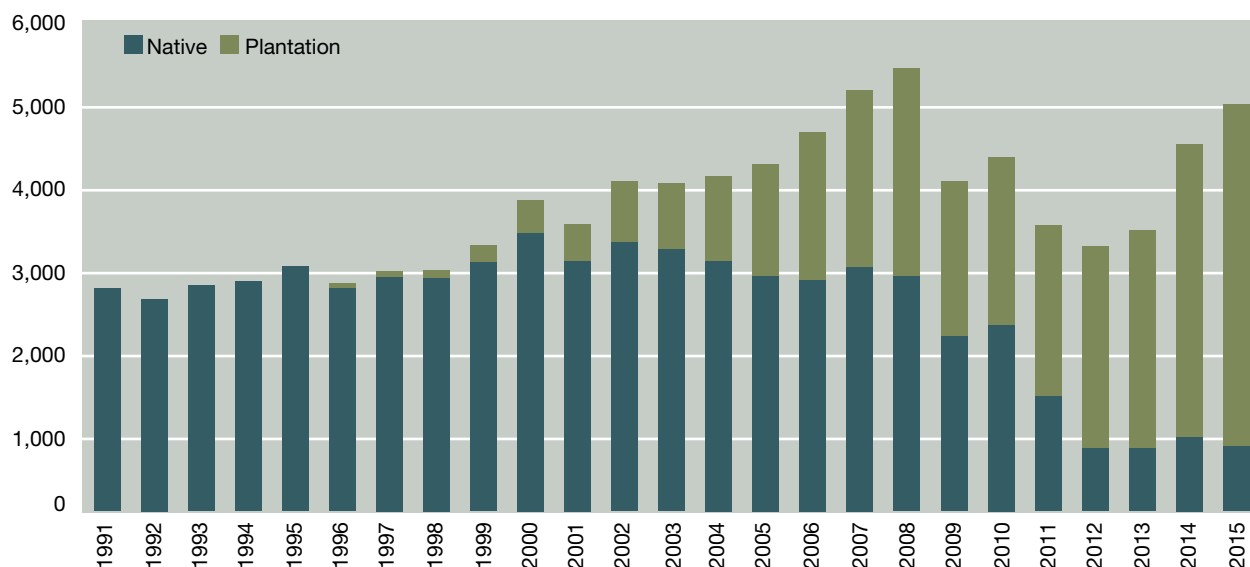
2.3 The Australian woodchip industry

There are three product segments within the industry which have specific characteristics and drivers for supply and/or demand: softwood woodchips, plantation hardwood woodchips and native hardwood woodchips.

Australia has been a pioneer in the export of hardwood woodchips (until a few years ago mostly from native eucalyptus, but more recently primarily from plantations). North Forest Products (later sold to Gunns, and now Forico) commenced shipments in 1971. In the first decade of this century, Australia was the world's largest exporter of hardwood woodchips, until being surpassed by Vietnam in 2011.

Total hardwood woodchip exports from Australia peaked in 2008 at 5.4 million BDMT, and thereafter fell as a result of reduced demand from Japan during the global financial crisis and a high AUD. Export volumes began recovering in 2013 and reached just under 5 million BDMT in 2015 based on a weakening AUD and increased demand from China.

Figure 11: Australian hardwood woodchip exports by forest type ('000 BDMT)

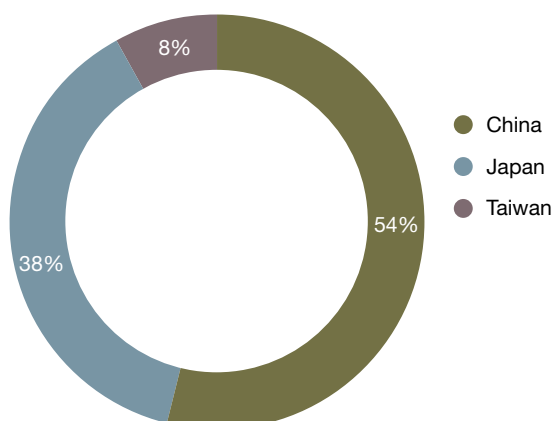


Source data: Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030 RISI 2016,

2.3.1 Australian export markets

In 2015, the largest share of Australian hardwood woodchip exports was to China (54%), followed by Japan (38%) and Taiwan (8%). There were Australian exports to the Indian market in 2013 and 2014; however, none in 2015. RISI estimates that over 80% of the total exports are from plantations (less than 50% in 2009), although exports to Taiwan were predominately native forest.

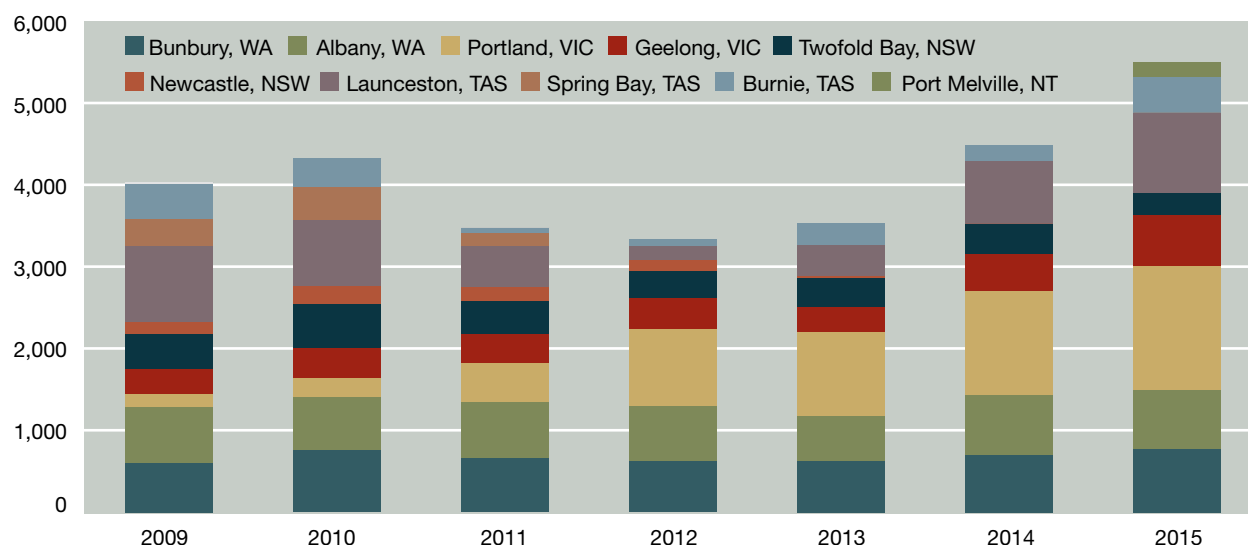
Figure 12: Australian exports of hardwood woodchips by country, 2015



Source data: Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030 RISI 2016

2. Industry Overview

Figure 13: Australian hardwood export history by port ('000 BDMT)



Source: RISI International Pulpwood Trade Review 2015

2.3.2 Australian hardwood woodchip exporting companies

The major participants in the Australian hardwood woodchip export industry are:

- **Midway:** Woodchip processing, storage and loading facilities in Geelong (plantation and native), Portland (plantation only in SWF JV with Mitsui) and QCE Brisbane; Brisbane plantation hardwood exports were trialled in 2008 and 2009, paused temporarily due to demand constraints and resumed in 2015.
- **Australian Bluegum Plantations Pty Limited (ABP):** Woodchip storage and loading facilities in Portland and Albany which is currently also a major supplier to Midway at SWF as explained in Section 9.6.3.
- **Forico:** Woodchip processing operations and export facilities in Bell Bay (Launceston) and Burnie, Tasmania, and exports from Albany, Portland.
- **FOROCO/New Forests:** Woodchip processing operations and export facilities in Bell Bay (Launceston) and Burnie (Tasmania), and exports from Albany (Western Australia) and Portland (Victoria)
- **Forestry Tasmania:** Native forest woodchip exports from Burnie and Launceston.
- **ARTEC:** Native forest woodchip exports from Launceston.
- **Smartfibre:** Native forest and plantation hardwood woodchip exports from Launceston.
- **ANWE:** South East Fibre Exports at Eden was sold to Allied Natural Wood Exports Pty Ltd in 2015 and continues to be predominately focused on native hardwood woodchip exports.
- **SPF:** Commenced plantation hardwood woodchip exports from Esperance in 2016.
- **APEC:** Owned by Oji Paper and has plantation hardwood woodchip processing, storage and loading facilities in Albany.
- **BFE:** Owned by Mitsui and has plantation hardwood woodchip storage and loading facilities at Bunbury.
- **WAPRES:** Owned by Marubeni and has plantation hardwood woodchip processing, storage and loading facilities in Bunbury; and
- **Tiwi Plantation Corporation:** Plantation hardwood (Acacia) woodchip processing, storage and loading facilities in Port Melville. Commenced exports in late 2015 with Mitsui marketing.

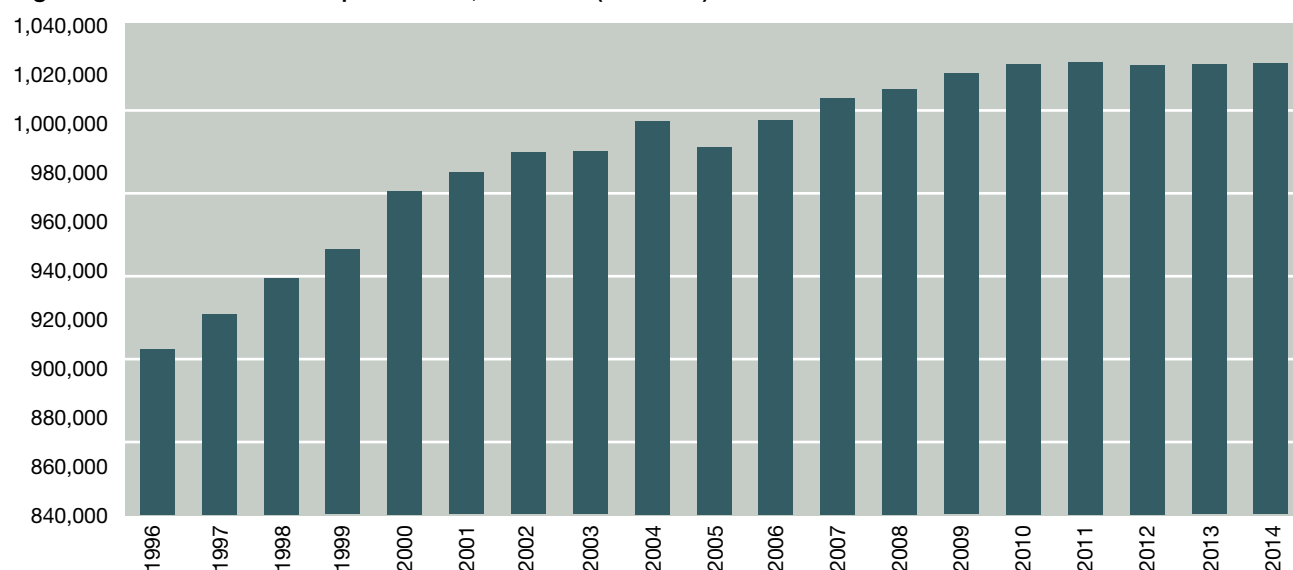
2.3.3 Plantation softwood

On a national level, the Australian softwood plantation estate has not expanded significantly in the last decade, with most of the investment in new plantations being short rotation hardwoods. The softwood plantation estate is highly regionalised, with a relatively small area of Australia having the right combination of climate, soil, terrain, access, previous land use, and land value to support economic plantations.

As a result of the high transport costs relative to log value (logs are bulky, heavy and comprised of approximately 50% water and bark), domestic processors have invested in facilities that are close to major areas of plantation to minimise their raw material transport costs. Ideally, these centres of processing activity will have facilities that utilise all of the wood produced by the plantations including pulp logs and sawmill residues. Where softwood sawlogs are exported, the exporting port must also be reasonably close to the forest for the delivered free at wharf gate (FAWG) price to be competitive.

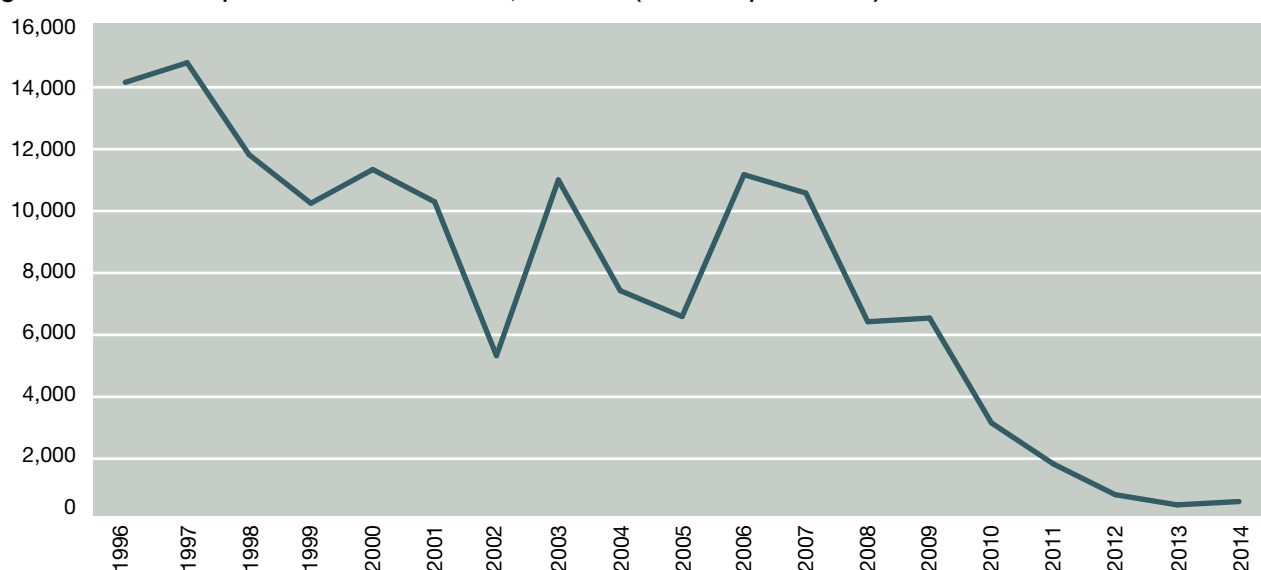
The development of the softwood estate is shown in the next two figures detailing the changing total area and the area of new plantations established each year since 1996.

Figure 14: Area of softwood plantations, Australia (hectares)



Source data: Australian Forest and Wood Products Statistics, September/December Quarters 2014, ABARES 2015 and National Plantation Inventory, ABARES 2000-2015.

Figure 15: Softwood plantation establishment, Australia (hectares per annum)



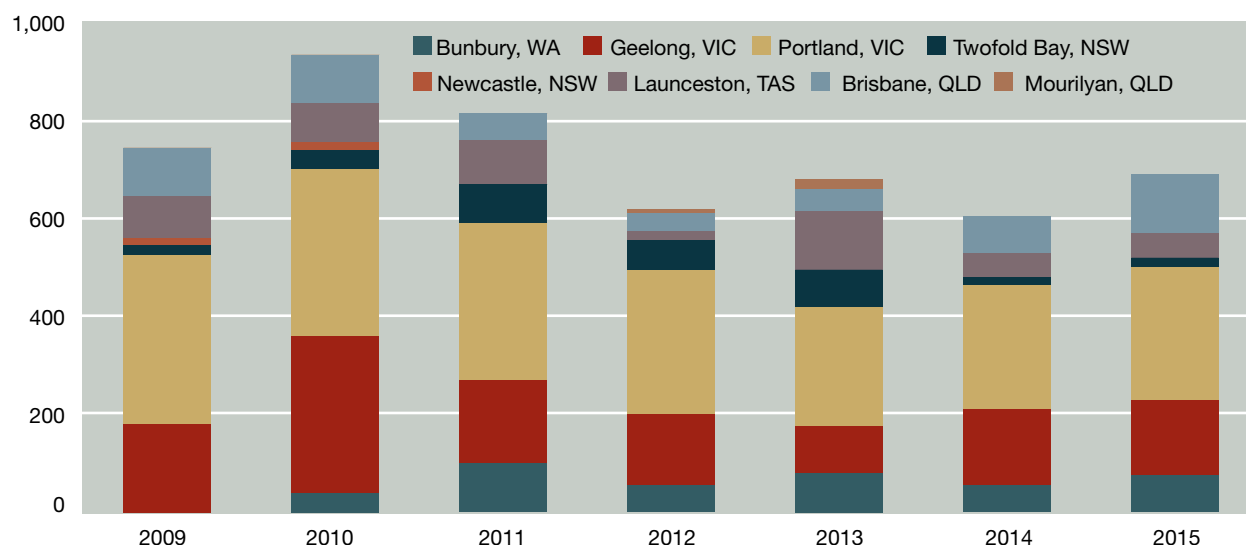
Source data: Australian Forest and Wood Products Statistics, September/December Quarters 2014, ABARES 2015, National Plantation Inventory, ABARES 2000-2015.

With no increase in the area of softwood plantations, the availability of woodchips from pulp logs and sawmill residues is expected to be stable. Midway's softwood woodchip interests are now confined to QCE in Brisbane. Other Australian softwood woodchip exporters of scale are based in Geelong, Portland, Tasmania and Bunbury. Small volumes are also exported from Eden and a temporary salvage operation in north Queensland.

Source data: RISI International Pulpwood Trade Review 2015

2. Industry Overview

Figure 16: Australia: Softwood woodchip export summary, 2009-2015 ('000 BDMT)



Source data: RISI International Pulpwood Trade Review 2015

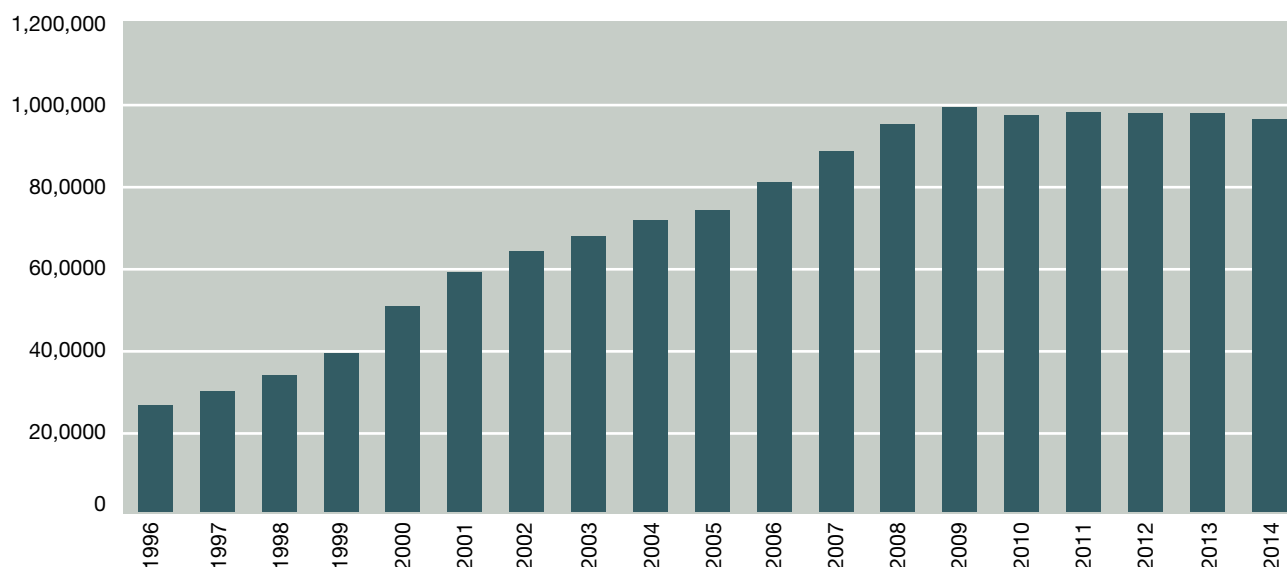
2.3.4 Plantation hardwood

The Australian hardwood plantation estate expanded rapidly between 1995 and 2010. This expansion was almost completely funded through MIS, which provided up-front tax deductions for plantation investors. This availability of investment funds coincided with a number of supporting factors including:

- Commonwealth and State Government support for the expansion of the plantation estate and in particular The 2020 Vision¹ to have a plantation estate of 3 million hectares by 2020;
- increasing scientific study and technical understanding of the silviculture required to successfully grow hardwoods in plantations, particularly Tasmanian blue gum (*E. globulus*) in short rotation plantations for pulpwood production; and
- anticipated future demand for plantation grown hardwoods, particularly high quality eucalyptus species, for pulpwood production but also for saw logs to replace native forest supply.

The development of the hardwood plantation estate in Australia is shown in the following two figures.

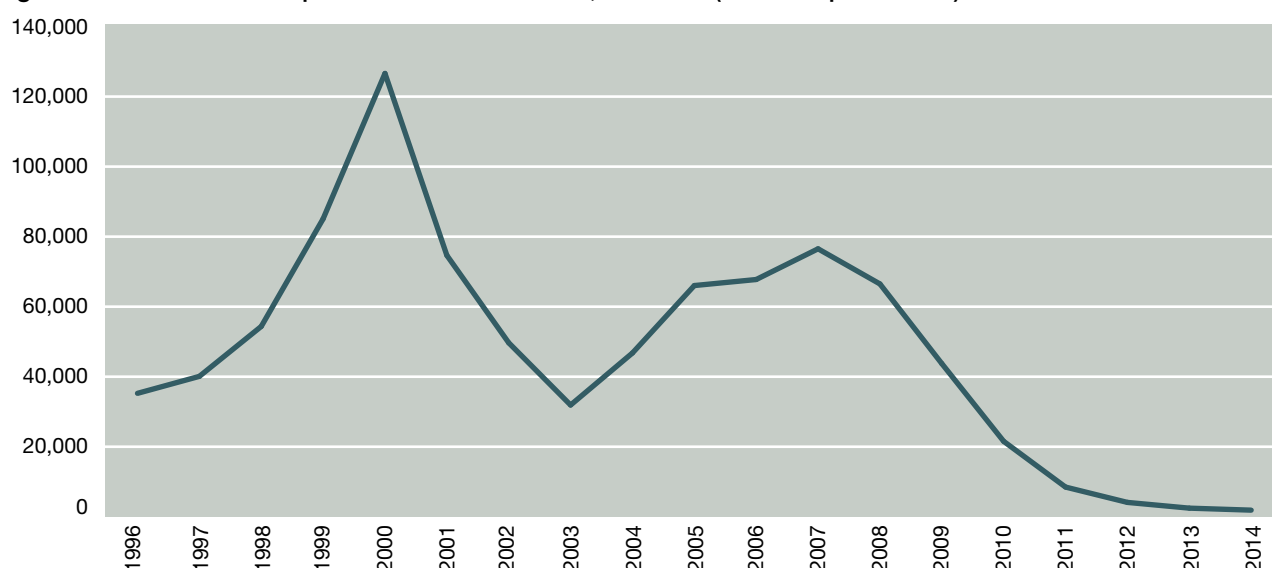
Figure 17: Area of hardwood timber plantations, Australia (hectares)



Source data: Australian Plantation Statistics 2015, ABARES 2015 and National Plantation Inventory, ABARES 2000-2014

1. Plantations for Australia: The 2020 Vision.

Figure 18: New hardwood plantation establishment, Australia (hectares per annum)



Source data: Australian Plantation Statistics 2015, ABARES 2015 and National Plantation Inventory, ABARES 2000-2014

Since 2010, new plantings have dropped significantly to the point where they are now negligible. There is evidence that significant areas of hardwood plantation are not being re-established after harvesting, resulting in a net decline in the planted estate. The slight decline in total area since 2009 probably understates the reduction in the plantation hardwood estate, as harvesting has increased at a faster rate than replanting.

A significant proportion of the plantation hardwood estate is located close to export ports in Western Australia, a regional estate located in the South East of South Australia and South Western Victoria in an area known as the Green Triangle (**Green Triangle**), Tasmania and Central Victoria. It is expected that a large proportion will be exported as woodchips given the species planted and the silvicultural regimes employed. *E. globulus* was the most widely planted species, with *E. nitens* planted in colder and higher rainfall areas in Victoria and Tasmania, and a range of other eucalyptus species planted in Northern NSW and Queensland.

According to the RISI Report:

- *E. globulus* has long been considered the international gold standard hardwood fibre for pulp production;
- China based pulp producers were initially reluctant to match the premium prices paid for *E. globulus* by Japan based pulp producers, but as the Chinese market has become more sophisticated, the advantages of *E. globulus* (much higher pulp yield, lower input of chemicals and energy, etc.) have become apparent, and the fibre is increasingly sought in China;
- there are a limited number of countries and regions where *E. globulus* can be grown, due to the species' very specific climate demands; and
- other regions where *E. globulus* can be grown are much further from the Asian markets than Australia (e.g. Chile); therefore, the *E. globulus* woodchip producers in Australia will continue to have a competitive advantage in the Asian woodchip markets.

It is anticipated that, where possible, most pulp mills will continue to purchase plantation grown hardwood woodchips in preference to native due to:

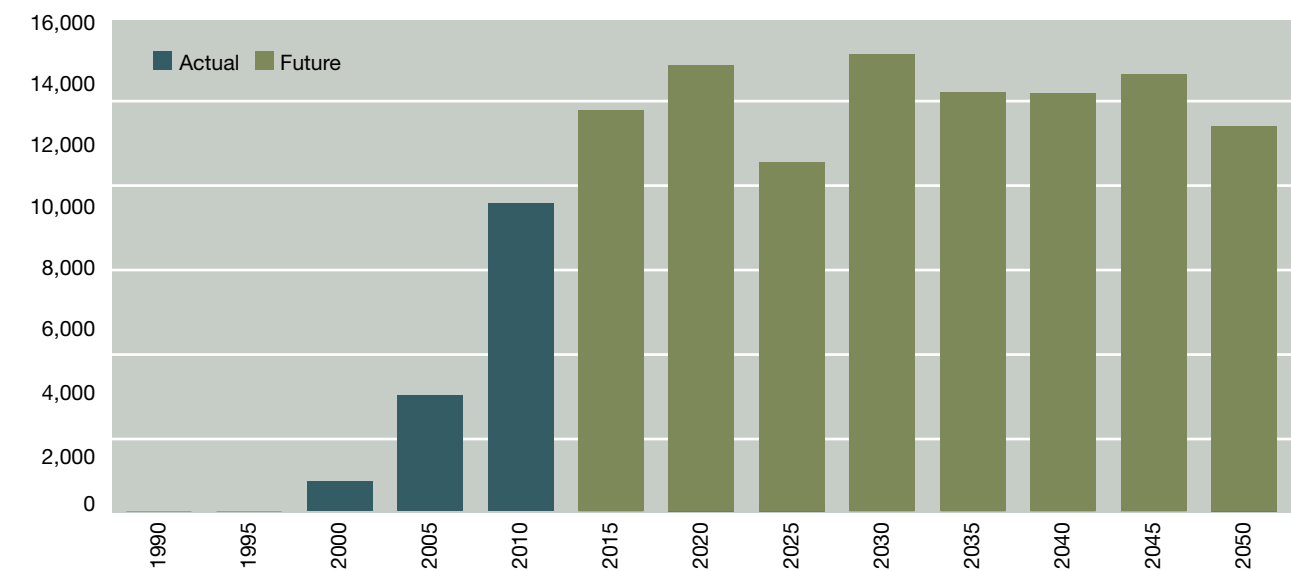
- better and more uniform papermaking fibre qualities;
- lower chemical consumption;
- generally higher pulping yield (i.e. more pulp per BDMT of pulpwood); and
- perceived environmental benefits.

Although the trend towards plantation grown hardwood woodchips replacing those sourced from native forests is expected to continue, Midway Geelong's native hardwood pulpwood is of a higher quality than most of the hardwood resource exported from Australia and, as a result, is expected to be one of the last to be substituted with plantation resource.²

2. Industry Overview

The forecasts of hardwood pulpwood supply shown in Figure 19 below assume that the national hardwood plantation estate will not continue to expand, but all areas currently planted to hardwood will be replanted with the same species¹. The actual harvest has grown period on period as show in Figure 19 below.

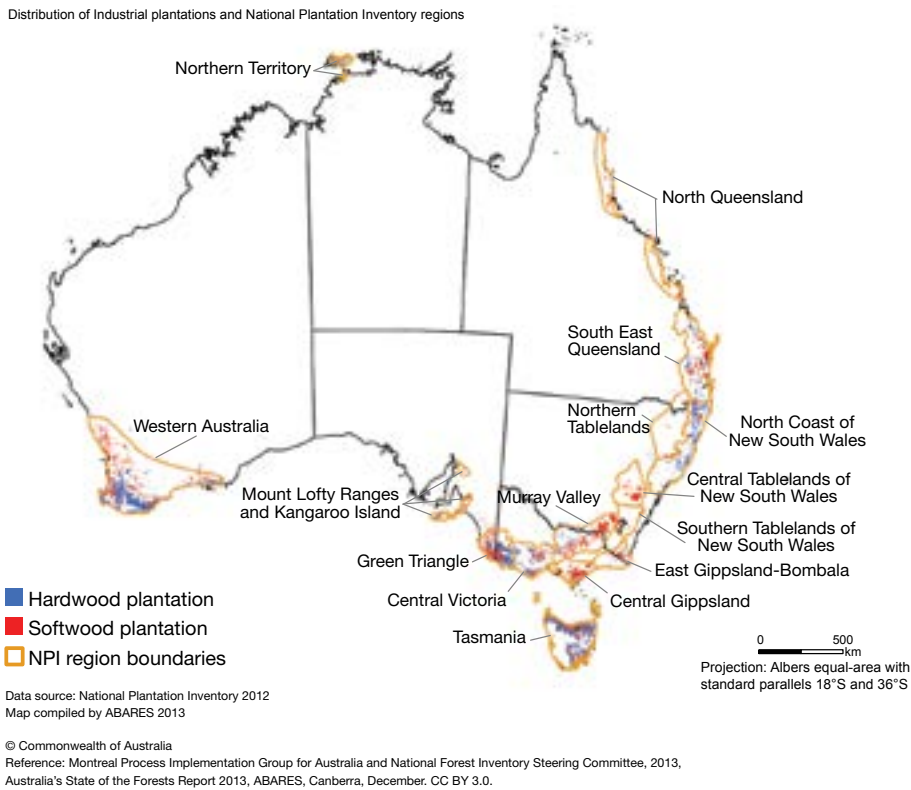
Figure 19: Actual and future hardwood plantation log supply, Australia (000 cubic metres)



Source data: ABARES Australia's Plantation Log Supply, 2010-2054.

Other Australian plantation hardwood exporters are: Forico (managed by New Forests) based in Tasmania; ABP (managed by Global Forest Partners) in Portland, Victoria and Albany, Western Australia; Bunbury Fibre Exports and WAPRES in Bunbury, Western Australia; and SPF from Esperance, Western Australia. With the exception of ABP and New Forests in Portland, these exporters do not operate in the same forestry regions as Midway and do not compete for wood supply.

Figure 20: Distribution of industrial plantations and national plantation inventory regions



Source data: National Plantation Inventory 2010

3

COMPANY OVERVIEW



Plantation hardwood stockpile conveyors at Midway's Geelong facility

3. Company Overview

3.1 Overview of Midway

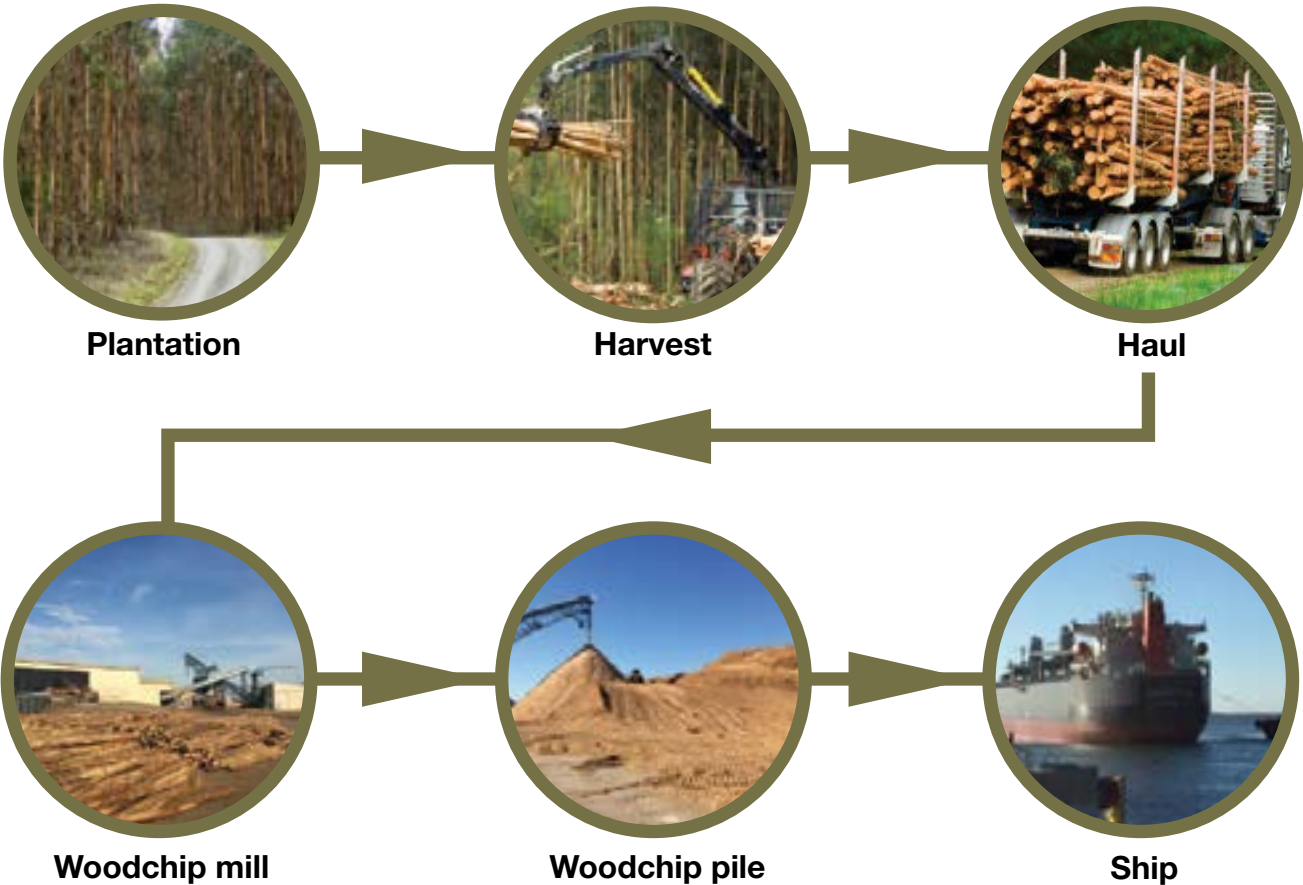
Midway is an Australian forestry Company with headquarters in Geelong, with majority shareholdings in South West Fibre Pty Ltd (**SWF**) based in the Green Triangle, and Queensland Commodity Exports Pty Ltd (**QCE**) based in Brisbane.

Midway's core business is the production of woodchips and marketing those woodchips to producers of pulp, paper and associated products in the Asian region. Woodchips are primarily produced from plantation hardwood, which represents approximately 90% of the Company's export sales, with the balance comprising chips produced from plantation softwood logs, softwood sawmill residues, and hardwood timber residues generated from the harvest of sawlogs from hardwood native forests. The Company has interests in three processing and export facilities in mainland Australia.

Midway has diversified since it commenced exporting 30 years ago in terms of geographical representation, product range, supply source and customer base. From the one export facility, one product, one customer and one supplier in 1986, today Midway:

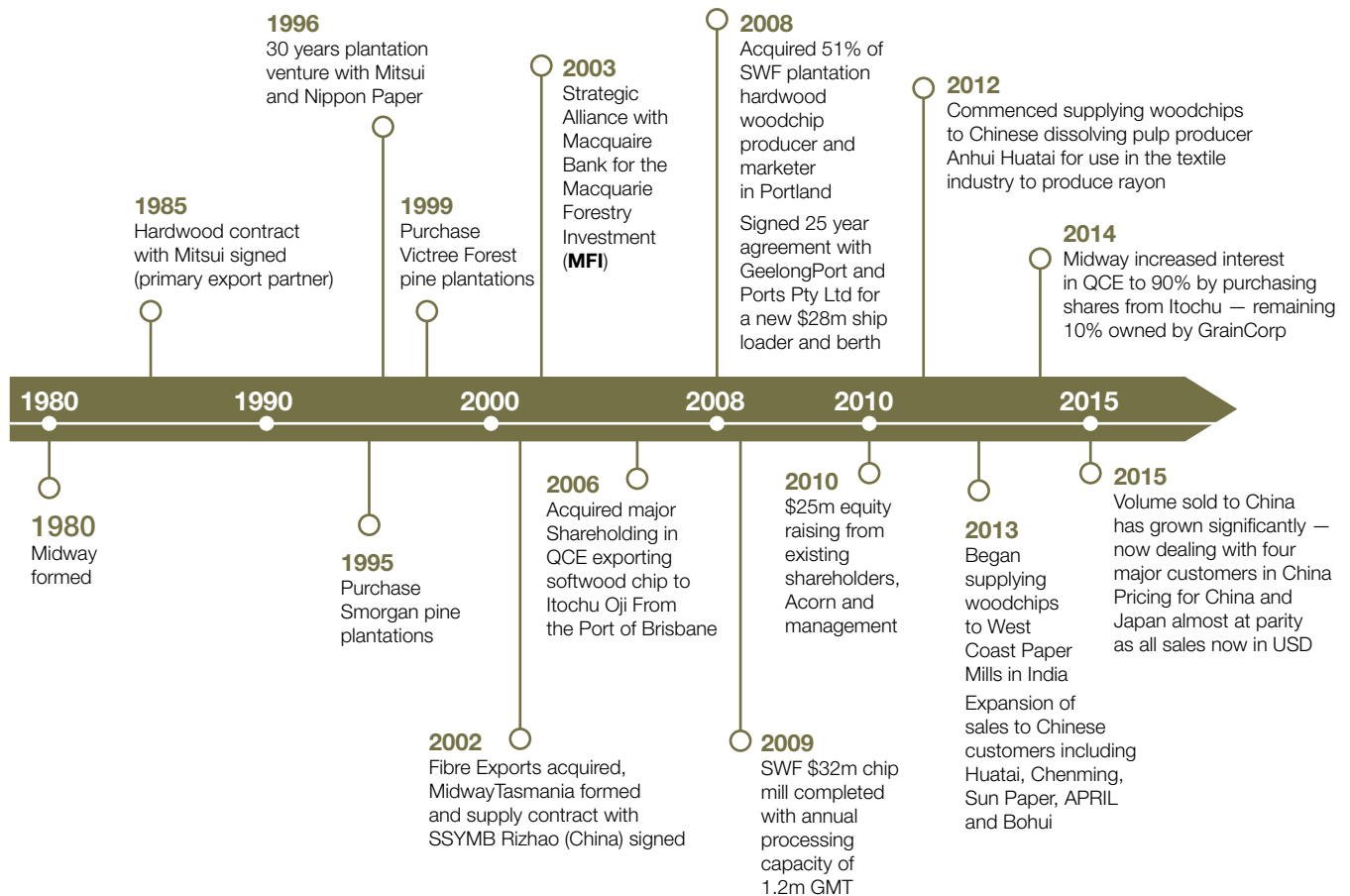
- has well-developed processing and export facilities in three locations;
- diversifies across six different products in terms of species and certification levels;
- sources timber supply from numerous major timber suppliers;
- negotiates with several key customers in the two major importing countries of China and Japan; and
- accounted for an estimated 7% of the 2015 volume of Asian hardwood woodchip imports.

Figure 21: Overview of Midway's business activities



3.1.1 History of Midway

Figure 22: History of Midway



Midway was established in 1980 by a number of Victorian hardwood sawmillers with the objective of establishing a viable export market for hardwood sawmill residues. At that time, the Victorian hardwood sawmilling industry relied on the Victorian Government for supply of sawlogs from state owned forests. Offcuts from the sawmilling process were chipped at the sawmill and brought to Geelong for stockpiling and shipping to a pulp and paper producer in Japan. The first export shipment of hardwood was loaded in Geelong in 1986. Since then, the Company has diversified and grown significantly.

In 1995, the Company acquired a plantation estate comprising approximately 6,000 ha of softwood plantation on freehold land with the strategy of conversion to short rotation hardwood as the softwood crop was clear felled. Softwood woodchip exports commenced in 1996. A further softwood plantation estate of approximately 4,000 ha was acquired in 1999 which complemented the existing freehold plantation assets.

Exports of hardwood woodchips to China commenced in 2002 and continued until 2006 when the strengthening AUD reduced the competitiveness of Australian products relative to suppliers from Vietnam. In 2011, trade recommenced with pulp producers in China through exports of hardwood woodchips. Since then, Midway has grown to the point where, in 2015:

- total export sales were 2.9 million GMT (which includes all of the export sales of SWF and QCE in that period, notwithstanding that Midway owns only 51% of SWF and 90% of QCE); and
- total volumes to China represented more than 62% of total volume exported.

3. Company Overview

3.2 Midway's operations

Midway has three key operations in Australia:

1. Midway Geelong;
2. South West Fibre; and
3. QCE Brisbane.

3.2.1 Midway Geelong

The Geelong facility and associated business operations are 100% Midway owned. Assets include a 19 ha freehold site adjacent to GeelongPort comprising four separate titles with extensive infrastructure including:

- two static woodchip mills and associated screens capable of producing up to approximately 2.0 million tonnes per annum of different woodchip species and specifications; one of these mills and associated infrastructure was completed eight years ago at a cost of \$18 million;
- high capacity woodchip and log storage areas capable of holding more than 200,000 tonnes of product facilitating continuous production during periods when shipping is variable;
- three separate points around the woodchip stockpile perimeters where woodchips can be “reclaimed” and conveyed directly to the shiploader; and
- a modern office facility, which was completed in 2008, accommodating the Company's head office.

Midway Geelong has two significant contracts with service providers at the port.

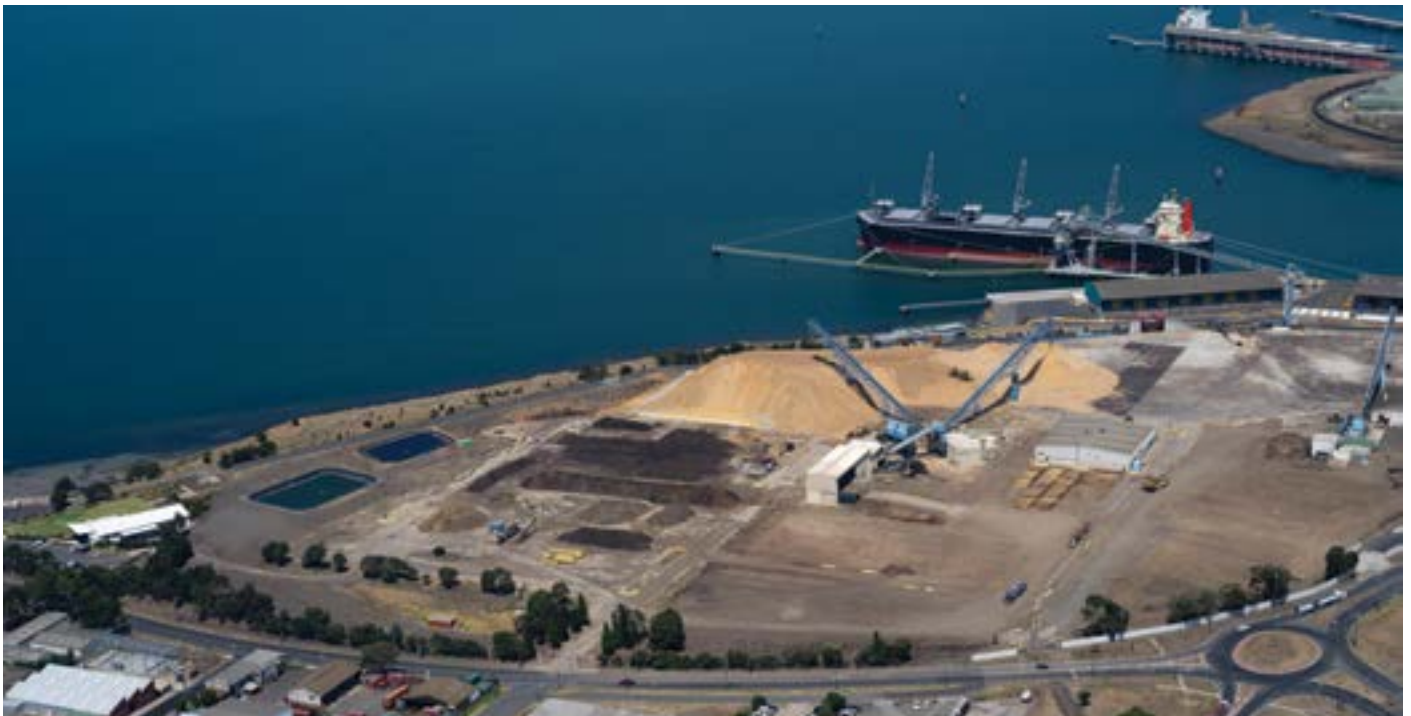
GeelongPort provides wharf and ship loading services for Midway Geelong's woodchip operations under a Services Agreement between GeelongPort, Ports Pty Ltd and the Company. The contract provides for:

- an initial 25-year term (until 2035) with Midway Geelong having two 10-year extension options; and
- take-or-pay minimum throughput volume commitment per annum for the remainder of the term. In the event that actual volume over the shiploader is less than these take-or-pay minimums in any year, Midway must pay the agreed unit rate charge to GeelongPort for that volume shortfall.

The wharf and shiploader were designed with maximum loading flexibility in mind and with the capability to handle the largest known woodchip carriers in terms of width, length, depth and air draught requirements. The berth was dredged in 2014, increasing the under keel clearance draught to at least 11.8 metres at time of sailing – allowing the world's largest woodchip carriers to be accommodated.

With the approval of GeelongPort, Midway has secured stevedoring services from another provider.

Figure 23: Midway Geelong showing new GeelongPort wharf and shiploader



3.2.2 SWF

Midway owns 51% of the issued share capital of SWF — an incorporated joint venture with Mitsui Bussan Woodchip Oceania Pty Ltd. SWF was established in 2008, combining Midway's capability in the integrated management of supply chain, processing and marketing; and Mitsui's pilot woodchip export project utilising the GrainCorp facility at the Port of Portland. In view of the large footprint required (to conduct integrated raw material handling and storage, processing, chip stockpile storage, and ship loading), terminal congestion, and the proximity to residences, SWF resolved to locate a satellite processing and storage facility 46 km inland from Portland at Myamyn on a 100 ha. freehold, greenfields site. Following extensive planning, the scalable facility was commissioned in 2009 at a capital cost of \$32 million incorporating:

- a static woodchip mill and associated screens with annual production capacity of 1.2 million tonnes;
- extensive log and “upstream” woodchip storage capacity which complements the limited woodchip storage space at the Port of Portland, enabling the Company to cope with a highly variable shipping schedule and to maximise the efficiency of transport between the mill and the port using dedicated high productivity “belly dump” trucks;
- comprehensive woodchip handling infrastructure including roads, weighbridges, maintenance buildings and associated utilities; and
- an office housing SWF's management and administration team.

Pursuant to an agreement with GrainCorp (which, unless terminated earlier or extended, expires on 31 May 2027), SWF has rights to use a woodchip receival and storage facility in the Port of Portland. GrainCorp leases the land from the Port of Portland and owns the associated infrastructure, which includes:

- an ultra-efficient “belly dump” woodchip truck receival facility catering primarily for dedicated high productivity B doubles;
- a truck tipping woodchip receival facility and associated screens to handle woodchips produced by mobile “in field” chippers which arrived at the port unscreened; and
- a woodchip storage facility with holding capacity of up to 80,000 tonnes.

Ship loading is provided by GrainCorp using its shiploader located at an adjacent berth on a toll loading basis.

The figure below shows the GrainCorp facilities at the Port of Portland which are contracted to SWF.

Figure 24: SWF receival and storage, unloading and GrainCorp's ship loading facilities



3. Company Overview

3.2.3 Brisbane QCE

Midway acquired 77.4% of the issued share capital of QCE, located in the Port of Brisbane, in 2006 and a further 12.6% in 2014 when Itochu sold its shares. GrainCorp holds the other 10% of equity in QCE.

QCE has a 15-year lease with the Port of Brisbane over a 4.4 ha site expiring in 2022. Improvements on that leased land are owned by QCE and include:

- a mobile chipper which has been adapted to perform as a small static woodchip mill operating in situ with associated log infeed infrastructure and chip screens;
- woodchip receival facilities for saw mill residues;
- woodchip storage capacity of 100,000 tonnes; and
- a reclaimer and associated infrastructure to deliver chips to GrainCorp's nearby shiploader. Woodchips are loaded onto ships by GrainCorp via a toll arrangement.

Figure 25: QCE log yard



Figure 26: QCE chipper



Figure 27: QCE woodchip facility



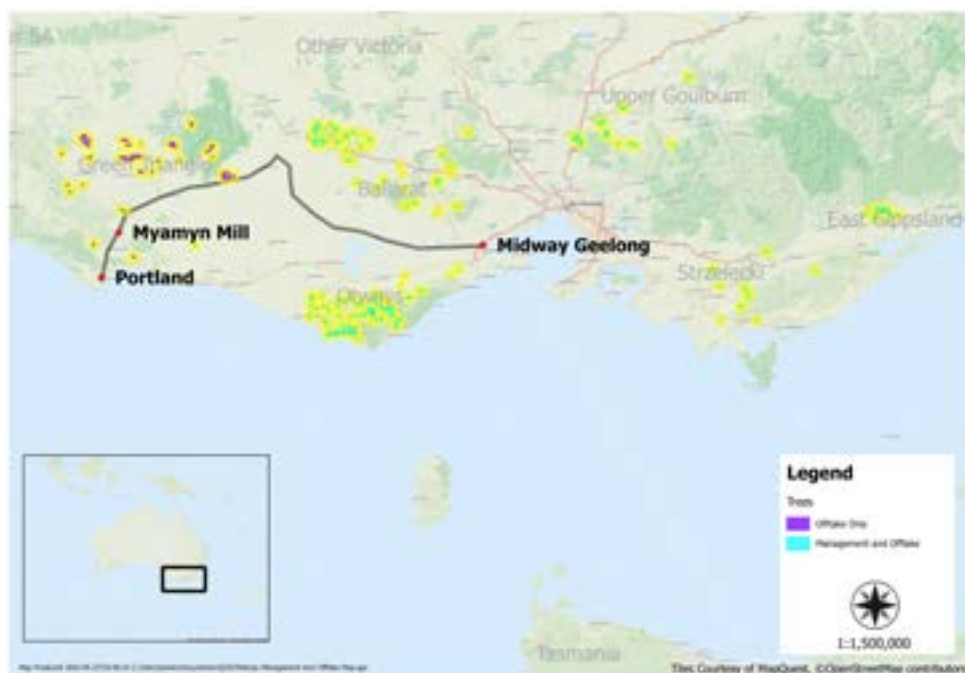
3. Company Overview

3.2.4 Plantation land and trees

Through the acquisition of two softwood plantation estates in the Geelong catchment, one in 1995 and one in 1999, as at 30 June 2015 Midway owned 10,859 ha of plantation trees on 16,039 ha of freehold plantation land and 754 ha of trees on leasehold land. The freehold land base is made up of 368 individual titles of varying sizes but averaging 42.5 ha. The land is located in two main areas – two thirds in the highly productive Otway ranges to the west of Geelong, and one third to the north of Melbourne within relatively close proximity to the city and the Hume Highway commuter/freight corridor. Most of the land would be better suited for uses other than forestry such as other agricultural pursuits or as lifestyle properties.

As the softwood trees were harvested, the estate was progressively converted to short rotation hardwood. This strategy was being pursued due to hardwood growing faster than softwood, being ready for harvest between five and 15 years sooner than softwood and generating superior margins.

Figure 29: Map of freehold plantation land



In February 2016, the standing trees on the freehold and leasehold land were sold to Strategy. There are three key conditions associated with the sale from Midway's perspective:

- Midway manages the estate on behalf of Strategy for a fee designed to cover actual costs and provide some incentive for superior performance;
- within a generally agreed harvest window, the hardwood resource will be supplied to Midway, for Midway to harvest, pursuant to the stumpage arrangements described in Section 9.6.1; and
- Midway and GMORR enter into the Strategic Alliance. The Strategic Agreement was entered into in February 2016. Pursuant to the Strategic Alliance Agreement, which is non-binding other than in respect of exclusivity and confidentiality, Midway and GMORR agree to work together to identify hardwood plantations for GMORR to acquire or establish on behalf of its investors within the Portland and Geelong catchments for supply of resource to Midway at time of harvest.

Strategy holds a mortgage and registered forestry rights over the freehold land which is occupied by the trees it purchased from Midway. As the standing trees are harvested and a land title is cleared, the mortgage and forestry rights registered on that title will be progressively discharged and the land released to Midway to deal with as it sees fit subject to certain on-going access rights over that land. Where forestry is the best economic use for specific titles, that land will either be retained by Midway and replanted, or potentially sold or leased to third parties.

3.2.5 Supply

3.2.5.1 Acquisition of timber supply

Midway acquires timber supply on a Stumpage basis and a mill door basis.

3.2.5.1.1 Stumpage basis

Midway uses harvesting and haulage contractors to harvest on the plantation owners' behalf. The Company then pays the contractors directly and also the landowner for the volume harvested (based on weighbridge data).

Midway has standard contracts that are used, and prices are paid based on agreed Stumpage rates (i.e. \$/GMT) usually working back from what the Company believes is an acceptable mill door rate based on market conditions and other relevant factors.

3.2.5.1.2 Mill door basis

In this case, the Company simply buys the wood delivered over the weighbridge at an agreed "market" rate. Midway has contracts to cover this from one to five years.

3.2.5.2 Supply arrangements

Midway has a number of supply arrangements and commitments with native hardwood and plantation growers in its catchments, and there are significant volumes of uncommitted wood which will become available in coming years for which supply is yet to be negotiated.

Figure 30: Supply summary ('000 GMT)

Facility	FY2016	FY2017	FY2018	FY2019	FY2020
Geelong	1,469	1,439	892	749	614
Portland	1,596	1,515	1,508	1,450	1,456
Brisbane	228	85	30	0	0
	3,293	3,039	2,430	2,199	2,070

Committed supply from growers includes small volumes of regrowth hardwood to Geelong, plantation hardwood (mostly the preferred *E. globulus*) to Geelong and Portland and softwood log, saw mill residue and plantation hardwood to Brisbane.

- Approximately 13 million tonnes of supply is contractually committed from growers over the five years from 1 July 2015.
- Approximately 67% of that committed supply of almost 13 million tonnes falls within the next three years.
- About half of the committed supply will be purchased "at the stump" in the plantation, with Midway being responsible for harvesting and haulage of the timber.
- Most of the remaining half of the committed supply will be purchased as it is delivered to the processing mill.

3. Company Overview

- Pricing for about 50% of the committed supply is by annual negotiation.
- Pricing for most of the balance of the committed supply is adjusted periodically in proportion to the movement in FOB prices.

There remain significant volumes of uncommitted supply which will become available between now and 2020, mostly from existing suppliers, much of which Midway will negotiate to secure as and when future market conditions become more certain including:

- 200,000 tonnes per annum of plantation hardwood from an existing major supplier for five years commencing in 2016;
- 100,000 tonnes per annum of plantation hardwood from an existing major supplier for five years from FY2017;
- 1.2 million tonnes per annum of plantation hardwood from an existing major supplier to Portland until FY2020;
- an estimated 120,000 tonnes per annum of on-going supply of regrowth hardwood to Geelong from FY2018, with an indefinite supply period;
- an estimated 200,000 tonnes per annum of plantation hardwood to Brisbane until FY2020;
- 50,000 tonnes per annum of plantation hardwood to Geelong over the next five years from smaller growers in the catchment; and
- 85,000 tonnes per annum of plantation softwood and sawmill residues as existing supply contracts to QCE.

Midway has a high level of confidence around supply availability out to FY2020, but beyond that the picture is less clear. Companies operating MIS were responsible for the significant growth in the plantation hardwood estate in Australia in the 10 years to 2008. As these schemes are now largely defunct, new plantation establishment has all but ceased. The new owners of the plantations established by the MIS operators are now harvesting the trees, and in many cases the land is being sold off following harvest, either because it is not capable of producing a viable forestry crop or because an alternative use will generate returns that are superior to those from forestry. There is no certainty around the extent to which plantation owners will re-establish, and that is why initiatives such as the Strategic Alliance with Strategy are potentially important to the Company.

3.2.6 Marketing

Through years of endeavour, Midway has strong relationships with a number of significant woodchip buyers in the Asian region. The first customer was Nippon Paper (then Jujo Paper) in 1986 and the strong relationship that was initially developed has been built upon ever since. Nippon Paper still accounts for about 20% of Midway's current total annual woodchip export volume (including 100% of SWF and QCE).

Significant emphasis is placed on the marketing effort involving the most senior personnel. At least three to four regular marketing visits to all customers occur annually to agree volumes and prices for future trade, but more importantly, to maintain regular dialogue and develop a strong understanding of the key people in each organisation and its needs.

Trade with Japan is direct either through Midway or in conjunction with Mitsui, as the partner in the SWF joint venture. Most of the trade with China is in conjunction with a contracted agent who is a Chinese national based in Qingdao and with whom the Company has had a close and productive working relationship with for nearly 15 years. In addition, there is a full-time Chinese national staff member based in Geelong who is fluent in Mandarin to assist with sales contracts, shipping contracts and coordination, letters of credit and translation.

Whilst quality, service and reliability have been critical to Midway's marketing success, much time and effort has also been put towards hosting visits from customers and lending assistance to them in areas outside our traditional trading relationship where we have the expertise or appropriate contacts to be able to do so.

3.3 Midway's products and customers

3.3.1 Softwood

Midway has been supplying softwood woodchips to the Japanese market since 1996. The sales level to Nippon Paper from Midway's Geelong site will not be maintained following the sale of the standing trees of the Midway plantation estate at the end of February 2016. The new owner of the standing timber will supply hardwood from the plantations to Midway, but will take responsibility for marketing the softwood. Whilst some softwood pulpwood may be sold to Midway, there will be a reduction in softwood pulpwood availability as harvest progresses.

QCE's softwood sales will continue. QCE's softwood sales to Oji Paper peaked in 1998 (prior to Midway's majority ownership) when harvesting activity was greatest in South East Queensland. A significant increase in QCE's softwood woodchip export sales occurred following Midway's initial investment in QCE in 2006; however, declining demand and, more recently, supply, resulted in low export volumes between 2010 and 2013. QCE demand and supply has improved from 2014 and is expected to remain stable in the near term.

Midway has a softwood woodchip sales agreement with a Japanese customer, as shown in the table below, which provides the Company with market security (in terms of volume). Softwood prices are normally renegotiated with customers every six months.

Midway's softwood woodchip sales contracts

Customer	Midway entity	Nature of agreement	Volume	Expiry
Oji Paper	QCE	CY2016 minimum volume	59,873 BDMT	31 December 2016. Renegotiated annually.

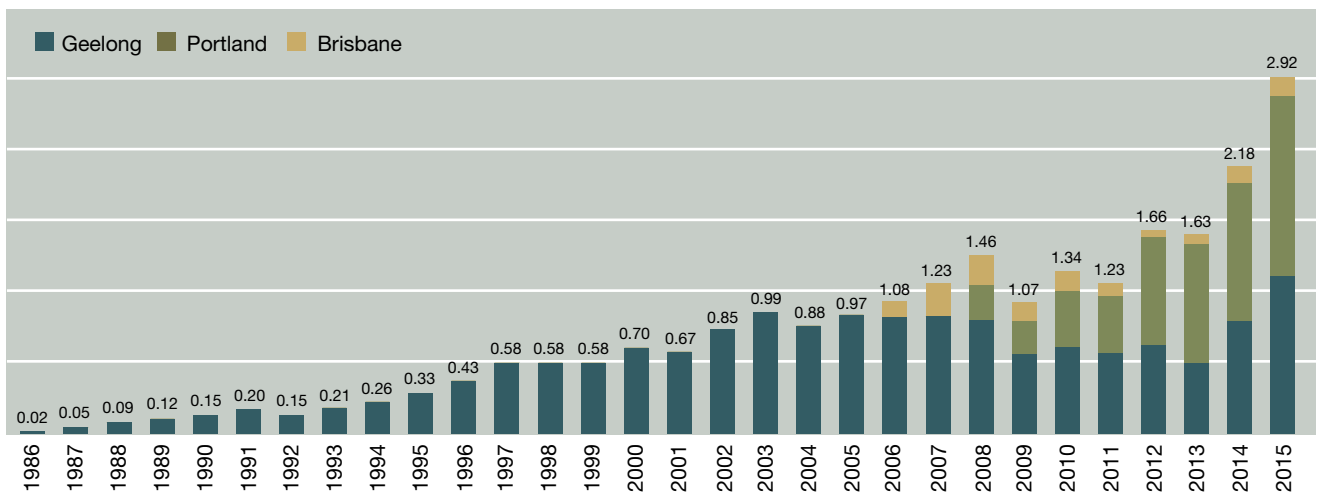
Oji Paper has identified that QCE is a key strategic supplier due to consistent quality and contract performance. There has been a successful transition to direct trading with Oji Paper following the exit of Itochu as shareholder and trading agent of QCE. The creation

of a trading arm internally in Oji Paper (O&C Fiber Trading Co., Ltd), a joint venture between Oji Paper and Chuetsu Pulp & Paper, has led to interest from Chuetsu for potential future supply.

China represents a relatively small market for softwood woodchips, with some planned pulp mill capacity not being developed as expected. South Korea imports small amounts of softwood woodchips from Russia, and there are no other Asian countries currently importing softwood woodchips. It is likely that those countries with softwood deficits will continue to meet them with imported logs rather than woodchips.

3.3.2 Hardwood

Figure 31: Midway total export volumes since 1986 (million GMT)



Note: Includes 100% contribution from SWF (Portland), Geelong and Brisbane.

Source data: Midway Group (SWF and QCE are totals and not adjusted for the Midway Group's share)

Midway has woodchip sales contracts as summarised in the following table.

Midway's woodchip sales contracts

Customer	Nature of agreement	Volume per annum	Expiry
Nippon Paper Industries	Plantation hardwood minimum volume sale and purchase agreement with Midway Geelong	100,000 GMT	End of calendar year 2016
Mitsui (direct sales agreement with Nippon Paper Industries)	Plantation hardwood with SWF	Volume range 400,000 to 600,000 GMT	End of calendar year 2017
Bohui Paper	Plantation Hardwood <i>E globulus</i> , ex Geelong	Six FOB shipments of approximately 150,000 BDMT	End of calendar year 2016
Asia Symbol (Hong Kong) Trading Co. Ltd.	Plantation <i>E globulus</i>	Since December 2015, two FOB shipments of approximately 65,000 BDMT	Q1 2016; further shipments to be negotiated
Anhui Huatai Paper	Plantation hardwood with Geelong	Six CIF shipments of approximately 150,000 BDMT	End of calendar year 2016
Chenming Paper Group	Plantation and regrowth hardwood from Geelong and plantation hardwood from QCE	11 CIF shipments of approximately 275,000 BDMT	End of calendar year 2016
Large Chinese producer of pulp and paper products	Plantation hardwood from Geelong	Two CIF shipments of approximately 55,000 BDMT	End of calendar year 2016, depending on final commitments to other customers

3. Company Overview

3.4 Management and employees

3.4.1 Midway’s employees

As at 31 December 2015, Midway employed 77 full-time employees and has estimates that the cumulative hours worked by direct and indirect contractors on Midway activities would be the equivalent of more than 500 full-time employees.

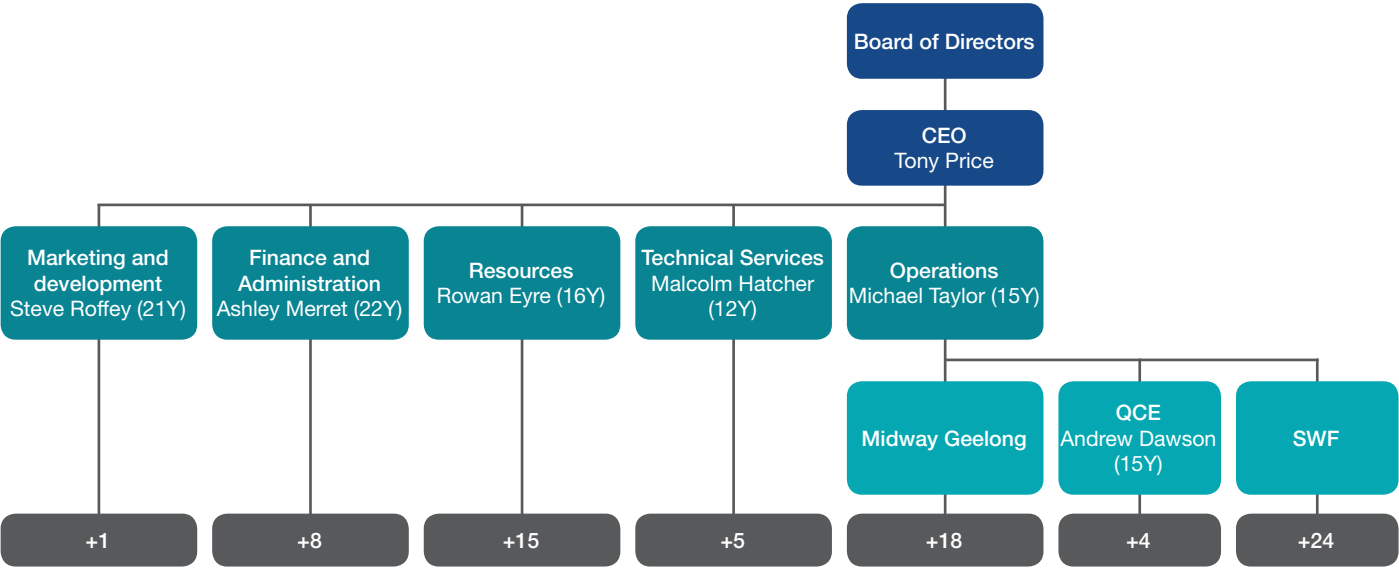
Figure 32: Estimated employee breakdown

By role	Count	By operation	Count
Executive	6	Midway	165
Full-time	71	SWF	283
Contractors	539	QCE	38
		Plantation estate	130
Total	616	Total	616

Note: The employee breakdown figures in Figure 32 are estimates based on supply and production to Midway’s inventory. These numbers do not include employee numbers for shiploading.

3.4.2 Midway organisational structure

Figure 33: Midway organisational chart



Including Tony Price, who was appointed as CEO in 2015, the six members of the senior management team have an average of 16 years’ service with Midway. Tony has more than 30 years’ industry experience, coming to the role on the retirement of the previous CEO after his nearly 20 years’ service in the position.

Each staff member has a clear job description that is reviewed regularly, as well as quantified objectives that are set and agreed each year. Management positions and remuneration are subject to external review from time to time, with remuneration comprising a base package and short term incentives, which are achievable each six months based on actual performance against agreed targets in the areas of safety, profitability and other nominated deliverables.

For further information on the Midway management team, please refer to Section 6.2 for biographies of each member of Management.

3.4.3 Management systems

The Company has well developed internal management systems covering a wide range of activities with particular emphasis on the three key aspects of occupational health and safety, quality, and product certification. The systems are reviewed internally at monthly staff meetings, and more thoroughly at annual reviews.

		Safety (AS4801) 	Quality (ISO9001) 	Forestry (AS4708) 	AFS CoC (AS4707) (PEFC) 	FSC CoC FSC-STD-40-004 FSC CW FSC-STD-40-005 FSC CW FM* FSC-STD-30-010
Midway site		✓	✓	✓	✓	PHW PSW
Midway plantations		✓		✓		PHW PSW
SWF		✓	✓		✓	PHW
QCE		✓	✓			PSW PHW

* Midway Plantations only.

Safety is a critical priority for Management and all personnel at Midway. The challenging interface between employees and contractors and the potentially high risk activities incorporating: timber felling, log processing and transport, materials handling, chipping and ship loading in difficult terrain, weather, day and night conditions ensure everyone's unstinting attention to maintaining a safe workplace. Safety standards and performance against them are achieved with the implementation of well-designed procedures that are implemented uniformly across all sites and systematically reviewed, updated and maintained towards continual improvement. Detailed statistical data on all staff and contractors is maintained and analysed regularly, with performance measured against objectives, historical results and industry trends.

Product quality is closely scrutinised by customers, as it can have a significant impact on the economics of a pulp mill. There are a number of aspects of quality control including the following essential measures:

- **Purity of product.** Contamination by items such as sand, stone, metal, plastic and rubber can cause significant difficulties in the pulp production process. The latter two in particular can result in unacceptable properties in the resultant pulp and paper, rendering them worthless at great expense to the producer and, most likely, significant financial claims against the chip supplier.
- **Hardwood pulp yield.** This is one measure of the natural qualities of the raw material, and the higher the pulp yield, the more pulp a producer will get from a given quantity of hardwood chips. Pulp yield can be a function of many variables including species, growth rate and genetics. Fortunately, the pulp yield for most of the resource in Midway's catchment is very high, for both plantation hardwood and native forest resource.
- **Size distribution.** Pulp mill parameters are set for a particular proportion of various chip sizes, and if the required specification is not met, it will have an adverse impact on the cost of pulp production, in terms of amount of power and chemical concentration required. With most of Midway's woodchip being produced by large static chip mills, as opposed to small mobile "in forest" chippers, the size distribution is easier to control, and less waste is generated. Mobile chippers tend to produce a less uniform chip size, and more small wood particles known as "fines", most of which are screened out to waste, adding to the wood chip production cost.

Poor quality can result in expensive compensation claims from customers, a negative impact on pricing and, most importantly, can have a damaging impact on a supplier's reputation. Conversely, a reputation for high quality such as that enjoyed by Midway can have a very positive impact on marketing outcomes.

Certification has become an increasingly sought after feature of supply by most customers, to ensure the woodchips procured are from authentic sources and from suppliers who can demonstrate a high standard of operating procedures and practices. The two main certification standards are PEFC and FSC, and there are various levels of accreditation within each of these standards. Currently, FSC tends to be the preferred standard, and Midway has FSC CoC accreditation for all of its plantation hardwood and softwood supply. In addition, all supply from Geelong, including native forest woodchip, has PEFC accreditation.

3.4.4 Health and safety

Midway is committed to the health and safety of Company employees, contractors and visitors, and to the elimination of work-related illnesses and injury. Midway's health and safety policy is underpinned by AS4801 Australian/New Zealand Standard™ occupational health and safety management systems and related procedures. The management system and procedures are designed to ensure that Midway complies with its occupational health and safety objectives, statutory requirements, regulations, and codes of practice. The procedures are focused on risk assessments and hazard identification to eliminate incidents wherever possible. Reporting, investigating and controlling near misses, incidents and accidents is undertaken with the aim to eliminate further occurrences.

The lost time injury frequency rate (LTIFR calculated as lost time injuries per million hours worked) and total number of lost time injuries were 10.1 and 9.0 respectively for FY2016. Midway is committed to the improvement of occupational health and safety (OHS) performance and the provision of a safe work environment for employees, contractors, customers and visitors.

3. Company Overview

3.5 Midway's growth strategy and initiatives

Midway has a long history of organic growth and expansion through acquisitions and greenfield developments. The industry landscape is being continually scanned for new opportunities, and the Company is usually evaluating one or two potential targets at any one time. Midway's intimate knowledge of the industry, relatively flat structure, ready access to Board members and strong balance sheet and access to equity capital markets from listing on ASX, means that it is able to react quickly to opportunities when they arise.

The Company's growth strategy remains focused on managing, expanding access to, and processing and marketing of, plantation grown wood fibre for export to the Asian region and particularly China and Japan. Whilst short rotation hardwood fibre will continue to be the foundation of the business, softwood and native hardwood will be important contributors to the bottom line. In the short to medium term, there are a number of potential growth opportunities which have been identified as complementary to existing core activities and likely to meet the Company's investment criteria:

- the potential acquisition of separate woodchip processing and export marketing operations, both hardwood and softwood, as bolt-ons to the three existing facilities, which would offer both profitable growth and operating efficiencies;
- Potential marketing and plantation management opportunities; and
- the potential expansion into hardwood and softwood log export market.

In the future, there is likely to be a number of new growth opportunities which will be evaluated and acquired. Midway has an established track record of rigorous evaluation of investments and this disciplined approach will continue. Midway is continually assessing existing industry assets which are likely to be attractive if they were to become available, and ranking them in order of priority.

Beyond the next decade, certainty of future wood supply is a critical consideration. Current supply is from third-party growers, and most of the volume is from TIMOs which manage plantation assets on behalf of various investors. The extent to which TIMOs create new plantation areas, or replant existing areas once they are harvested, will depend on a variety of issues such as new mandates from existing or new investors, the on-going viability of existing land holdings and the anticipated economics of plantations in the future. Midway is highly optimistic about the latter point and will continue to pro-actively support plantation expansion in the catchment of its processing assets, but has no intention of establishing a significant plantation base in its own right for two reasons:

- plantation investment requires patient capital (investment timeframe of at least 11 years) from investors with a return expectation considerably less than that considered acceptable by Midway's Shareholders; and
- the amount of investment required to fund an estate capable of supplying a meaningful volume over an extended period is considerable. Assuming a growth rate of 20 cubic meters per annum, and land acquisition and establishment costs of \$7,000 per net plantable hectare, an estate of 40,000 ha created over a decade to supply 800,000 tonnes of wood per annum commencing in 10 years' time would require an investment of \$28 million per annum — \$280 million in total plus annual outgoings such as land holding, maintenance and insurance costs — before any return is generated.

Hence Midway's strategy to secure supply beyond the next decade is to encourage investment by third parties whose return expectations are less ambitious than Midway's, by offering a guaranteed offtake of the wood supply at time of harvest and, where appropriate, providing assistance with establishment and on-going maintenance for a fee. Whilst the bulk of the investment required to ensure that the Company has access to adequate wood supply in the long term will come from third parties, Midway may elect to make complementary investments directly as well, where the economics are compelling (e.g. a leasehold opportunity or the purchase of a well-established existing crop on leasehold or freehold land).

Consistent with Midway's strategy is the Strategic Alliance between Midway and GMORR that has been executed in conjunction with the sale of Midway's tree crop to Strategy which occurred in February 2016. GMORR is part of a global, professional investment and asset management group specialising in the investment of forest and farmland on behalf of investors.

4

FINANCIAL INFORMATION



4. Financial Information

This Section contains a summary of the historical and forecast financial information prepared by the Directors of Midway (together the **Financial Information**).

The purpose for including the Financial Information is to provide potential investors sufficient information to make an informed investment decision.

The pro forma historical financial information comprises the:

- pro forma consolidated historical income statements for FY2014, FY2015 and FY2016 (the **Pro Forma Historical Results**);
- pro forma consolidated historical cash flow information for FY2014, FY2015 and FY2016 (the **Pro Forma Historical Cash Flow Information**);
- pro forma consolidated historical balance sheet as at 30 June 2016 (the **Pro Forma Historical Balance Sheet**).

(together, the **Pro Forma Historical Financial Information**).

The pro forma forecast financial information comprises the:

- summarised pro forma forecast income statement for FY2017 (the **Pro Forma Forecast Results**); and
- summarised pro forma forecast cash flow information for FY2017 (the **Pro Forma Forecast Cash Flow Information**).

(together, the **Pro Forma Forecast Financial Information**).

The statutory historical financial information comprises the:

- consolidated historical income statements for FY2014, FY2015 and FY2016 (the **Statutory Historical Results**);
- consolidated historical cash flow information for FY2014, FY2015 and FY2016 (the **Statutory Historical Cash Flow Information**);
- consolidated historical balance sheet as at 30 June 2016 (the **Statutory Balance Sheet**).

(together, the **Statutory Historical Financial Information**).

The statutory forecast financial information comprises the:

- summarised forecast income statement for FY2017 (the **Statutory Forecast Results**); and
- summarised forecast cash flow information for FY2017 (the **Statutory Forecast Cash Flow Information**).

(together, the **Statutory Forecast Financial Information**).

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information together form the Historical Financial Information.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information together form the Forecast Financial Information.

The Historical Financial Information and the Forecast Financial Information together form the Financial Information.

Also summarised in Section 4:

- the basis of preparation and presentation of the Financial Information (Section 4.1);
- the Directors' best estimate general and specific assumptions underlying the Forecast Financial Information (Sections 4.10.1 and 4.10.2) and key sensitivities in respect of the Forecast Financial information (Section 4.11); and
- Midway's proposed dividend policy (Section 4.14).

The information in Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$'000.

4.1 Basis of preparation and presentation of the Financial Information

The Directors of Midway are responsible for the preparation of the Financial Information.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

The Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent possible, is consistent with the basis of preparation and presentation for the Historical Financial Information unless otherwise noted.

The Financial Information is presented in an abbreviated format and does not contain all of the presentations and disclosures or comparative information required by the Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Pro Forma Historical Financial Information and Forecast Financial Information have been reviewed by KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Limited, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Limited Assurance Investigating Accountant's Report. Investors should note the scope and limitations of the Limited Assurance Investigating Accountant's Report (refer to Section 8).

Accounting policies have been consistently applied for Midway throughout the periods presented. Significant accounting policies relevant to the Financial Information are set out in Appendix D.

A discussion of the segments Midway expects to report under AASB 8 Operating Segments is set out in Section 4.6.

In addition to the Financial Information this Section 4 includes non-IFRS measures that Midway uses to manage and report on its business that are not recognised under AAS or IFRS.

4.2 Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from Midway's re-issued statutory consolidated financial reports for FY2014 and FY2015 and Midway's statutory consolidated financial report for FY2016 with pro forma adjustments being made to reflect the form of the business after the sale of Midway's biological assets ("Treecrop"), sale and leaseback of the Murroon block land and tree assets, removal of profits/losses on discontinued operations, incremental listed Company costs and removal of offer costs.

The re-issued general purpose statutory consolidated financial reports of Midway for FY2014 and FY2015 were audited by Pitcher Partners in accordance with Australian Auditing Standards. These re-issued general purpose consolidated financial statements have been prepared in accordance with the Australian Accounting Standards and the Corporations Act. Pitcher Partners issued an unmodified opinion for those periods, with an emphasis of matter drawing attention to the errors corrected in each of the reissued financial reports.

The general purpose statutory consolidated financial reports of Midway for FY2016 were audited by KPMG in accordance with Australian Auditing Standards. These general purpose consolidated financial reports have been prepared in accordance with Australian Accounting Standards and the Corporations Act. KPMG issued an unmodified opinion for this period.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information, adjusted to reflect the:

- sale of Midway Plantation's Treecrop, to Strategy Timber (**Strategy**) in February 2016, including:
 - derecognition of the proceeds from sale, associated tax paid and the dividend to shareholders of significantly all of the after-tax proceeds;
 - adjustment to reflect arm's length purchases of plantation hardwood under the new arrangement with Strategy;
 - removal of historical revenue and associated costs generated from Midway Plantations-grown softwood sales;
 - accelerated depreciation of road assets to align with the Strategy agreement period;
 - adjustment to reflect Treecrop management fee income and defined cost reimbursements from Strategy;
 - removal of consultancy fees incurred in relation to the sale;
- removal of the Victorian Tree Farm Project (**VTP**) joint venture which was discontinued during FY2015;
- removal of the profit on sale and addition of rent expense associated with the sale and leaseback of the Murroon block property asset;
- removal of transaction costs associated with the Offer (including adviser fees) from the Statutory Historical Financial Information and Statutory Forecast Financial Information; and
- estimated incremental costs associated with Midway being a listed Company, including estimated incremental Board costs, management share based payments and incremental audit, tax and compliance costs.

A description of the pro forma adjustments that have been made to the Statutory Historical Financial Information is provided as follows:

- Section 4.5.2 provides a reconciliation of the Statutory Historical Results to the Pro Forma Historical Results;
- Section 4.7.1 provides a reconciliation of the Statutory Historical Balance Sheet to the Pro Forma Historical Balance Sheet; and
- Section 4.8.2 provides a reconciliation of the Statutory Historical Cash Flow Information to the Pro Forma Historical Cash Flow Information.

Investors should note that past results are not a guarantee of future performance.

4. Financial Information

4.3 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared and presented on both a pro forma and a statutory basis for FY2017, as follows:

- the Statutory Forecast Financial Information for FY2017 reflect the Directors' best estimate forecasts for FY2017; and
- the Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information after adjusting for the pro forma adjustments, and includes the adjustments previously detailed for the Pro Forma Historical Financial Information (see Section 4.2).

A reconciliation of the Statutory Forecast Financial Information to the Pro Forma Forecast Financial Information is provided in Sections 4.5.2 and 4.8.2.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information, unless otherwise noted.

The Forecast Financial Information has been prepared by the Directors based on an assessment of current economic and operating conditions and best estimate assumptions regarding future events and actions as set out in Sections 4.9, 4.10.1 and 4.10.2. The Forecast Financial Information is subject to the risks set out in Section 5. The inclusion of these assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or material negative effect on Midway's actual financial performance or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Midway, the Directors and Management, and are not reliably predictable. Accordingly, neither Midway, the Directors, nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The Forecast Financial Information should be read in conjunction with the specific assumptions as set out in Section 4.10.2, the general assumptions as set out in Section 4.10.1, the sensitivities as set out in Section 4.11, the risk factors as set out in Section 5 and other information in this Prospectus.

Midway has no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.4 Explanation of certain non-IFRS financial measures

Midway uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These are known as "non-IFRS financial measures" and the principal ones used in this Prospectus are as follows:

- EBITDA is earnings before interest, taxation, depreciation and amortisation;
- EBIT is earnings before interest and taxation;
- EBITDA before significant items is a measure of EBITDA that is intended to remove the impact of certain significant items on the income statement; and
- EBITDA before significant items margin is EBITDA before significant items as a percentage of sales revenue.

Although the Directors believe that these measures provide useful information about the financial performance of Midway, they should be considered as supplements to the income statement and cash flow statement that have been presented in accordance with the Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Midway calculated these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

4.5 Historical and forecast results

4.5.1 Pro Forma Historical Results and Pro Forma and Statutory Forecast Results

The table below sets out the Pro Forma Historical Results for FY2014, FY2015 and FY2016, together with the Pro Forma and Statutory Forecast Results for FY2017.

Pro forma profit and loss statement

		Pro forma historical results			Pro forma forecast results	Statutory forecast results
\$000	Note	FY2014	FY2015	FY2016	FY2017	FY2017
Sales revenue	1	82,565	130,276	200,275	206,493	206,493
Other income	2	3,159	3,688	3,624	3,533	3,533
Total income		85,724	133,964	203,899	210,026	210,026
Changes in inventories of finished goods and work in progress	3	(1,185)	6,633	1,274	(5,636)	(5,636)
Raw materials, consumables and other procurement costs	4	(53,770)	(92,274)	(116,816)	(127,302)	(127,302)
Employee benefits expense	5	(6,714)	(7,830)	(8,662)	(9,121)	(8,971)
Plantation management expenses	6	(1,688)	(1,468)	(1,143)	(1,539)	(1,539)
Freight and shipment costs	7	(13,586)	(16,981)	(38,384)	(29,071)	(29,071)
Repairs and maintenance costs	8	(1,481)	(2,512)	(4,008)	(4,220)	(4,220)
Other operating expenses	9	(4,909)	(5,346)	(6,216)	(5,834)	(5,730)
Share of profit/(loss) of equity accounted investments	10	(143)	3,035	5,663	786	786
EBITDA before significant items		2,248	17,221	35,607	28,089	28,343
Significant items	11	(64)	(582)	—	—	(2,701)
EBITDA		2,184	16,639	35,607	28,089	25,642
Depreciation & Amortisation	12	(3,707)	(3,712)	(3,466)	(3,521)	(3,521)
EBIT		(1,523)	12,927	32,141	24,568	22,121
Net finance expense	13	(1,262)	(1,174)	(1,202)	(1,374)	(1,375)
Net profit before tax		(2,785)	11,753	30,939	23,194	20,746
Income tax expense	14	672	(2,571)	(7,541)	(6,723)	(5,988)
Net profit after tax		(2,113)	9,182	23,398	16,471	14,758
Profit after tax attributable to shareholders		(2,198)	8,992	23,163	16,042	14,328
Non controlling interest	15	85	190	235	430	430

Notes:

- Sales revenue includes domestic and export sales of hardwood chips and logs from Port of Geelong, and softwood chips from Port of Brisbane (QCE).
- Other income comprises plantation management fees, rental income, profit/(loss) on sale of non-current assets, operating and management fees and other miscellaneous revenue.
- Changes in inventories of finished goods and work in progress captures the year on year balance sheet movement in inventories on hand.
- Raw materials, consumables and other procurement costs include raw materials, stumpage, harvest, cartage, chipping and handling costs.
- Employee benefits expense includes salaries, wages and associated on-costs of staff employed by Midway and QCE, including permanent and casual employees and contractors engaged by Midway.
- Plantation management expenses are incurred in relation to the plantation maintenance and management services Midway provides for various plantation owners. The associated management fee income is recorded in Other income.
- Freight and shipping costs includes freight, demurrage, stevedoring and bulk loader charges associated with the export of woodchips to customers.
- Repairs and maintenance costs capture the cost of upkeep of chipping assets.
- Other operating expenses include occupancy, information technology, travel, occupation health and safety and other general administrative expenses.
- Represents Midway's share of net profit/(loss) after tax from its equity accounted investment in SWF.
- Represents significant rectification work completed to a neighbouring private dam, subsequent to harvest on a neighbouring stand of plantation assets which caused significant damage, in pro forma results FY2014 and FY2015. FY2017 significant items represent significant costs associated with the offer of \$2.7 million attributable to existing shares and therefore not capitalised.
- Represents depreciation and amortisation of plant and equipment, including capitalised roading assets.
- Net finance expenses comprises interest income, interest expense, borrowing costs and hire purchase charges.
- Pro forma income tax expense has been calculated based on the current Australian corporate tax rate of 30%.
- Represents 10% non-controlling interest in QCE.

4. Financial Information

4.5.2 Pro forma adjustments to the Statutory Historical Results and the Statutory Forecast Results

The table below sets out the pro forma adjustments made to historical and forecast statutory Sales Revenue, EBITDA and NPAT.

		FY2014		
(\$'000)	Note	Sales Revenue	EBITDA	NPAT
Statutory		93,674	8,515	2,402
Pro forma adjustments				
Reverse profit on sale of treecrop asset	1	-	-	-
Additional cost on hardwood purchases	2	-	(486)	(340)
Removal of softwood revenue and costs	3	(11,346)	(2,014)	(1,409)
Commission for facilitating sale of softwood and management of hardwood	4	237	237	166
Management fee income/reimbursement from Strategy	5	-	82	57
Accelerated road amortisation	6	-	-	(84)
Removal of biological asset revaluation	7	-	(3,687)	(2,581)
Consultancy costs incurred relating to Strategy transaction	8	-	-	-
Strategy Timber transaction related		(11,109)	(5,868)	(4,191)
Reversal of VTP JV discontinued operations	9	-	457	320
Murroon block sale and leaseback	10	-	(120)	(84)
Additional listed company costs	11	-	(800)	(560)
Removal of Offer costs	12	-	-	-
Pro forma		82,565	2,184	(2,113)

Notes:

- Reverse profit on sale of Treecrop asset**
The consideration received for the Treecrop was greater than the carrying value, therefore an accounting profit was recorded on the sale of the Treecrop asset to Strategy for statutory purposes. This pro forma adjustment acts to remove the impact of the profit on sale from the income statement.
- Additional cost on hardwood purchases**
The sale and repurchase agreement with Strategy would have resulted in a different cost of hardwood historically. Management has sought to calculate the margin impact of buying hardwood, previously supplied by Midway's own plantations, from Strategy. A pro forma adjustment has been applied to Cost of Goods Sold to reflect the incremental cost of purchasing hardwood from Strategy.
- Removal of softwood revenue and costs**
Under the arrangement with Strategy, Midway sells softwood logs on behalf of Strategy through an agency relationship in return for a sales commission (see 4 below). Given that Midway will no longer receive sales revenue for softwood log sales, historical softwood sales revenue and associated costs have been removed as a pro forma adjustment.
- Commission for facilitating sale of softwood and management of hardwood**
To include commission income for selling softwood, a stumpage fee for harvesting softwood and a management fee for maintenance of hardwood plantation area.
- Management fee income/reimbursement from Strategy**
Under the arrangement with Strategy, Midway receives a management fee to cover fire protection and SG&A expenses for the managed plantation area. In addition to the above reimbursements, Strategy will take out their own Treecrop insurance.
- Accelerated road amortisation**
Historically, Midway amortised roads within the plantation area sold to Strategy over a period of 25 years. Under the arrangement with Strategy, once areas are harvested, replanting is unlikely to occur. Once an area is completely harvested, roads need to be fully depreciated. This pro forma adjustment is to accelerate depreciation to the earlier of 10 years and when the area is harvested.
- Removal of biological asset revaluation**
To reverse fair value increment/decrement of biological assets recorded in profit or loss, as accounted for under AASB 141 Agriculture, due to the sale of the Treecrop.

FY2015			FY2016			FY2017		
Sales Revenue	EBITDA	NPAT	Sales Revenue	EBITDA	NPAT	Sales Revenue	EBITDA	NPAT
142,264	30,163	18,825	208,504	39,913	26,416	206,493	25,642	14,758
-	-	-	-	(615)	(431)	-	-	-
-	(1,693)	(1,187)	-	(851)	(596)	-	-	-
(12,289)	153	107	(8,588)	(2,007)	(1,404)	-	-	-
301	301	211	359	359	251	-	-	-
-	161	113	-	104	73	-	-	-
-	-	(176)	-	-	(4)	-	-	-
-	(10,776)	(7,543)	-	(2,770)	(1,939)	-	-	-
-	-	-	-	310	217	-	-	-
(11,988)	(11,854)	(8,475)	(8,229)	(5,470)	(3,833)	-	-	-
-	9	7	-	-	-	-	-	-
-	(879)	(615)	-	-	-	-	-	-
-	(800)	(560)	-	(800)	(560)	-	(254)	(178)
-	-	-	-	1,964	1,375	-	2,701	1,891
130,276	16,639	9,182	200,275	35,607	23,398	206,493	28,089	16,471

8. **Consultancy costs incurred relating to Strategy transaction**

To remove costs incurred engaging consultants to provide advice on the Strategy transaction.

9. **Reversal of VTP JV discontinued operations**

The VTP joint venture, between Midway and a third party, was created to manage and harvest forestry land co-owned by the joint venturers. The final year of the joint venture operation was FY2015. This represents a change in operation and, as such, income received and costs incurred historically from this operation has been removed.

10. **Murroon block sale and leaseback**

During FY2015 Midway entered into a sale and leaseback arrangement of its Murroon block landholding. The one-off gain on sale has been reversed and an incremental lease expense has been recorded.

11. **Additional listed Company costs**

This pro forma adjustment captures both additional compliance costs, associated with being a listed Company, and incremental executive remuneration costs.

Additional compliance costs have been integrated into the historical results via a pro forma adjustment. The adjustment includes an annual increment of \$250,000 to be incurred by the business, following Listing, to cover costs such as listing fees, registry services, Directors' insurance, legal counsel and auditing.

Executive remuneration has also been adjusted to reflect the executive remuneration arrangements following the IPO to cover increases in salary, short term incentives and long-term incentives for the CEO, CFO and certain senior management personnel. The incremental executive remuneration is estimated to be \$550,000 per year.

Note that this adjustment has already been applied on a pro-rata basis for the FY2017 statutory forecast.

12. **Removal of Offer costs**

Estimated one-off expenses associated with listing Midway, on the ASX, have been included in the FY2016 statutory financial statements and FY2017 statutory forecast. Management estimates costs incurred as part of the listing process are forecast to amount to a total of \$4.7 million. The estimate considers expenses such as adviser fees, underwriting fee, listing fees and marketing costs. These one-off Offer costs have been adjusted out of the pro forma results. Of the total \$4.7 million offer costs, \$2.0 million was incurred in FY2016 and \$2.7 million is forecast to be incurred in FY2017. The entire balance of one-off Offer costs forecast to be incurred in FY2017 will be expensed through profit and loss.

4. Financial Information

4.5.3 Key operating metrics

Set out below is a summary of Midway key historical operating metrics for FY2014, FY2015 and FY2016 derived from the Pro Forma Historical Results, and the forecast key operating metrics for FY2017 derived from the Pro Forma Forecast Results.

	Pro Forma Historical Results			Pro Forma Forecast Results
	FY2014	FY2015	FY2016	FY2017
Hardwood volume (000's GMT)	711	983	1,421	1,647
Softwood volume (000's GMT)	127	183	153	118
Revenue growth		57.8%	53.7%	3.1%
EBITDA before significant items growth		666.1%	106.8%	(21.1%)
EBITDA before significant items margin	2.7%	13.2%	17.8%	13.6%

4.6 Segment information

The pro forma financial results for the Midway businesses for FY2014, FY2015, FY2016 and FY2017 is set out below. The segment information reflects Midway's interest in the SWF business on a proportional consolidation basis, which is the measure that will be used by Midway's management to assess the performance of the SWF business. The statutory adjustment column reconciles the proportional consolidation of the SWF business to the treatment of the SWF business on an equity accounted basis as set out in the pro forma financial information in Section 4.5.1.

4.6.1 Pro Forma Historical Results by segment for FY2014

FY2014 Pro Forma Historical Results						
(\$'000)	Midway	QCE	SWF	Subtotal	Statutory adjustment	Pro forma FY2014
Sales revenue	73,924	8,641	42,532	125,097	(42,532)	82,565
Other income	3,071	88	47	3,206	(47)	3,159
Total income	76,995	8,729	42,579	128,303	(42,579)	85,724
Operating and other expenses	(74,525)	(8,808)	(40,576)	(123,909)	40,576	(83,333)
Share of profit/(loss) of equity accounted investments	-	-	-	-	(143)	(143)
EBITDA before significant items	2,470	(79)	2,003	4,394	(2,146)	2,248
Significant items	(64)	-	-	(64)	-	(64)
EBITDA	2,406	(79)	2,003	4,330	(2,146)	2,184
Depreciation and amortisation	(3,055)	(652)	(2,232)	(5,939)	2,232	(3,707)
EBIT	(649)	(731)	(229)	(1,609)	86	(1,523)
Net finance expense	(1,261)	(1)	25	(1,237)	(25)	(1,262)
Net profit before tax	(1,910)	(732)	(204)	(2,846)	61	(2,785)
Income tax expense	462	210	61	733	(61)	672
Net profit after tax	(1,448)	(522)	(143)	(2,113)	-	(2,113)

4.6.2 Pro Forma Historical Results by segment for FY2015

FY2015 Pro Forma Historical Results						
(\$'000)	Midway	QCE	SWF	Subtotal	Statutory adjustment	Pro forma FY2015
Sales revenue	109,769	20,507	73,562	203,838	(73,562)	130,276
Other income	3,664	24	62	3,750	(62)	3,688
Total income	113,433	20,531	73,624	207,588	(73,624)	133,964
Operating and other expenses	(106,133)	(13,645)	(62,538)	(182,316)	62,538	(119,778)
Share of profit/(loss) of equity accounted investments	-	-	-	-	3,035	3,035
EBITDA before significant items	7,300	6,886	11,086	25,272	(8,051)	17,221
Significant items	(582)	-	-	(582)	-	(582)
EBITDA	6,718	6,886	11,086	24,690	(8,051)	16,639
Depreciation and amortisation	377	(4,089)	(6,790)	(10,502)	6,790	(3,712)
EBIT	7,095	2,797	4,296	14,188	(1,261)	12,927
Net finance expense	(1,135)	(39)	41	(1,133)	(41)	(1,174)
Net profit before tax	5,960	2,758	4,337	13,055	(1,302)	11,753
Income tax expense	(1,709)	(862)	(1,302)	(3,873)	1,302	(2,571)
Net profit after tax	4,251	1,896	3,035	9,182	-	9,182

4.6.3 Pro Forma Historical Results by segment for FY2016

FY2016 Pro Forma Historical Results						
(\$'000)	Midway	QCE	SWF	Subtotal	Statutory adjustment	Pro forma FY2016
Sales revenue	183,938	16,337	85,484	285,759	(85,484)	200,275
Other income	3,631	(7)	26	3,650	(26)	3,624
Total income	187,569	16,330	85,510	289,409	(85,510)	203,899
Operating and other expenses	(161,673)	(12,282)	(76,155)	(250,110)	76,155	(173,955)
Share of profit/(loss) of equity accounted investments	-	-	-	-	5,663	5,663
EBITDA before significant items	25,896	4,048	9,355	39,299	(3,692)	35,607
Significant items	-	-	-	-	-	-
EBITDA	25,896	4,048	9,355	39,299	(3,692)	35,607
Depreciation and amortisation	(2,887)	(579)	(1,312)	(4,778)	1,312	(3,466)
EBIT	23,009	3,469	8,043	34,521	(2,380)	32,141
Net finance expense	(1,210)	8	54	(1,148)	(54)	(1,202)
Net profit before tax	21,799	3,477	8,097	33,373	(2,434)	30,939
Income tax expense	(6,520)	(1,021)	(2,434)	(9,975)	2,434	(7,541)
Net profit after tax	15,279	2,456	5,663	23,398	-	23,398

4. Financial Information

4.6.4 Pro Forma Forecast Results by segment for FY2017

FY2017 Pro Forma Forecast Results						
(\$'000)	Midway	QCE	SWF	Subtotal	Statutory adjustment	Pro forma FY2017
Sales revenue	171,932	34,561	80,199	286,692	(80,199)	206,493
Other income	3,487	46	129	3,662	(129)	3,533
Total income	175,419	34,607	80,328	290,354	(80,328)	210,026
Operating and other expenses	(153,681)	(29,042)	(77,624)	(260,347)	77,624	(182,723)
Share of profit/(loss) of equity accounted investments	-	-	-	-	786	786
EBITDA before significant items	21,738	5,565	2,704	30,007	(1,918)	28,089
Significant items	-	-	-	-	-	-
EBITDA	21,738	5,565	2,704	30,007	(1,918)	28,089
Depreciation and amortisation	(3,089)	(432)	(1,424)	(4,945)	1,424	(3,521)
EBIT	18,649	5,133	1,280	25,062	(494)	24,568
Net finance expense	(1,378)	4	(158)	(1,532)	158	(1,374)
Net profit before tax	17,271	5,137	1,122	23,530	(336)	23,194
Income tax expense	(4,882)	(1,841)	(336)	(7,059)	336	(6,723)
Net profit after tax	12,389	3,296	786	16,471	-	16,471

4.7 Financial position

4.7.1 Pro Forma Historical Balance Sheet

The table below sets out the adjustments that have been made to the Statutory Historical Balance Sheet as at 30 June 2016 to derive the Pro Forma Balance Sheet for Midway. These adjustments reflect pro forma adjustments to include the costs of the offer and the payment of the final FY16 dividends as if they had occurred as at 30 June 2016.

\$'000	Statutory historical balance sheet ¹	IPO transaction costs ²	FY16 dividend payment ³	Pro forma balance sheet
Current assets				
Cash and cash equivalents	11,180	(2,701)	(4,489)	3,990
Receivables	9,915	-	-	9,915
Inventories	11,711	-	-	11,711
Biological assets	2,146	-	-	2,146
Other assets	4,064	-	-	4,064
Total current assets	39,016	(2,701)	(4,489)	31,826
Non-current assets				
Equity accounted investments	12,998	-	-	12,998
Intangible assets	1,971	-	-	1,971
Property, plant and equipment	101,517	-	-	101,517
Biological assets	809	-	-	809
Total non-current assets	117,295	-	-	117,295
Total assets	156,311	(2,701)	(4,489)	149,121
Current liabilities				
Payables	(17,954)	-	-	(17,954)
Borrowings	(465)	-	-	(465)
Provisions	(1,489)	-	-	(1,489)
Current tax liabilities	(965)	-	-	(965)
Total current liabilities	(20,873)	-	-	(20,873)
Non-current liabilities				
Borrowings	(30,436)	-	-	(30,436)
Provisions	(88)	-	-	(88)
Deferred tax liabilities	(14,369)	810	-	(13,559)
Total non-current liabilities	(44,893)	810	-	(44,083)
Total liabilities	(65,766)	810	-	(64,956)
Net assets	90,545	(1,891)	(4,489)	84,165
Equity				
Share capital	28,833	-	-	28,833
Other reserves ⁴	58,617	-	-	58,617
Retained earnings	1,613	(1,891)	(4,489)	(4,767)
Minority interest	1,482	-	-	1,482
Total equity	90,545	(1,891)	(4,489)	84,165

Notes:

1. Reflects the reported balance sheet of Midway as at 30 June 2016 per the year end financial statements.
2. Represents the forecast transaction costs associated with the initial public offering of \$2.7 million.
3. This adjustment reflects the final dividend paid out in October 2016 in relation to FY2016.
4. Includes \$26.2 million of profits reserve which can be transferred to retained earnings for the purpose of distributing as a dividend in future periods.

4. Financial Information

4.7.2 Indebtedness

4.7.2.1 Pro forma indebtedness of Midway as at 30 June 2016

The following table sets out the pro forma indebtedness of Midway as at 30 June 2016.

(\$'000)	30 June 2016 Statutory	30 June 2016 Pro forma
Current borrowings	(465)	(465)
Non-current borrowings	(30,436)	(30,436)
Total borrowings¹	(30,901)	(30,901)
Cash ²	11,180	3,990
Net debt	(19,721)	(26,911)

Notes:

1. Drawn debt excludes bank guarantees.
2. The pro forma cash and cash equivalents does not reflect the change in cash position between 30 June 2016 and completion of the Offer which will occur as a result of various other anticipated cash transactions of the business.

4.7.2.2 Summary of banking facility

Borrower	Use of proceeds	Limit	Drawn	Maturity
Midway	Working capital, asset finance, term debt	42,350,000	30,900,961	Dec-17
Midway	Bank guarantee	4,250,000	2,236,279	Dec-17
QCE	Working capital, asset finance	1,000,000	-	Apr-17
QCE	Bank guarantee	950,000	225,000	Apr-17
Midway, QCE	Business card	170,000	22,262	N/A
Total		48,720,000	33,384,502	

Note:

1. Represents the amount drawn down against each facility as at 30 June 2016.

Description of the bank debt facilities

Each of the Company and QCE has entered into a separate debt facility with National Australia Bank Limited as detailed in this Section, with an aggregate facility limit of \$48,720,000.

Maturity date

The facilities in respect of which Midway is the borrower (**Midway Facilities**) will mature on 31 December 2017, and the facilities in respect of which QCE is the borrower (**QCE Facilities**) will mature on 30 April 2017.

Use of funds

The debt facilities are used for working capital, to secure supply where suppliers require bank guarantees, to purchase mobile plant and motor vehicles and for general corporate purposes of the Company.

Security

The Midway Facilities are secured by the following:

- A fixed and floating charge granted by Midway Limited and Midway Plantations Pty Ltd.
- A property mortgage over:
 - the property situated at 150-190 Corio Quay Road, North Shore VIC, granted by Midway Limited;
 - the property situated at 10 The Esplanade, North Shore VIC, granted by Midway Properties Pty Ltd;
 - the property situated at 1A The Esplanade, North Shore VIC, granted by Midway Limited.
- A Term Deposit Letter of Set Off granted by Midway Limited Guarantees and indemnity provided by Midway Limited, Midway Plantations Pty Ltd and Midway Properties Pty Ltd.

The QCE Facilities are secured by a fixed and floating charge granted by QCE.

Events of default

The debt facilities contain events of default usual for facilities of this nature. These events of default include (among others) events relating to failure to pay an amount due, a breach of a financial covenant or other undertaking, a material misrepresentation, material contract becoming void or unenforceable, de-listing of the Company on the ASX, cessation of business, cross default, material adverse effect and insolvency-related events.

If an event of default is triggered, this may result in, among other things, the commitments provided under the debt facilities being cancelled and the amounts borrowed under the debt facilities being declared immediately due and payable.

The debt facilities contain review events which include actual capital expenditure exceeding budgeted capital expenditure by more than 10%, any material change to a material contract which would adversely impact sales by greater than 10% and, in respect of QCE, loss of any key supply/sale agreements, or loss of access to the Port of Brisbane facilities. If a review event occurs, this may result in the debt facilities being cancelled (in which case, all amounts owing under the debt facilities must be repaid) or continuing on amended terms.

Financial covenants summary

The debt facilities contain financial covenants which will be tested quarterly (31 March, 30 June, 30 September, 31 December). The financial covenants are:

- Capital Adequacy Ratio of greater than or equal to 45%, calculated as Total Tangible Net Worth divided by Total Tangible Assets.
- Interest Cover Ratio of greater than or equal to 2.0 times, calculated as EBITDA divided by Gross Interest Expense.
- Operating Leverage Ratio of less than or equal to 1.75 times, calculated as Gross Bank Debt (Adjusted) divided by EBITDA.

For the purposes of the Capital Adequacy Ratio above, Total Tangible Net Worth is calculated as Net Assets less intangible assets including goodwill and equity accounted investments.

For the purposes of the Interest Cover Ratio and Operating Leverage Ratio above, EBITDA includes cash dividends, management fees and shareholder loan repayments made by SWF but excludes EBIT from SWF.

For the purposes of the Operating Leverage Ratio, Gross Bank Debt (Adjusted) includes borrowings, bank guarantees, hire-purchase leases, finance leases, financial liabilities and certain other obligations, less the amount held in the Set Off Account and subject to the Term Deposit Letter of Set Off.

Further terms

Please refer to Section 9.6.4 for further information on Midway's banking facilities.

4.7.3 Liquidity and capital resources

Midway's principal source of funds will be cash flow from operations. Midway expects that it will have sufficient operating cash flow to fund its operational and capital requirements during the Forecast Period. Should cash flows from operations not be sufficient or financial covenants be breached, assets may need to be sold, alternate funding may be required or dividend payments reduced or ceased to manage operational cash flows.

Midway may also source additional cash flow from the sale of freehold plantation land, which may be potentially sold off for higher value uses while the existing Treecrop, which is owned by a third party, is progressively harvested and supplied to Midway over the next 10 to 12 years.

USD revenue represents the vast majority of Midway's revenue and accordingly EBITDA is particularly sensitive to movements in AUD:USD FX rate. If AUD:USD FX rates were to move materially adversely, for a sustained period, this may cause a financial covenant to be breached and trigger an event of default as outlined above (4.7.2.2). The company intends to manage its foreign currency exposure by taking out forward FX contracts from time to time.

4. Financial Information

4.7.4 Contractual obligations and commitments

The table below summarises Midway's statutory contractual obligations and commitments as at 30 June 2016.

Capital and contractual commitments as at 30 June 2016¹

	(\$ million)
Operating leases ²	14.6
Service agreements ³	150.2
Hardwood repurchase obligation ⁴	114.1
Total	278.9

Notes:

1. As SWF is equity accounted for, only capital and contractual commitments for consolidated entities Midway and QCE have been disclosed within this table. SWF's capital and contractual commitments amount to \$nil at 30 June 2016.
2. Operating lease commitments relating to office premises and equipment in Geelong and Port of Brisbane as well as plantation land.
3. Minimum contracted payments under Geelong Shiploader Service Agreement for the period to FY2032.
4. Net balance of \$79.9 million relates to committed purchases (\$84.4 million) and management fees (\$4.5 million) relating to hardwood sold as part of the Strategy transaction. Refer to 4.13 for further detail. The remaining balance of \$34.2 million relates to hardwood purchase obligations with various entities.

4.7.5 Committed and forecast capital expenditure¹

(\$'000)	FY2017
Maintenance ²	984
Productivity and growth ³	3,765
Land and land development ⁴	1,427
Total capital expenditure	6,176

Notes:

1. Only committed and forecast capital expenditure for consolidated entities Midway and QCE have been disclosed within this table. SWF's committed and forecast capital expenditure excluded from the above table as SWF is equity accounted, SWF's committed and forecast capital expenditure amounts to \$1,420,000 for FY2017.
2. Primarily relates to mobile plant and motor vehicle acquisitions.
3. Forecast capital expenditure for FY2017 relates to the development of processing facilities at Geelong and QCE.
4. Purchase and development of forestry land (ex-plantation sites that have been harvested).

4.7.6 Contingent liabilities and off-balance sheet arrangements

Legal proceedings have recently been commenced against the Company in the Victorian Civil and Administrative Tribunal (**VCAT**). Based on the claimant's application, the claim appears to primarily relate to sedimented water flow from the Company's plantation onto the claimant's property and historical aerial herbicide spraying of the plantation by the Company. The claimant seeks \$362,500 in damages and an unquantified amount in respect of remediation works. Given the early stage of the proceeding, and the lack of specificity in the claimant's application, it is premature for the Company to speculate on whether the proceeding could have a material impact on Midway's financial position or operating or financial performance. The Company intends to vigorously defend the action.

Other than as set out above, the Company does not believe that it has any contingent liabilities from legal proceedings or other exposures that are likely to have a material adverse impact on its business or financial position as at the Prospectus Date.

4.7.7 Quantitative and qualitative disclosure about market risk

Midway is exposed to a range of financial risks, including market risk (including foreign currency risk, interest rate risk and commodity price risk), liquidity risk and credit risk arising from its operating activities. Midway's exposure to these risks, as well as the objectives, policies and processes for measuring and managing these risks is discussed in this below:

- **Foreign exchange risk:** Relates to the risk that the fair value of future cash flows of a financial instrument or a highly probable transaction will fluctuate because of changes in foreign exchange rates. Midway is exposed to foreign exchange risk through operating activities (sales made or derived in currencies other than the presentation currency). Midway enters into foreign exchange contracts to hedge some of its exposure against foreign currency risk. For short term hedging (up to 3 months) it typically uses foreign exchange contracts and for longer term hedging it typically uses an option related product which caps the worst case rate and still allows Midway to participate in the benefit of favourable foreign exchange movements.
- **Interest rate risk:** Midway is exposed to interest rate risk as it borrows funds at floating rates. Interest rate risk is the risk that Midway will be adversely affected by movements in floating interest rates that will increase the cost of floating rate debt.
- **Commodity price risk:** The cost of wood is correlated with the underlying commodity price, and, as such, fluctuates over time. Midway seeks to manage changing input prices through price negotiations with customers following changes in the underlying commodity and, in some cases, through rise and fall price mechanisms in sales agreements.

- Liquidity risk: Arises from the ability of Midway to meet its financial liabilities and obligations as and when they fall due. Midway monitors future financial commitments and intends to maintain sufficient cash reserves and headroom in its banking facilities to meet these objectives on an on-going basis.
- Credit risk: Relates to the potential failure of Midway's counterparties (such as customers or financial institutions) to meet their obligations at the appropriate time. The maximum exposure at any time is equal to the fair value of the financial assets. The business seeks to monitor and manage counterparty risk through internal controls and protocols, including customer credit policies and performing banking and financial activities with financial institutions.

4.8 Pro Forma Historical Cash Flow Information, Pro Forma Forecast Cash Flow Information and Statutory Forecast Cash Flow Information

4.8.1 Pro Forma Historical and Pro Forma Forecast Cash Flow Information

The table below sets out the Pro Forma Historical Cash Flow Information.

Pro forma cash flow

\$000	Notes	Pro forma historical results			Pro forma forecast results	Statutory forecast results
		FY2014	FY2015	FY2016	FY2017	FY2017
EBITDA		2,184	16,639	35,607	28,089	25,642
Share of profit or loss from associates and joint ventures	1	143	(3,035)	(5,663)	(786)	(786)
Non-cash items	2	284	214	(131)	-	-
Change in working capital	3	(1,153)	(10,164)	1,070	3,124	3,124
Net cash flow from operating activities before interest and tax		1,458	3,654	30,883	30,427	27,980
Capital expenditure	4	(1,231)	(1,656)	(4,503)	(6,176)	(6,176)
Payment for biological assets	5	-	-	(2,146)	2,146	2,146
Proceeds from sale of PP&E	6	288	826	372	2,662	2,662
Free cash flow		515	2,824	24,606	29,059	26,612
Contributions to associates and joint ventures	7	(30)	72	-	-	-
Movement in loans to associates and joint ventures	8	2,040	2,040	2,662	366	366
Net cash flow before financing, tax and dividends		2,525	4,936	27,268	29,425	26,978
Borrowings	9	(2,869)	(2,100)	-	-	-
Hire purchase commitments	10	(49)	(384)	(768)	841	841
Income tax paid	11	307	644	(5,451)	(8,674)	(7,940)
Dividends paid	12	(3,449)	(5,896)	(34,958)	(12,602)	(12,602)
Dividends received from equity accounted investee	13	-	-	-	1,995	1,995
Net interest	14	(1,262)	(1,175)	(1,202)	(1,321)	(1,321)
Net cash flow after financing, tax and dividends		(4,797)	(3,975)	(15,111)	9,664	7,951

Notes:

1. Represents the equity accounted share of profit from SWF.
2. Non-cash items include profit on sale of non-current assets and movements in employee leave provisions.
3. Changes in working capital comprise movements in trade and sundry debtors, inventory, trade and sundry creditors, prepayments and accrued expenses.
4. Capital expenditure comprises payments made for purchases of property, plant and equipment.
5. Represents the prepayment of standing timber, due to Midway taking less than the FY16 volume contracted with Strategy Timber.
6. Cash proceeds received on sale of property, plant and equipment.
7. Contributions to associates and joint ventures represent payments to or proceeds from SWF outside of share of profit and movement in loans.
8. Movements in loans to associates represent repayments of intercompany loans from SWF.
9. Borrowings comprises net payments of/proceeds from bank borrowings.
10. Hire purchase commitments represent net payments of proceeds from hire purchase facilities.
11. Income tax paid is the cash outflow on tax instalments and the final payment/refund due upon lodgement of the tax return for the prior year.
12. Dividends paid represents the cash outflow for dividends during the period.
13. Dividends received represents the cash inflow from dividends for the period.
14. Net interest represents the net interest paid and interest received during the period.

4. Financial Information

4.8.2 Pro forma adjustments to the Statutory Historical Cash Flow Statements

The table below sets out the pro forma adjustments to historical and forecast statutory net cash flows.

\$000	Notes	Pro forma historical results			Pro forma forecast results
		FY2014	FY2015	FY2016	FY2017
Statutory net cash flow		(719)	7,410	(18,001)	7,951
EBITDA impact of profit and loss adjustments	1	(6,331)	(13,524)	(4,306)	2,447
Add back of non-cash impacting adjustments					
Profit/(loss) on sale of assets	2	-	762	615	-
Plantation valuation increment	3	3,687	10,776	2,770	-
Share of profit/(loss) for equity accounted investments	4	(457)	(9)	-	-
Biological assets movement (net of revaluation increments)	5	(1,906)	(7,919)	-	-
Adjustment of cash impacting items					
Property, plant and equipment	6	-	(2,833)	-	-
Sale of Treecrop	7	-	-	(55,148)	-
Special dividend paid	8	-	-	36,946	-
Adjustments to tax	9	929	1,362	22,013	(734)
Pro forma net cash flow		(4,797)	(3,975)	(15,111)	9,664

Notes:

- EBITDA impact of profit and loss adjustments**
Refer to discussion on pro forma adjustments impacting EBITDA within Section 4.5.2.
- Profit/(loss) on sale of assets**
Reflects the pro forma adjustment to reverse the non-cash impact of the net book profit recorded on the sale of Treecrop assets to Strategy.
- Plantation valuation increment**
The non-cash impact of the fair value increment/decrement of biological assets, through profit or loss, has been removed as a pro forma adjustment.
- Share of profit/(loss) for equity accounted investments**
This line reverses the non-cash profit/(loss) recorded for Midway's share of profit from the VTP joint venture.
- Biological assets movement (net of revaluation increments)**
Removes the impact of the balance sheet movement between biological assets net of the valuation increment.
- Property, plant and equipment**
Removal of the cash impact of selling the Murroon block during FY2015.
- Sale of Treecrop**
Elimination of the cash consideration, after transaction fees, received from Strategy in relation to the Treecrop sale.
- Special dividends paid**
Elimination of the cash impact of a return of capital to shareholders via a special dividend in relation to the Treecrop sale to Strategy.
- Adjustments to tax**
For the purposes of the pro forma cash flow statement, all pro forma adjustments are assumed to have an immediate tax impact on cash.

4.9 Management discussion, analysis and forecast assumptions

4.9.1 General factors affecting the operating results of Midway

Below is a discussion of the main factors which affected Midway operations and relative financial performance in FY2014, FY2015 and FY2016 and which Midway expects may continue to affect it in the future. The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected Midway's historical operating and financial performance, nor everything that may affect Midway's operations and financial performance in the future.

4.9.1.1 Revenue

Most of Midway's revenue has been generated from export sales from the three processing and export facilities. Five key drivers impact on the revenue from export sales:

- customer demand;
- available supply;
- export pricing;
- exchange rates; and
- dry fibre content.

Customer demand

The surplus of hardwood woodchip supply in the Asian region has diminished in recent years as demand in Japan has stabilised and new pulp production capacity in China has been developed to meet the growing domestic demand for paper and packaging products while domestic supply of wood fibre in China has declined.

More detail on the regional woodchip demand/supply history and outlook is contained in Section 2.

Available supply

Midway's revenue growth is impacted by the availability of resource supply from owners of plantations in its operating catchments and the competition from other potential users for that resource such as other woodchip exporters and local pulp producers.

Growth in regional demand has been accommodated through increasing supply availability resulting from the activity of the MIS operators in Midway's catchments and that situation is not expected to change in the next few years.

Export pricing

There are a variety of pricing arrangements with woodchip customers ranging from spot arrangements on a ship by ship basis to fixed prices for periods up to 12 months and for agreed volume ranges. There are a number of factors that impact on prices in the short term including the pricing of alternative sources of supply available to customers at any point in time and the impact of fluctuations in market pulp prices on customers' financial performance and the availability of competitively priced shipping in relation to CIF sales.

Over the longer term, export pricing can be expected to reflect the macro demand/supply outlook in the Asian region which is likely to result in upward pricing pressure in a relatively stable total demand environment as supply diminishes through reduced replanting and as domestic consumption of wood fibre in countries that have historically been significant woodchip exporters, increases.

Australian pricing on export sales to Japan is typically agreed in March/April each year and is applicable for the whole calendar year and applies retrospectively. Pricing for CY2016 was agreed in June 2016 at \$148.50 USD per BDMT. Pricing agreed between Midway and Nippon Paper is normally accepted by all Japanese customers. All sales are made on an FOB basis.

China pricing is more variable than with Japan and may be customer specific, although Midway seeks to keep pricing reasonably comparable between customers. Pricing varies from spot to annual pricing depending on customers. Also, while some sales are on a FOB basis, Midway also makes sales on a CIF basis (i.e. Midway Charters the woodchip vessel).

Exchange rates

With all Midway export sales now in USD, a decreasing value of the AUD to the USD positively affects the Company's AUD revenues (and conversely an increasing AUD:USD negatively affects revenue) through the direct conversion impact and through increasing export volumes as Australia's competitiveness relative to other countries exporting woodchips to customers in the region improves. The gross profit impact associated with changes to exchange rate conditions can be partially eroded as some suppliers seek a share of improving margins with customers or Midway seeks to push price decreases onto suppliers due to a change in the trading environment.

Dry fibre content

Dry fibre content is the ratio between green metric tonnes (GMT), which is the unit of wood purchases, and bone dry metric tonnes (BDMT), which is the unit of chip sales to export customers. A single BDMT represents a GMT with its moisture content removed. Midway fills a vessel with GMT, but is paid based on the number BDMT that the GMT represents, hence why favourable dry fibre content conversion increases revenue.

4.9.1.2 Other income

Additional future revenue will be generated from the sale of freehold plantation land as it is progressively released following harvest of the estate by the Treecrop owner over the next 10 to 12 years. The speed and quantum of revenue creation will be impacted by the demand for and supply of particular types of rural land at the time it is released post-harvest. The book value of the freehold plantation land of \$68.3 million as at 30 June 2016 is after a discount has been applied to the independent valuer's assessment of the land to account for the encumbrance of the Treecrop.

4. Financial Information

4.9.1.3 Raw materials, consumables and other procurement costs

A significant component of cost of goods sold is made up of the purchase cost of timber. Midway purchases timber under various arrangements including term contracted supply on a financial year basis, term contracted supply on a calendar year basis and spot contracted supply. The pricing arrangements relating to the purchase of timber are on an AUD basis and the pricing considers the AUD FOB price at the time of negotiation.

By way of example, for a period where Midway experiences adverse exchange rate movements where the AUD:USD is moving higher and the AUD FOB price for woodchips is reduced, Midway is typically able to reduce Raw materials, consumables and other procurement costs by lowering the price paid for stumpage thereby lessening the impact the foreign exchange movement would have to EBITDA and NPAT (the converse also holds true as suppliers seek a share of improving margins with customers).

4.9.1.4 Operating expenses

The key categories of Midway's operating expenses are:

- employee expenses;
- depreciation and amortisation; and
- plant repairs and maintenance.

Employee expenses

Employee expenses include salaries and wages of staff employed by Midway and QCE. These expenses are expected to grow only modestly as the Company continues to expand, reflecting economies of scale from the Midway workforce due to the relatively high proportion of fixed costs associated with the management and administration teams.

Depreciation and amortisation

Depreciation expenses primarily relate to the plant and equipment owned by the Company at Geelong and Brisbane. Apart from the impact of any future initiatives or acquisitions, this expense is expected to decline over time due to the Company's relatively modern facilities that are capable of handling increasing volumes with minimal new capital expenditure.

Amortisation expense relates primarily to the progressive write-off of roading situated on Midway's plantation land.

Plant repairs and maintenance

Repairs and maintenance expenses reflect the costs of keeping production and mobile equipment in Geelong and Brisbane in a reliable and safe condition to ensure future supply commitments can be met with confidence.

4.9.1.5 Working capital

Midway's working capital includes funding for trade creditors and other receivables, inventories, prepayments, accounts payable and operating costs. Working capital requirements, particularly for stock, accounts payable and accounts receivable, fluctuate substantially month to month due to shipment timing.

4.9.1.6 Capital expenditure

The bulk of Midway's capital expenditure falls into three categories:

- productivity and growth;
- maintenance; and
- land and land development.

Productivity and growth

From time to time capital expenditure is undertaken on existing facilities to improve efficiency or to handle new products or increased volumes. Expenditure on existing infrastructure is usually modest in amount and subject to the Company's rigorous economic evaluation process.

It is possible that significant new growth opportunities, requiring capital investment, may arise in the future. Such expenditure would be subject to rigorous scrutiny including detailed DCF evaluation, funding options and estimated impact on working capital requirements and dividend capacity.

Maintenance

Maintenance capital expenditure is undertaken annually to ensure that existing infrastructure is capable of sustaining existing production and logistics but includes IT expenditure and asset replacement.

Land and land development

Although the Company's strategy is based around selling plantation land once the trees are harvested, in FY2016 it made opportunistic purchases of plantation land of approximately \$5.2 million. It is the intention of the Company that this land be assessed for suitability as land for use in the Strategic Alliance with Strategy and if deemed suitable then the land would be sold to Strategy. In these cases, land will be developed and trees planted in advance of a planned sale to Strategy.

4.9.2 Pro Forma Historical Results: FY2015 compared to FY2014

\$'000	FY2014	FY2015	Movement (\$)	Movement (%)
Sales revenue	82,565	130,276	47,711	57.8%
Other income	3,159	3,688	529	16.7%
Total income	85,724	133,964	48,240	56.3%
Changes in inventories of finished goods and work in progress	(1,185)	6,633	7,818	nmf
Raw materials, consumables and other procurement costs	(53,770)	(92,274)	(38,504)	71.6%
Employee benefits expense	(6,714)	(7,830)	(1,116)	16.6%
Plantation management expenses	(1,688)	(1,468)	220	(13.0%)
Freight and shipment costs	(13,586)	(16,981)	(3,395)	25.0%
Repairs and maintenance costs	(1,481)	(2,512)	(1,031)	69.6%
Other operating expenses	(4,909)	(5,346)	(437)	8.9%
Share of profit/(loss) of equity accounted investments	(143)	3,035	3,178	nmf
EBITDA before significant items	2,248	17,221	14,973	666.1%
Significant items	(64)	(582)	(518)	809.4%
EBITDA	2,184	16,639	14,455	661.9%
Depreciation & Amortisation	(3,707)	(3,712)	(5)	0.1%
EBIT	(1,523)	12,927	14,450	nmf
Net finance expense	(1,262)	(1,174)	88	(7.0%)
Net profit before tax	(2,785)	11,753	14,538	(522.0%)
Income tax expense	672	(2,571)	(3,243)	nmf
Net profit after tax	(2,113)	9,182	11,295	nmf

Midway's pro forma revenue increased by \$47.7 million, or 57.8%, from \$82.6 million in FY2014 to \$130.3 million in FY2015. This increase was primarily driven by growth in Plantation Hardwood sales to the China market which increased by 41.7% from 465,000 GMT in FY2014 to 659,000 GMT in FY2015. This equates to an increase from 10 vessel sales to China in FY2014 to 14 vessel sales in FY2015. From 1 January 2015 all Plantation Hardwood sales to Japan moved to USD-denominated sales from AUD-denominated sales previously.

Other income has increased by \$0.5 million or 16.8% from \$3.2 million in FY2014 to \$3.7 million in FY2015. This is primarily due to an increase in operator fees received from SWF.

Changes in inventories of finished goods and work in progress reflects the year on year balance sheet movement in inventories. Annual movements are attributable to timing differences in the acquisition of logs and shipments.

Midway's pro forma raw materials, consumables and other procurement costs increased by \$38.5 million (71.6%) in FY2015 compared to FY2014 mainly due to the purchase of additional wood supply to meet the 39.1% increase in sales volume, with much of the remaining difference being driven by increased log purchase costs resulting from higher export sales prices. In most log purchase agreements the stumpage component of the log purchase cost is linked to the movement in FOB pricing and adjusted periodically.

Employee benefits expense increased by \$1.1 million (16.6%) between FY2014 and FY2015. The FY2014 employee benefits expense was lower than the prior year due to the cancellation of an executive bonus scheme. FY2015 included higher short term incentive expenses, compared to FY2014, and higher direct operational wages resulting from increased production levels and shipments together with a marginal increase in salaries.

Plantation management expenses were relatively consistent period to period, decreasing by \$0.2 million due to less third party standing timber under management.

Freight and shipment costs increased by \$3.4 million (25.0%) due to a continued shift towards customers utilising CIF shipping terms.

Repairs and maintenance costs increased by \$1.0 million. Due to increased production levels required to meet the increased sales volumes.

Midway's pro forma other operating expenses increased by \$0.4 million in FY2015 compared to FY2014 due to general increases in production volume independent costs.

4. Financial Information

Midway recorded pro forma EBITDA growth of \$14.5 million, or 661.9%, from \$2.2 million in FY2014 to \$16.6 million in FY2015. The key driver for the increased EBITDA was the increase in Plantation Hardwood sales to the China market. With all sales to the China market made in USD and Plantation Hardwood sales to Japan moving to USD sales from 1 January 2015, the depreciation of the AUD:USD exchange rate impacted positively on gross margin. For FY2015 the average AUD:USD FX rate realised during the period was approximately 0.83 (FY2014: 0.92).

During FY2015, the share of profit from SWF improved, increasing to \$3.0 million from a share of loss of \$0.1 million in FY2014. SWF's pro forma revenue on a 51% proportionate ownership basis increased by \$31.1 million, or 73.2% from \$42.5 million in FY2014 to \$73.6 million in FY2015. This was primarily driven by growth in sales to both the China and Japan markets with sales volume increasing from 931,000 GMT in FY2014 to 1,431,000 in FY2015. The depreciation of the AUD:USD exchange rate impacted positively on gross margin.

4.9.3 Pro Forma Historical Cash Flow Information: FY2015 compared to FY2014

\$'000	FY2014	FY2015	Movement (\$)	Movement (%)
EBITDA	2,184	16,639	14,455	661.9%
Share of profit or loss from associates and joint ventures	143	(3,035)	(3,178)	nmf
Non-cash items	284	214	(70)	(24.6%)
Change in working capital	(1,153)	(10,164)	(9,011)	781.5%
Net cash flow from operating activities before interest and tax	1,458	3,654	2,196	150.6%
Capital expenditure	(1,231)	(1,656)	(425)	34.5%
Proceeds from sale of PPE	288	826	538	186.8%
Free cash flow	515	2,824	2,309	448.3%
Contributions to associates and joint ventures	(30)	72	102	nmf
Loan repayments from associates and joint ventures	2,040	2,040	-	-
Net cash flow before financing, tax and dividends	2,525	4,936	2,411	95.5%
Borrowings	(2,869)	(2,100)	769	(26.8%)
Hire purchase commitments	(49)	(384)	(335)	683.7%
Income tax paid	307	644	337	109.8%
Dividends paid	(3,449)	(5,896)	(2,447)	70.9%
Net interest	(1,262)	(1,175)	87	(6.9%)
Net cash flow	(4,797)	(3,975)	822	(17.1%)

Working capital requirements increased by \$10.2 million, largely due to a \$6.6 million increase in inventory on hand at year end due to a shipment departing Geelong shortly after year end. Additionally, debtors increased by \$3.2 million due to increased shipping activity in the weeks leading up to year end. The balance relates to a reduction in trade and other payables.

Capital expenditure in FY2015 predominately related to maintenance of property, plant and equipment.

Dividends were paid in respect of profits in the periods to 30 June 2014 and 31 December 2014, in which profits were higher than the respective prior periods.

4.9.4 Pro Forma Historical Results: FY2016 compared to FY2015

\$'000	FY2015	FY2016	Movement (\$)	Movement (%)
Sales revenue	130,276	200,275	69,999	53.7%
Other income	3,688	3,624	(64)	(1.7%)
Total income	133,964	203,899	69,935	52.2%
Changes in inventories of finished goods and work in progress	6,633	1,274	(5,359)	(80.8%)
Raw materials, consumables and other procurement costs	(92,274)	(116,816)	(24,542)	26.6%
Employee benefits expense	(7,830)	(8,662)	(832)	10.6%
Plantation management expenses	(1,468)	(1,143)	325	(22.1%)
Freight and shipment costs	(16,981)	(38,384)	(21,403)	126.0%
Repairs and maintenance costs	(2,512)	(4,008)	(1,496)	59.6%
Other operating expenses	(5,346)	(6,216)	(870)	16.3%
Share of profit/(loss) of equity accounted investments	3,035	5,663	2,628	86.6%
EBITDA before significant items	17,221	35,607	18,386	106.8%
Significant items	(582)	-	582	(100.0%)
EBITDA	16,639	35,607	18,968	114.0%
Depreciation & Amortisation	(3,712)	(3,466)	246	(6.6%)
EBIT	12,927	32,141	19,214	148.6%
Net finance expense	(1,174)	(1,202)	(28)	2.4%
Net profit before tax	11,753	30,939	19,186	163.2%
Income tax expense	(2,571)	(7,541)	(4,970)	193.3%
Net profit after tax	9,182	23,398	14,216	154.8%

Midway's pro forma revenue grew by \$70.0 million, or 53.7%, from \$130.3 million in FY2015 to \$200.3 million in FY2016. This increase was primarily driven by growth in Hardwood sales from Midway to the China market which increased from 659,000 GMT in FY2015 to 1,283,000 GMT in FY2016. This equates to an increase from 14 vessel sales to China in FY2015 to 27 vessel sales in FY2016.

Other income has decreased by \$0.1 million or 1.7% from \$3.7 million in FY2015 to \$3.6 million in FY2016.

Changes in inventories of finished goods and work in progress reflects the year on year balance sheet movement in inventories. Annual movements are attributable to timing differences in the acquisition of logs and shipments.

Raw materials, consumables and other procurement costs increased by \$24.5 million (26.6%) in FY2016 compared to FY2015 mainly due to the purchase of additional wood supply to meet the 35.0% increase in sales volume, with much of the remaining difference being driven by increased log purchase costs due to there being a linkage between log purchase costs and FOB export pricing for most log purchase agreements

Employee benefits expense increased by \$0.8 million between FY2015 and FY2016 due to higher direct operational wages resulting from increased production levels and shipments, together with a marginal increase in salaries.

Plantation management expenses decreased by \$0.3 million during FY2016 due to less third party standing timber under management.

Freight and shipment costs increased from \$17.0 million in FY2015 to \$38.4 million in FY2016 due to increased export sales volumes and an increase in customers utilising CIF shipping terms.

Repairs and maintenance costs increased \$1.5 million between FY2015 and FY2016 due to increased processing and export volumes with a significant proportion of repairs and maintenance costs being variable.

Other operating expenses increased by \$0.9 million in FY2016 compared to FY2015 predominately relating to consulting expenses which increased by \$0.6 million.

Pro forma EBITDA increased by \$19.0 million to \$35.6 million in FY2016. The key driver for the increased EBITDA was the increase in Plantation Hardwood sales to the China market. With all export sales in USD the depreciation of the AUD:USD exchange rate impacts positively on gross margin. For FY2016 the average AUD:USD FX rate was approximately 0.73 (FY2015: 0.83).

4. Financial Information

In FY2016, the share of profit from SWF increased to \$5.6 million from \$3.0 million in FY2015. SWF's pro forma revenue on a 51% proportionate ownership basis increased by \$11.9 million, or 16.2% from \$73.6 million in FY2015 to \$85.5 million in FY2016. This was driven by growth in sales to both the China and Japan markets with sales volume increasing from 1,431,000 GMT in FY2015 to 1,471,000 GMT in FY2016. The depreciation of the AUD:USD exchange rate also impacted positively on gross margin. In addition, drier than normal seasonal conditions have positively impacted SWF's gross margin due to a higher rate of conversion into bone dry content than previous years.

4.9.5 Pro Forma Historical Cash Flow Information: FY2016 compared to FY2015

\$'000	FY2015	FY2016	Movement (\$)	Movement (%)
EBITDA	16,639	35,607	18,968	114.0%
Share of profit or loss from associates and joint ventures	(3,035)	(5,663)	(2,628)	86.6%
Non-cash items	214	(131)	(345)	nmf
Change in working capital	(10,164)	1,070	11,234	nmf
Net cash flow from operating activities before interest and tax	3,654	30,883	27,229	745.2%
Capital expenditure	(1,656)	(4,503)	(2,847)	171.9%
Payment for biological assets	-	(2,146)	(2,146)	(100.0%)
Proceeds from sale of PP&E	826	372	(454)	(55.0%)
Free cash flow	2,824	24,606	21,782	771.3%
Contributions to associates and joint ventures	72	-	(72)	(100.0%)
Loan repayments from associates and joint ventures	2,040	2,662	622	30.5%
Net cash flow before financing, tax and dividends	4,936	27,268	22,332	452.4%
Borrowings	(2,100)	-	2,100	(100.0%)
Hire purchase commitments	(384)	(768)	(384)	100.0%
Income tax paid	644	(5,451)	(6,095)	nmf
Dividends paid	(5,896)	(34,958)	(29,062)	492.9%
Net interest	(1,175)	(1,202)	(27)	2.3%
Net cash flow after financing, tax and dividends	(3,975)	(15,111)	(11,136)	280.2%

Working capital requirements decreased by \$1.1 million, primarily due to a reduction in trade debtors due to timing of shipments around year end.

Capital expenditure increased to \$4.5 million due to the purchase of a new loader, upgrades to the QCE Queensland site, to facilitate export of hardwood chips, as well as the purchase of 10 blocks of fallow plantation land. The loader is being financed via hire purchase facility while other capital expenditure were financed directly from cash holdings.

Tax payments increased in FY2016 due to increased PAYG instalments as a result of increased reported taxable income in FY2015.

Dividends totalling \$35.0 million were paid in FY2016 in relation to: a special \$8.0 million capital return, a \$11.9 million final FY2015 ordinary dividend and a \$15.1 million interim FY2016 ordinary dividend.

4.10 Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by Midway which are in accordance with Australian Accounting Standards and are disclosed in Appendix D. It is assumed that there will be no changes to Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on Midway accounting policies during the Forecast Period.

The Forecast Financial Information is based upon various best estimate assumptions concerning future events, including those set out below. In preparing the Forecast Financial Information, Midway has undertaken an analysis of the historical performance of the products and applied assumptions in order to forecast future performance for FY2017. Midway believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in Section 4.10.1.

However, actual results are likely to vary from those forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information are based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Midway and its Directors, and are not reliably predictable.

Accordingly, none of Midway, its Directors, or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.11, the risk factors set out in Section 5 and the Investigating Accountant's Report on the Forecast Financial Information set out in Section 8. A reconciliation of the Pro Forma Forecast Results to the Statutory Forecast Results is set out in Section 4.5.2.

4.10.1 General assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- no material changes in the competitive and operating environments in which Midway operates;
- no significant deviation from current market expectations of Australian and international economic conditions under which Midway and its key customers operate;
- no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures of Midway;
- no changes in applicable AAS, IFRS, other mandatory professional reporting requirements or the Corporations Act which would have a material effect on Midway's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- no material changes in key personnel, including key management personnel; it is also assumed that Midway maintains its ability to recruit and retain the personnel required to support future growth;
- no material industrial strikes, employee relations disputes or other disturbances, environmental costs, contingent liabilities or legal claims arise or are settled to the detriment of Midway;
- no material adverse impact in relation to litigation (existing or otherwise);
- no material acquisitions, disposals, restructurings or investments other than as contemplated;
- no material changes to Midway's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- no significant disruptions to the continuity of operations of Midway or other material changes in its business;
- no major weather events that may materially impact on the operations of Midway or its major customers;
- no material amendment to any material contract, agreement or arrangement relating to Midway's business and joint ventures other than as set out in, or contemplated by, this Prospectus;
- none of the risks listed in Section 5 has a material adverse impact on the operations of Midway;
- no material changes in suppliers; and
- no material change in customer base.

4.10.2 Specific assumptions

4.10.2.1 FY2017 Pro Forma Forecast specific assumptions

The basis of the specific assumptions that have been used in the preparation of the Forecast Financial Information in respect of FY2017 are set out below:

- For H1 FY2017, sales volumes are based on estimated shipment timing of contracted customer volumes, and/or customer communications of demand and vessel arrival dates. H2 FY2017 sales volumes are based on the Company's best estimates, based on existing customer relationships, recent demand and past experience.
- Sales prices are based on contracted information, where known, or expected pricing, where pricing has not yet been confirmed.
- H1 FY2017 sales to Japan are priced at the 2016 calendar year price. For H2 FY2017 purposes, it has been assumed an annual price to Japan customers, per BDMT, of FOB US\$149.00/BDMT which is marginally higher than the 2016 calendar year. Sales volumes to Japan are expected to be approximately 10% of total sales by Midway and QCE. Sales to China are forecast to be at similar prices to those currently being achieved.
- All export sales are USD denominated and an AUD:USD foreign exchange rate of 0.75 has been assumed for the full FY2017 year, with forward FX contracts currently in place for H1 FY2017 only. These forward FX contracts provide coverage of substantially all of Midway Geelong's H1 FY2017 USD sales.
- While dry fibre percentages have been higher in FY2016, a return to the long-term dry fibre percentage averages has been assumed for the FY2017 year.
- Costs of goods sold are assumed to continue at current rates.
- Other operating expenses are assumed to be consistent with FY2016 forecast operating expenses.

4. Financial Information

4.10.3 Pro Forma Forecast Results: FY2017 compared to FY2016

\$'000	FY2016	FY2017	Movement (\$)	Movement (%)
Sales revenue	200,275	206,493	6,218	3.1%
Other income	3,624	3,533	(91)	(2.5%)
Total operating income	203,899	210,026	6,127	3.0%
Changes in inventories of finished goods and work in progress	1,274	(5,636)	(6,910)	nmf
Raw materials, consumables and other procurement costs	(116,816)	(127,302)	(10,486)	9.0%
Employee benefits expense	(8,662)	(9,121)	(459)	5.3%
Plantation management expenses	(1,143)	(1,539)	(396)	34.6%
Freight and shipment costs	(38,384)	(29,071)	9,313	(24.3%)
Repairs and maintenance costs	(4,008)	(4,220)	(212)	5.3%
Other operating expenses	(6,216)	(5,834)	382	(6.1%)
Share of profit/(loss) of equity accounted investments	5,663	786	(4,877)	(86.1%)
EBITDA before significant items	35,607	28,089	(7,518)	(21.1%)
Significant items	-	-	-	-
EBITDA	35,607	28,089	(7,518)	(21.1%)
Depreciation & Amortisation	(3,466)	(3,521)	(55)	1.6%
EBIT	32,141	24,568	(7,573)	(23.6%)
Net finance expense	(1,202)	(1,374)	(172)	14.3%
Net profit before tax	30,939	23,194	(7,745)	(25.0%)
Income tax expense	(7,541)	(6,723)	818	(10.8%)
Net profit after tax	23,398	16,471	(6,927)	(29.6%)

Midway's pro forma revenue is forecast to increase by \$6.2 million, or 3.1%, from \$200.3 million in FY2016 to \$206.5 million in FY2017. This increase is forecast to be primarily driven by growth in Hardwood sales from Midway to China based customers. Sales to these customers are forecast to increase from 1,283,000 GMT, in FY2016, to 1,599,000 GMT in FY2017. This equates to an increase from 27 vessel sales to China in FY2016 to a forecast 34 vessels in FY2017.

Other income is forecast to decrease by \$0.1 million, or 2.5%, from \$3.6 million in FY2016 to \$3.5 million in FY2017. This is primarily due to a decrease in operator fees to be received from SWF.

The FY2017 changes in inventories of finished goods and work in progress reflects the forecast year on year balance sheet movement in inventories. Annual movements are attributable to timing differences in the forecast acquisition of logs and shipments.

Raw materials, consumables and other procurement costs are forecast to increase by \$10.5 million (9.0%) in FY2017 compared to FY2016 mainly due to the purchase of additional wood supply to meet the 12.1% increase in sales volume, offset by a small decrease in average log purchase costs.

Employee benefits expenses are forecast to increase by \$0.5 million (5.3%) to \$9.1 million in FY2017 due to higher direct operational wages resulting from increased production levels and shipments together with a marginal increase in salaries.

Plantation management expenses are expected to increase by \$0.4 million in FY2017 due to the management of additional plantations on behalf of Strategy.

The forecast \$9.3 million decrease in freight and shipment costs is attributed to significantly lower vessel chartering rates, partially offset by a small increase in the number of CIF shipments in FY2017 when compared to FY2016.

Repairs and maintenance costs are forecast to increase by \$0.2 million due to increased processing and export volumes.

Other operating expenses are forecast to decrease by \$0.4 million (6.1%) in FY2017 compared to FY2016 predominately relating to forecast reduced consulting expense in FY2017.

In FY2017, the share of profit from SWF is forecast to decrease to \$0.8 million from \$5.7 million in FY2016. SWF's revenue on a 51% proportionate ownership basis is forecast to decrease by \$5.3 million, or 6.2% from \$85.5 million in FY2016 to \$80.2 million in FY2017. This is driven by a forecast decline in sales to the export market due to forecast wood availability with sales volume decreasing from 1,526,000 GMT in FY2016 to 1,490,000 GMT in FY2017. The forecast appreciation of the AUD:USD exchange rate to 0.75, forecast for FY2017, compared to the FY2016 exchange rate of approximately 0.73, also impacts negatively on gross margin. In addition, drier than normal seasonal conditions positively impacted SWF's gross margin in FY2016 and bone dry content is assumed to return to the long-term average in FY2017, negatively impacting on SWF's forecast gross margin and EBITDA.

4.10.4 Pro Forma Forecast Cash Flow Information: FY2017 compared to FY2016

\$'000	FY2016	FY2017	Movement (\$)	Movement (%)
EBITDA	35,607	28,089	(7,518)	(21.1%)
Share of profit or loss from associates and joint ventures	(5,663)	(786)	4,877	(86.1%)
Non-cash items	(131)	-	131	(100.0%)
Change in working capital	1,070	3,124	2,054	192.0%
Net cash flow from operating activities before interest and tax	30,883	30,427	(456)	(1.5%)
Capital expenditure	(4,503)	(6,176)	(1,673)	37.2%
Payment for biological assets	(2,146)	2,146	4,292	nmf
Proceeds from sale of PP&E	372	2,662	2,290	615.6%
Free cash flow	24,606	29,059	4,453	18.1%
Contributions to associates and joint ventures	-	-	-	-
Loan repayments from associates and joint ventures	2,662	366	(2,296)	(86.3%)
Net cash flow before financing, tax and dividends	27,268	29,425	2,157	7.9%
Hire purchase commitments	(768)	841	1,609	nmf
Income tax paid	(5,451)	(8,674)	(3,223)	59.1%
Dividends paid	(34,958)	(12,602)	22,356	(64.0%)
Dividends received from equity accounted investee	-	1,995	1,995	100.0%
Net interest	(1,202)	(1,321)	(119)	9.9%
Net cash flow after financing, tax and dividends	(15,111)	9,664	24,775	nmf

Working capital requirements are forecast to decrease by \$3.1 million, primarily due to a decrease in inventory on hand, offset in part by an increase in debtors. Shipments that are planned to occur in late June 2017 drive an increase in trade debtors of \$2.3 million and a reduction in inventories of \$5.6 million.

Capital expenditure is forecast to increase to \$6.2 million. This expenditure includes two second-hand loaders, further costs associated with the QCE hardwood processing upgrades and the purchase and development of plantation land. The two loaders and other motor vehicle changeovers will be financed via hire purchase facilities while the other capital expenditure will be financed directly from cash holdings. Proceeds on sale represent the sale of plantation land. This land is assumed to be sold at the equivalent of book value.

Net tax payments are forecast to increase in FY2017 due to the timing of PAYG installments.

The Directors intend to target a dividend payout ratio of between 70% and 90% of Statutory net profit after tax and for the purposes of the Pro Forma Cash Flow Information set out above, it is assumed that the dividend payout is within this range. Forecast dividends paid represent a \$4.5 million dividend paid in respect of H2 FY2016, \$7.8 million in respect of H1 FY2017 and \$0.3 million to the non-control interest holder of QCE. No dividends are forecast to be paid in respect of the period from 1 January 2017 to 30 June 2017, as payment would be made in FY2018. The Directors anticipate that dividends will be franked to the maximum extent available.

Dividends received represent the first dividends received from SWF. Cash received from SWF in prior periods was treated as a reduction in its loan balance owing to Midway.

4.11 Sensitivity analysis

The Forecast Financial Information included in Section 4.5.1 is based upon a number of estimates and assumptions as described in Section 4.10.1 and 4.10.2. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Midway, the Directors and Management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the key sensitivities of the Pro Forma Forecast NPAT for FY2017 to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown. For the purpose of this analysis, each sensitivity is presented in terms of the impact of each on FY2017 Pro Forma Forecast NPAT and as set out below.

4. Financial Information

4.11.1 Summary of key sensitivities

The table below presents the four key sensitivities to FY2017 Pro Forma Forecast NPAT:

Assumption	Variance	FY2017 NPAT Sensitivity (\$ '000) ¹
Sales volume	+/- 1%	310 / (310)
Sales price USD/BDMT	+/- 1%	1,530 / (1,530)
AUD:USD FX rate	+/- 1c	(1,260) / 1,260
Dry fibre content percentage	+/- 0.5%	1,680 / (1,680)

Notes:

1. This column estimates the NPAT impact of a variance, in the relevant assumption, on the pro forma and statutory FY2017 forecast.

Important note regarding key sensitivities

Care should be taken in interpreting each sensitivity. The estimated impact of changes in each of these assumptions has been calculated in isolation from changes in other assumptions, in order to illustrate the likely impact on the Pro Forma Forecast Results for FY2017. In reality, the effects of movements may be offset or compounded by movements in other variables. Furthermore in the normal course of business, Management would be expected to respond to any adverse change in these key variables to minimise the net effect on financial performance.

Volume

Sales are made via vessel shipments (approximately 40,000 to 60,000 GMT) and given that the timing of vessels is not certain, the movement of a vessel from one financial period to another will directly impact profit before tax by the amount of the gross margin attributable to the vessel size. A 1% movement in volume may have an approximate impact of \$310,000 to the FY2017 pro forma forecast NPAT.

Price

In most cases any change in sales price flows directly to profit; however, there are some timber supply arrangements whereby the movement in sales price is used to adjust the timber purchase price to reflect the movement. A 1% movement in price may have approximately a \$1,530,000 impact on FY2017 pro forma forecast NPAT.

FX rate

All export sales are made in USD such that depreciation or appreciation of the AUD:USD FX rate impacts profit directly depending on the prevailing rate when the cash is received (unless hedged). In some instances the movement in the AUD:USD FX rate is reflected in stumpage purchase prices so that the full impact of the FX movement is partially offset before impacting profit. Midway Geelong has entered into FX contracts to cover substantially all of its forecast sales for the Q1 FY2017 and Q2 FY2017 periods at average AUD:USD rates of 0.735 and 0.749, respectively. A 1 cent movement in the AUD:USD FX rate, across the second half of FY2017 year, may have approximately a \$1,260,000 impact on FY2017 pro forma forecast NPAT as the AUD:USD FX rate exposure is as of 17 November 2016 unhedged for the second half of FY2017.

Dry fibre content

Export woodchip sales are made in BDMTs, which is a GMT after deducting the moisture content. Purchases of timber are made on a GMT basis and therefore abnormal weather conditions can impact how dry timber purchases are, which in turn impacts the bone dry content volume that sales are made at. A 0.5% movement in the dry fibre content may have approximately a \$1,680,000 impact on FY2017 NPAT.

4.12 Critical accounting judgements and estimates

Preparing financial statements in accordance with AAS requires Management to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Judgements made by Management in the Application of accounting standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next financial year are disclosed, where applicable, in the relevant notes to the financial statements.

4.13 New revenue standard AASB 15 Revenue from Contracts with Customers

A new revenue standard, AASB 15 Revenue from Contracts with Customers, is effective for reporting periods beginning on or after 1 January 2018.

The full impacts of AASB 15 on the Company/Group has not yet been assessed. However, in relation to the sale of hardwood plantations to Strategy, recognised as a sale by Midway in February 2016, it is expected that the transaction would not meet the requirements for recognition of a sale under AASB 15. Accordingly, from 1 January 2018 it is expected that the biological assets would again be recognised on the balance sheet as non-current assets of the Group at fair value, with changes in fair value recognised in the income statement. It is also expected that fees received by Midway for management of the hardwood plantations would not meet the requirements for revenue recognition under AASB 15. In this case, the right to receive these management fees from Strategy would be recognised as a financial asset. The initial consideration and on-going management fees to be received by Midway under this transaction would be accounted for as a financing arrangement. This would result in the recognition of a financial liability, initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

It is expected that Midway will adopt AASB 15 for the year ended 30 June 2019. In applying the new standard for the first time, AASB 15 provides a number of transition options, which may involve an adjustment to opening retained earnings at 1 July 2018 or the restatement of comparatives. The full impacts of the transition provisions have not yet been fully assessed by the Company/Group.

If AASB 15 was operative on the date of sale to Strategy in February 2016, the value of biological assets recognised as a non-current asset would be \$26.7 million, being the fair value at that date. A financial liability would be recognised to reflect the present value of Midway's obligation to Strategy under the arrangement at that date. Which is based on the price of logs Midway could achieve and was expected to be approximately \$29.9 million. A financial asset for the right to receive management fees of \$2.3 million would also have been recognised. When considering the repurchase commitment and management fees to be collected on a net basis, the implied interest rate is approximately 17.5%.

Management has not quantified any other impact that may occur, unrelated to the Hardwood plantation sale, as a result of the adoption of AASB 15.

4.14 Dividend policy

Subject to the general assumptions set out below, beyond FY2016, the Directors intend to target a dividend payout ratio of between 70% and 90% of NPAT, franked to the maximum extent available. However, the level of payout ratio is expected to vary between periods depending on a number of factors as described in the general assumptions set out below and, in particular, should value accretive strategic growth, acquisition or investment opportunities arise it may result in a payout ratio in the future that is less than the above target.

Depending on available profits and the financial position of Midway, it is the current intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is expected that all future dividends will be franked to the maximum extent available. With respect to the second half of the fiscal year, a larger proportion of Midway's dividend is expected to be paid compared to the first half of the fiscal year.

Having regard to the factors outlined in this Section, it is the Board's current intention to declare in February 2017 and pay in March 2017, its first dividend after Listing with respect to the period for H1 2017, franked to the maximum extent available.

General assumptions

The payment of a dividend by Midway is at the discretion of the Directors and will be a function of a number of factors, including the general business conditions, the operating results and financial condition of Midway, future funding requirements, compliance with working capital facilities, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Midway, and any other factors the Directors may consider relevant.

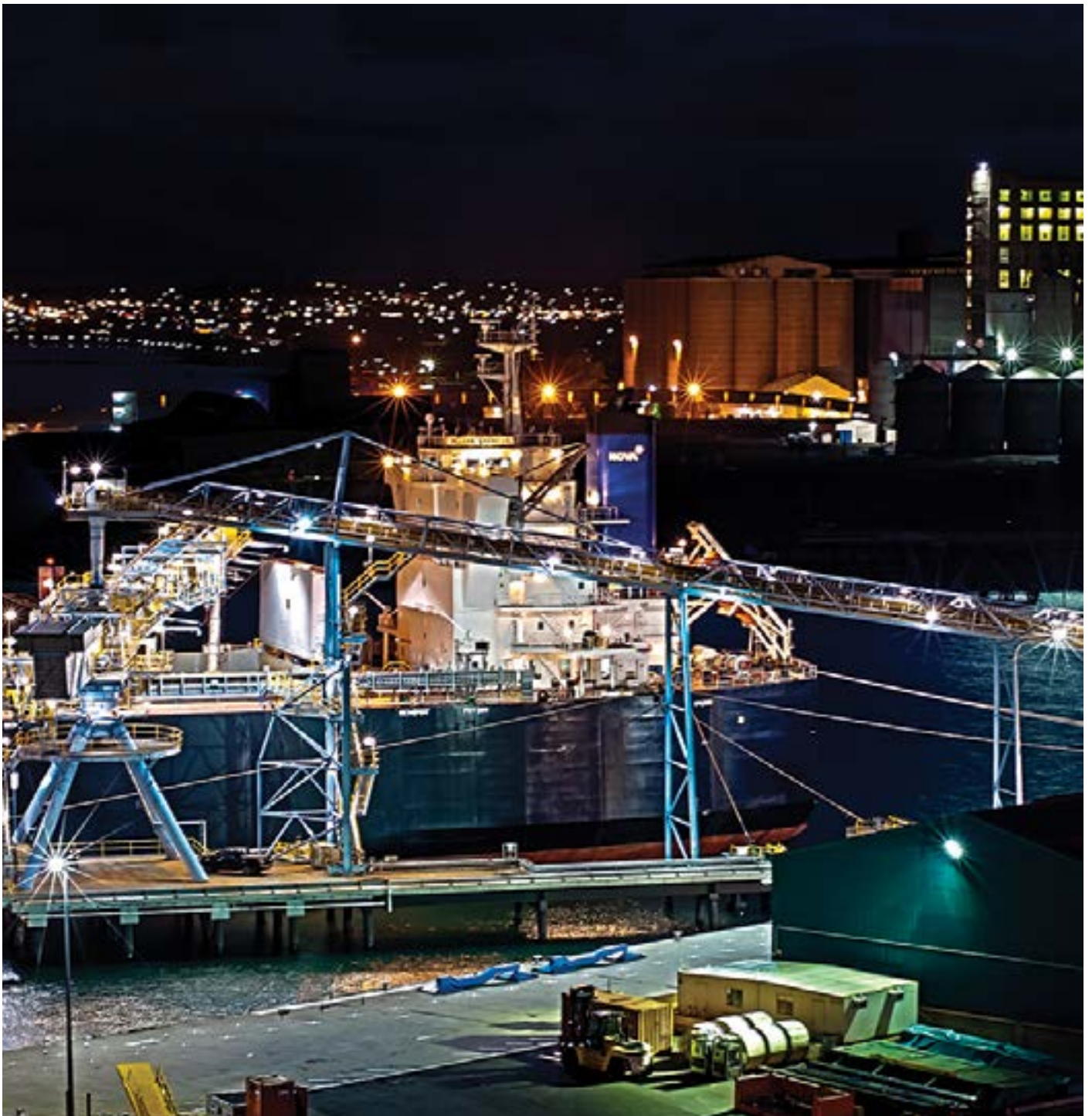
No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

4.15 Potential effect of the Offer on the future of the Company

The Directors believe that, on completion of the Offer, Midway will have sufficient funds available to meet Midway's stated business objectives.

5

RISKS



Aerial shot of Midway's production and shiploading facility at Geelong

5.1 Introduction

This Section 5 describes the material risks associated with Midway's business, the industry in which it operates and the risks associated with an investment in Shares. It does not purport to list every risk that may be associated with an investment in Midway, now or in the future, and the occurrence of some of the risks described below is partially or completely outside the control of Midway, the Directors and Management. Any such risk or a combination of these risks may have a material adverse impact on Midway's business, financial performance and operations, and the price of the Shares.

The selection of risks included in this Section 5 has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk on Midway's business or an investment in the Shares if it was realised. The assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the significance of different risks will not change or other risks will not emerge.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of the risks and other matters set out in this Prospectus and you should consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in the Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest in Shares.

5.2 Specific risks associated with an investment in Midway

5.2.1 Customer demand

Although Midway has long-standing relationships with a number of its key customers, most sales are achieved on a spot or short-term contractual basis. There can be no guarantee that these relationships will continue or, if they do continue, that these relationships will generate sales equal to or greater than those achieved historically.

There is a risk that Midway may lose customers or suffer from a decline in demand from customers for a variety of reasons, including the following:

- long-term demand factors affecting:
 - (a) the market for Midway's products generally;
 - (b) individual importing countries, such as in the context of demand for imported softwood woodchips in Japan, falling newsprint demand and the introduction of government subsidies for domestic softwood production; or
 - (c) individual customers, such as merger or insolvency;
- medium-term demand factors affecting the market generally, individual importing countries or customers, such as pulp production overcapacity and adverse macroeconomic conditions;
- short-term demand factors affecting individual importing countries and customers, such as temporary plant shutdowns, force majeure events and stock surplus.

On-going custom is also heavily dependent upon Midway being able to satisfy its customers in terms of product quality and service. As to product quality, conformity to contractual specifications is critical. Each export contract contains similar requirements which the product must meet, including as to pulp yield, the physical appearance and dimensions of woodchips, levels of char and bark, the species or species mix and the absence of foreign materials such as plastic, rubber, metal and gravel. If contractual specifications are not met, or if the product quality or service delivered by Midway is not at a level expected by a customer, there is a risk that on-going custom from that customer may reduce or cease entirely.

The loss of key customers, or a diminution in their custom, may materially and adversely impact Midway's revenue and profitability.

5.2.2 Exposure to foreign exchange rates

A substantial proportion of the Company's sale revenue is denominated in USD whilst costs are in AUD. Any adverse exchange rate fluctuations or volatility in the currencies in which Midway generates its revenues and incurs its costs would have an adverse effect on its future financial performance and position. In particular, a significant appreciation of the AUD against the USD would have a material adverse effect on Midway's revenues and profitability. The Company does hedge its currency movements from time to time and as of 17 November 2016 has entered into FX contracts to cover substantially all of its forecast sales for the Q1 FY2017 and Q2 FY2017 periods at average AUD: USD rates of 0.735 and 0.749, respectively.

5.2.3 Midway may be unable to refinance, repay or renew its debt or it may breach its covenants

Midway is subject to the risk that it may not be able to refinance its existing or future bank facilities as and when they fall due, or that the terms available to Midway on refinancing will not be as favourable as the terms of its existing or future bank facilities.

In addition, and as set out in Section 4.7.2, Midway has a debt facility through which the Company is subject to various covenants. Factors such as a decline in Midway's operations and financial performance (including any decline arising from any adverse exchange rate fluctuations) could lead to a breach of its banking covenants. If a breach occurs, Midway's financier may seek to exercise enforcement rights under the debt facility, including requiring immediate repayment, which may have a materially adverse effect on Midway's future financial performance and position.

5. Risks

5.2.4 Future acquisitions and joint ventures

From time to time, Midway may undertake acquisitions or enter into joint ventures consistent with its stated growth strategy. The successful implementation of acquisitions or joint ventures will depend on a range of factors including funding arrangements, cultural compatibility and integration. To the extent that acquisitions are not successfully integrated with Midway's business, the financial performance or prospects of Midway could be adversely affected. Depending on a range of factors present at the time of any future acquisition or entry into a joint venture, including Midway's Share price, its financial position and performance and the nature of the acquisition or joint venture, Midway may decide that it is in the best interests of Midway and its Shareholders to fund the acquisition or joint venture through the issue of further Shares. If this were to occur, it might result in dilution of the ownership of Midway's Shareholders.

The Australian Competition and Consumer Commission is responsible for administering Australia's competition laws. Equivalent regulators exist in many foreign jurisdictions in which Midway has operations or material customers or suppliers. Potential acquisitions may be restricted if, for example, they would have, or would be likely to have, the effect of substantially lessening competition in a market. Such restrictions may constrain Midway's growth strategy from time to time.

Acquisitions, joint ventures or partnerships may have a significant impact on Midway's capital and operating expenditure, particularly in establishment or expansion phases. There may be a delay until any anticipated revenue for an acquisition or expansion impacts Midway's financial input, so that expenditure has an adverse impact on results in the interim.

5.2.5 Security of supply

Midway sources hardwood and softwood logs, sawmill residue and infield chips from a combination of long and short-term Stumpage agreements and short-term mill door sales agreements.

Midway's ability to continue to profitably process and export woodchips in quantities equal to or greater than those achieved historically is dependent upon Midway being able to source timber supply within the freight advantaged plantation catchments of its port facilities. There is a risk that Midway may not be able to secure timber supply necessary to meet customer demand. This risk is most strongly influenced by:

- whether plantation operators continue to grow plantation trees after the harvest of a rotation, having regard to prevailing land prices and best economic use of the plantation land;
- competition from other plantation investors for the acquisition of plantations, including from TIMOs or non-governmental organisations which may have different investment philosophies and expected rates of return on investment to those of integrated woodchip exporters;
- competition from current and potentially future rival woodchip exporters for the acquisition of plantation land or its offtake; and
- competition from acquirers of plantation trees for alternative purposes, such as the production of biofuels.

Midway acquires timber from a number of sources under various contractual arrangements, including those with Strategy and Macquarie Group as described in sections 9.6.1 and 9.6.2 respectively. There is a risk that committed timber supply is lost through the lapse or termination of relevant supply arrangements.

Historically, the key product supplied to QCE has been softwood sawmill residue, primarily a by-product of the manufacture of timber and timber products for the building industry. In addition to the above considerations, risk to the supply to QCE will also be influenced by the cyclical nature of the building industry, the availability of supply at an acceptable price, competition for purchase of the residues and the on-going viability of the relevant suppliers.

Additionally, SWF sources the majority of its pulpwood from ABP under an export woodchip alliance agreement dated 20 July 2010 (**Alliance Agreement**). Under the Alliance Agreement, SWF is required to purchase pulpwood from ABP for a price calculated in accordance with the agreement, process that pulpwood into woodchips and on-sell those woodchips to its customers and back to ABP (for on-selling by ABP to its customers).

ABP purchased the Portland Chip Terminal in 2012 and, in addition to the pulpwood processed through SWF, exports its own and third party owned woodchips through the Portland Chip Terminal. ABP is currently upgrading the Portland Chip Terminal.

The Alliance Agreement is due to expire on 31 December 2020, but can be extended for two further terms of five years each by mutual agreement. Should the Alliance Agreement not be extended beyond its current term, SWF may need to source a new supplier of pulpwood. If it cannot do so, there is a risk that SWF's revenue and profitability will be materially and adversely affected.

Lack of supply, or lack of supply at an acceptable price, may materially and adversely impact Midway's revenue and profitability.

5.2.6 Excess system capacity

Midway is subject to a number of harvest and/or haulage contracts with contractors who provide harvesting/haulage services which contain minimum annual volume commitments on the part of Midway. The Board considers that these commitments are necessary in order to achieve favourable rates from contractors and to assist contractors to obtain finance to purchase equipment.

Midway is also subject to an annual take-or-pay minimum throughput volume commitment of woodchips per annum loaded via the shiploader at the Port of Geelong. If Midway does not meet that commitment level, Midway must pay the agreed unit rate loading charge for any shortfall.

Further to the matters raised in paragraphs 5.2.1 and 5.2.3, there is a risk that Midway may not be able to achieve customer sales, or obtain timber supply, sufficient to satisfy its minimum annual volume commitments to contractors and/or its annual take-or-pay commitments at the Port of Geelong, and to keep the harvesting and haulage capacity engaged by Midway fully and profitably deployed. In these circumstances, Midway's revenue and profitability may be adversely impacted.

5.2.7 Contamination of product

As noted above, the woodchip export contracts all contain similar requirements for the absence of foreign materials such as plastic, rubber, metal and gravel in shipments. Whilst liability for contaminated shipments would ultimately need to be established, having regard to the cause of the contamination, a market claim against Midway for contaminated product could materially and adversely impact Midway's revenue and profitability in a particular period.

5.2.8 Costs

Like any similar business operating within the industry, Midway's profitability could be materially and adversely affected by increases in costs which are in many respects beyond its reasonable control. These include, without limitation, the costs of electricity, fuel, labour and harvesting and haulage costs.

5.2.9 Sale of freehold plantation land

Midway anticipates that a portion of its freehold plantation land will be sold after harvest of the current rotation of trees, on the basis that forestry may not be the most economic use of the land, having regard to anticipated returns and prevailing land values. Historically, Midway has achieved prices for the sale of freehold plantation land at or in excess of book value.

However, the land sales program will likely be a long-term project and, given the cyclical nature of real estate markets, there is a risk that Midway may not be able to achieve sales for some or all of the estate within its optimal timeframe at or in excess of book value. Failure to achieve sales at or above book value for a significant portion of the estate could materially and adversely impact Midway's revenues and balance sheet position.

5.2.10 Vessel chartering

An increasing proportion of Midway's export sales is executed on a CIF basis. Midway generally charters vessels on a spot voyage basis in anticipation of customer requirements; that is, before the corresponding export sale contract is secured.

Midway has not to date had cause to cancel a vessel charter, but there is a risk that it may not be able to finalise an export sale contract it anticipated would be concluded in chartering a vessel, or a customer may cancel or delay an export sale contract and Midway may not be able to deploy the chartered vessel for use under another contract or for the benefit of another customer.

Midway currently estimates that cancelling a voyage charter could incur costs of approximately USD800,000. Voyage cancellation costs could materially and adversely impact Midway's revenue and profitability in a particular period.

5.2.11 Employee recruitment and retention

Midway's ability to effectively conduct its business and execute its strategy depends upon the performance and expertise of its highly experienced staff.

There is a risk that Midway may not be able to attract and retain key staff or be able to find effective replacements for staff who cease employment with Midway in a timely manner. The loss of staff, or any delay in their replacement, could impact Midway's ability to operate its business and implement its strategies.

There is also a risk that Midway will be unable to retain existing staff, or recruit new staff, on terms of retention that are as attractive to Midway as its historical and current arrangements. This would adversely impact employment costs and profitability.

5.2.12 Port of Brisbane tenure

The lease for the QCE export facility at the Port of Brisbane expires in 2022. There is a risk that QCE will be unable to renew the lease and, therefore, would need to seek access to an alternative export facility at the Port of Brisbane. Lack of access to suitable facilities or, as an alternative, engaging a third party to toll process product and load product into vessels at the Port of Brisbane on QCE's behalf, would prevent QCE from conducting its export business.

5.2.13 Risk of fire affecting timber supply

Loss of plantation resource and therefore supply due to fire is an ever-present industry risk mitigated by geographic diversity and the conduct of prudent fire prevention and suppression activities.

The primary risk of damage or destruction of the trees on the Midway freehold plantation land by fire is substantially borne by Strategy until title in the trees transfers back to Midway or Midway commences harvest preparation in the compartment where the relevant trees are located.

5.2.14 Environmental matters and industry accreditations

As owner and/or manager of plantations, Midway must comply with the laws and regulations relating to environmental management, including the management of natural fauna within plantations. These laws and regulations concern, amongst other things, water and soil movement, aerial spraying, the use of herbicides, pesticides and fertilisers, and koala control.

5. Risks

As described in Section 3, Midway holds a number of industry accreditations in relation to its plantations and processes and, consequently, some of its products. Aside from the substantive virtue of these accreditations, a significant number of export woodchip customers will only purchase woodchips from suppliers with appropriate FSC or AFS accreditation. Importantly, Midway must comply with environmental laws and regulations in order to maintain these accreditations.

If Midway fails to comply with environmental laws and regulations, these industry accreditations could be revoked or suspended, which could in turn cause a significant loss of export sales. Such a failure may also result in increased compliance costs, fines, statutory orders, litigation and, potentially, significant reputational damage. All of these may have a materially adverse impact on Midway's revenue and profitability.

5.2.15 Failure to comply with laws, regulations and industry standards generally

Midway is subject to a range of legal, regulatory and industry compliance requirements including those relating to the environment, occupational health and safety, and transport chain of responsibility. There is a risk that changes to such laws, regulations and industry compliance standards would impose substantial increased costs of conducting business and, potentially, render uneconomic certain commercial activities undertaken today by Midway in the ordinary course of conducting its business.

There is also a risk that if Midway fails to comply with these laws, regulations and industry compliance standards, this may result in increased compliance costs, fines, statutory orders, litigation and, potentially, significant reputational damage. All of these may have a materially adverse impact on Midway's revenue and profitability.

5.2.16 Risk of litigation, claims and disputes

Midway may be subject to litigation and other claims and disputes in the course of its business, including contractual disputes with contractors and customers, employment disputes, indemnity claims, and occupational and personal claims. There is a risk that such litigation, claims and disputes could materially adversely impact Midway's operating and financial performance due to the cost of settling such claims, and these could potentially affect Midway's reputation.

Without limiting the generality of the previous paragraph, legal proceedings have recently been commenced against the Company in the Victorian Civil and Administrative Tribunal (**VCAT**). The claimant is Catherine Margaret Speechley, a self-represented litigant and the joint registered proprietor of a farm which neighbours a plantation in Kilmore East owned by Midway Plantations Pty Ltd, a wholly owned subsidiary of Midway. Based on the claimant's application, the claim appears to primarily relate to sedimented water flow from the Company's plantation onto the claimant's property and historical aerial herbicide spraying of the plantation by the Company. The claimant seeks \$362,500 in damages and an unquantified amount in respect of remediation works.

These matters have been the subject of investigation by the Environmental Protection Authority of Victoria (**EPA**), which in 2013 issued to the Company two statutory notices, a pollution abatement notice and a clean up notice. The former was withdrawn on the basis of undertakings given by the Company. The latter was revoked on the basis that EPA considered that the Company had complied with its obligations thereunder. The Company considers that it has complied with all of its legal obligations under and in relation to these statutory notices and the apparent subject matter of the claim generally. It intends to vigorously defend the action.

The current timetable requires the claimant to provide particulars of its claimed loss and damage by 27 January 2017, and the claim has a scheduled trial date of 29 May 2017.

Given the early stage of the proceeding, and the lack of specificity in the claimant's application, it is premature for the Company to speculate on whether the proceeding could have a material impact on Midway's financial position or operating or financial performance.

5.2.17 Bribery and corruption in foreign jurisdictions

Midway cannot guarantee that its internal policies and controls will be effective in each case to ensure that Midway is protected from reckless or criminal acts committed by its Directors, officers, employees, consultants, agents, service providers or business partners that would violate the anti-bribery or corruption laws of Australia or any other jurisdiction in which the Midway Group carries on business. Any such improper actions could subject Midway to civil or criminal investigations in Australia or overseas that could lead to substantial civil or criminal, monetary and non-monetary penalties against Midway, and could damage Midway's reputation. Further, the allegation or appearance of improper or illegal actions could also damage Midway's reputation and result in significant expenditure in investigating and responding to such actions which may, in turn, have an adverse effect on Midway's financial performance and position.

5.3 General risks associated with an investment in Midway

5.3.1 Price of Shares

Once Midway becomes a publicly listed Company on the ASX, it will be subject to general market risks applicable to all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by the performance of Midway.

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors, some of which may not relate directly or indirectly to Midway's performance or prospects. These factors may cause the Shares to trade at prices below the Offer Price.

There is no assurance that the price of the Shares will increase following quotation on the ASX, even if Midway's earnings increase.

Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international markets for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or changes to government;
- fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which Midway operates;
- general operational and business risks;
- variations in sector performance, which can lead to investors exiting one sector to prefer another; and
- initiatives by other sector participants which may lead to investors switching from one stock to another.

Deterioration of general economic conditions may also affect Midway's business operations, and the consequent returns from an investment in Shares.

In the future, the sale of large parcels of Shares may cause a decline in the price at which the Shares trade on the ASX. In this regard, the current escrow arrangements outlined in Section 7.7 contemplate the release of Shares from escrow on various dates.

5.3.2 Tax law and Application changes

The Application of and change in relevant tax laws (including income tax laws, goods and services tax laws (or equivalent), rules relating to deductible liabilities (refer below) and stamp duty laws), or changes in the way those tax laws are interpreted, will or may impact the tax liabilities of Midway or the tax treatment of a Shareholder's investment. An interpretation or Application of tax laws or regulations by a relevant tax authority that is contrary to Midway's view of those laws may increase the amount of tax paid or payable by Midway.

Both the levels and bases of taxes may change. Any changes to the current rate of Company income tax (in Australia or other countries in which Midway operates) and/or any changes in tax rules and tax arrangements (again, in Australia or other countries in which Midway operates) may increase the amount of tax paid or payable by Midway, may impact Shareholder returns and could also have an adverse impact on the level of dividend franking/conduit foreign income and Shareholder returns. In addition, an investment in Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Midway.

5.3.3 Force majeure events

Events may occur within or outside Australia that could impact upon global, Australian or other local economies relevant to Midway's financial performance, the operations of Midway and the price of the Shares. These events include but are not limited to acts of terrorism, outbreaks of international hostilities, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for Midway's products and its ability to conduct business. Midway has a limited ability to insure against some of these risks only.

5.3.4 Accounting standard changes

Australian Accounting Standards and interpretations (**AAS**) are adopted by the AASB and are not within the control of Midway or its Directors. The AASB may, from time to time, introduce new or refined AAS or may change interpretation over time, which may adversely affect the future measurement and recognition of key income statement and statement of financial position items.

There is also a risk that interpretation of existing AAS, including those relating to the measurement and recognition of key statement of profit and loss or statement of financial position items may differ. Any changes to the AAS or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of Midway, and could also have an adverse impact on debt covenants.

5.3.5 Shareholder dilution

In the future, Midway may elect to issue Shares in connection with fundraisings, including to raise cash for acquisitions or to issue Shares to vendors selling assets, target businesses or target companies to Midway. While Midway will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such fundraisings.

5.3.6 Failure of events to occur

Certain statements in this Prospectus constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, meaning that the actual results, performance and achievements of Midway may be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Given these unknown risks, uncertainties and other factors, prospective Shareholders should not place undue reliance on such forward-looking statements. In addition, under no circumstances should forward-looking statements be regarded as a representation or warranty by Midway, SaleCo, or any other person referred to in this Prospectus, that a particular outcome or future event is guaranteed.

5. Risks

5.3.7 Potential illiquidity in trading in Shares

There is currently no public market through which the Shares may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of Shares and may also affect the prevailing market price at which Shareholders are able to sell their Shares.

5.3.8 Significant shareholdings

The Shares issued under the Offer will only be quoted on the ASX and will not be quoted for trading on any other securities market. As a result, there can be no guarantee that an active market in the Shares will develop or continue, or that the market price of the Shares will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their Shares. Furthermore, the market price for Shares may fall or be made more volatile because of a relatively low volume of trading in the Shares, particularly having regard to the number of Shares which are subject to voluntary escrow (see Section 7.7). When trading volume is low, significant price movement can be caused by the trading in a relatively small number of Shares.

Sales of a substantial number of Shares following the Offer, or the perception that these sales may occur, could also cause the market price of the Shares to decline. Sales by the Company's Shareholders of a substantial number of Shares after the Offer (which could, for example, occur on release of the Shares from escrow arrangements), or the expectation that such sales may occur, could significantly reduce the market price of Shares. The Company may also offer additional Shares in subsequent offerings, which may adversely affect the market price of its Shares.

Following Listing, it is expected that the Existing Shareholders will hold 86.0% of the Shares, which may also impact on liquidity. The Existing Shareholders will enter into voluntary escrow arrangements in relation to certain of the Shares as described in Section 7.7. The absence of any sale of Shares by the Existing Shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could impact the prevailing market price at which Shareholders are able to sell their Shares.

Following release from escrow, Shares held by the Existing Shareholders will be able to be freely traded on the ASX. A significant sale of Shares by the Existing Shareholders, or the perception that such sales have occurred or might occur, could adversely impact the price of Shares. The Existing Shareholders' shareholdings may also allow them to collectively exert significant influence over the outcome of matters relating to the Company, including the election of Directors and the approval of transactions. The interests of the Existing Shareholders may be different from the interests of investors who acquire Shares under the Offer.

5.3.9 Dividends may not be franked

There can be no guarantee that dividends paid by Midway will be franked. To the extent that Midway pays any dividends, Shareholders should be aware that Midway may not have sufficient franking credits to frank dividends, or the franking system may be subject to review or reform. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of an income year, will depend on the individual tax position of each Shareholder.

5.3.10 General economic and financial market conditions

The operating and financial performance of Midway is influenced by a variety of general domestic and global economic and business conditions that are outside the control of Midway. There is a risk that prolonged deterioration in general economic conditions may negatively impact the demand for Midway's products and negatively impact Midway's financial performance, financial position, cash flows, dividends, growth prospects and Share price.

KEY PEOPLE, INTERESTS AND BENEFITS







Aerial shot of Midway's Geelong facility



6. Key People, Interests and Benefits

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

6.1 Board of Directors



Director	Experience
	Mr McCormack was the founding Director of Midway in 1980. Mr McCormack holds a Bachelor of Business and has a long-term commitment to the Australian forest products industry, holding senior positions with both the National and the Victorian Association of Forest industries (having served as President of both associations). Mr McCormack is the current President of the Australian Forest Products Association and is currently a Director of Millennium Services Group Limited. Mr McCormack is a member of the Audit and Risk Management Committee.
Greg McCormack Non-Executive Chairman	
	Mr Price holds a Bachelor of Science (Forestry) and a Post Graduate Diploma in Business Management, has attended the International Executive Programme at INSEAD in France and is a graduate member of the Australian Institute of Company Directors. Before joining Midway, he has held a number of senior management positions in the hardwood plantation sector and has also run his own consultancy business. Mr Price has over 30 years' experience in the forestry sector. He is also currently a Director of Forestworks Ltd, an organisation which provides training packages to the forest industry.
Tony Price Managing Director and Chief Executive Officer	
	Mr Nils Gunnersen holds a Bachelor of Business (Agricultural Commerce) and is a graduate of the Australian Rural Leadership Programme. He is Executive Director of Gunnersen Pty Ltd and a Trustee of the JW Gottstein Trust with over 25 years' management experience in forest industries businesses across: resources, operations, finance, IT, compliance, sales and marketing within Australia and overseas. Appointed as a Director on the Board of Midway in 2012, he is Chairman of the Occupational Health & Safety and Management Systems Committees, and is a member of the Remuneration and Nomination Committee.. Mr Nils Gunnersen is currently a director of Chebmont Pty Ltd.
Nils Gunnersen Non-Executive Director	
	Mr Bennett holds a Diploma in Civil Engineering and a Graduate Diploma in Industrial Management. He has extensive background in production management, particularly in the manufacture of high volume/ low margin products for use in civil engineering construction.
Anthony Bennett Non-Executive Director	

6. Key People, Interests and Benefits





Director	Experience
	Mr Keene holds a Bachelor of Economics and is a Fellow of the Australian Institute of Company Directors. He has a strong commercial and agribusiness background, having held the position of Managing Director of GrainCorp Ltd between 1993 and 2008. In 2007, Mr Keene was awarded the NAB Agribusiness Leader of the Year. He was appointed a Director of Midway Limited in 2008. He is the former Chairman of Allied Mills Ltd and Grain Trade Australia and also a former Director of Cotton Seed Distributors Ltd. He is currently a Director of AACo Ltd. Mr Keene is Chairman of the Audit and Risk Management Committee and is a member of the Remuneration and Nomination Committee and the Occupational Health & Safety and Management Systems Committee.
Tom Keene Independent Non-Executive Director	
	Mr Davis holds a Master of Business Administration, a Master of Agricultural Science, and a Bachelor of Forest Science. Mr Davis is currently a non-executive Director of Nufarm Limited, where he chairs the Health, Safety and Environment Committee and serves on the Audit and Risk, and Human Resources Committees. He is also a non-executive Director of Primary Health Care Limited, where he is a member of the Risk Committee. Mr Davis was Managing Director and CEO of AWB Limited from 2006 to 2011. He was also Chair of VicForests from 2011 to 2016. He is currently the Chair of Greening Australia, and a Trustee of The Nature Conservancy. Mr Davis is the Chairman of the Remuneration and Nomination Committee, and a member of the Audit and Risk Management Committee and the Occupational Health & Safety and Management Systems Committee.
Gordon Davis Independent Non-Executive Director	

6.2 Senior Management


Midway is led by an experienced management team as per below:

Management	Experience
	Refer to Section 6.1
Tony Price Managing Director and Chief Executive Officer	
	Mr Roffey joined Midway in 1994 and holds forestry qualifications and is currently Development Manager. Mr Roffey has formerly held management roles in resource supply, operations and plantation estate management and has 29 years' experience in forest management and operations.
Stephen Roffey Development Manager	

6. Key People, Interests and Benefits

Management	Experience
 Ashley Merrett Chief Financial Officer	Mr Merrett joined Midway in 1993 and is responsible for all accounting, tax, group forecasting and capital management (including debt facilities). He is the Joint Company Secretary for Midway and Company Secretary for SWF and QCE. He holds a Bachelor of Commerce and has over 20 years of experience in a finance, accounting and office management.
 Michael Taylor Operations Manager	Mr Taylor joined Midway in 2000 and is responsible for operations. He has formerly held management roles in business development and business analysis. He has a forestry degree and graduate diplomas in business and applied finance and investment (SIA), with over 20 years' experience in forestry, harvesting and processing in Australia, the USA and Brazil.
 Rowan Eyre Resources Manager	Mr Eyre joined Midway in 1999 as part of the acquisition of Victree Forests. He has been involved in various roles at Midway including resource management, wood procurement, processing and shipping and since 2010 has held the position of Resources Manager. His background encompasses 29 years' experience in forest management including plantation establishment, harvesting and sales of forest products.
 Malcolm Hatcher Technical Services Manager	Mr Hatcher joined Midway in 2004 and is responsible for technical services. He has formerly held management roles in operations and business analysis. He has a forestry degree, with over 30 years' experience in forest management, forest harvesting, plantation establishment, processing, forest certification and management systems.

6. Key People, Interests and Benefits

Management	Experience
	Ms Karzis is a practising lawyer with over 15 years' experience as a corporate and commercial lawyer, Company secretary and general counsel for a number of public companies. Ms Karzis is the principal of Corporate Counsel, a corporate law practice with a focus on corporate governance for the ASX-listed entities, as well as the more general aspects of corporate and commercial law. Ms Karzis is currently the Company Secretary of a number of the ASX-listed and unlisted entities, and is a member of the Law Institute of Victoria as well as the Governance Institute of Australia.
Sophie Karzis (B. Juris, LLB)	
Company Secretary	

6.3 Interest and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter (but not a sub-underwriter) to the Offer or a financial services licensee named in this Prospectus as a financial services licensee involved in the Offer.

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before the lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer.

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Interests of advisers

Midway has engaged the following professional advisers:

- Bell Potter Securities Limited, Morgans Corporate Limited and Ord Minnett Limited have acted as a Joint Lead Managers to the Offer. The Joint Lead Managers will be paid the fees described in Section 9.5 for these services.
- SBA Law has acted as legal adviser in relation to the Offer, other than in respect of stamp duty and tax matters. Midway has paid, or agreed to pay, approximately \$590,000 (excluding disbursements and GST) for these services up until the date of this Prospectus. Further amounts may be paid to SBA Law in accordance with its normal time based charges.
- KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Ltd, has acted as investigating accountant and has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries in connection with the Offer. Midway has paid, or agreed to pay, approximately \$850,000 in total (excluding disbursements and GST) for the above services up until the date of this Prospectus. Further amounts may be paid to KPMG Financial Advisory Services (Australia) Pty Ltd in accordance with its time-based charge-out rates.
- Pitcher Partners has acted as a tax adviser and has performed work in relation to the due diligence enquiries. Midway has paid, or agreed to pay, approximately \$168,000 in total (excluding disbursements and GST) for the above services up until the date of this Prospectus.

The total costs of the Offer are approximately \$4.7 million and will be borne by Midway. The Existing Shareholders will not bear any of the costs of the Offer.

6. Key People, Interests and Benefits

6.3.2 Directors' interests and remuneration

6.3.2.1 Non-Executive Director remuneration

Under the Constitution, subject to the ASX Listing Rules, the Directors as a whole (other than Executive Directors) may be paid or remunerated for their services a total amount or value not exceeding \$800,000 per annum or such other maximum amount fixed by the Company in general meeting. The remuneration may be by way of salary or commission or participation in profits or by all or any of these modes, but may not be by commission on, or a percentage of, operating revenue. Annual Directors' fees currently agreed to be paid by the Company are \$200,000 to the Chairman, Greg McCormack, and \$110,000 to each other Non-Executive Director. In addition, the Chairman of the Audit and Risk Management Committee will be paid \$10,000 annually, and the Chairman of the Remuneration and Nomination Committee will be paid \$10,000 annually. All Directors' fees include superannuation at 9.50% of the respective amounts.

6.3.2.2 Deeds of access, insurance and indemnity for Directors

The Company has entered into Deeds of Indemnity, Insurance and Access (**Deeds**) with all Directors of the Company. The Deeds provide that the Company will indemnify the Directors against liabilities, costs and expenses as permitted under the Corporations Act, related to each Director's period of office.

In addition, the Company must arrange and maintain Directors' and Officers' insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. Further, the Company must allow each Director access to papers, documents and other information relating to the affairs of the Company during the period the Director is an officer of the Company and for a period of seven years after the Director ceases to hold office.

6.3.2.3 Other information and interests

Directors will be reimbursed for reasonable travel and other expenses incurred in attending to Midway matters. Any Director who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services out of the funds of the Company, as determined by the Board.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions. Chapter 2E of the Corporations Act prohibits a Company from giving certain financial benefits to a related party (including any Director) without the prior approval of its members by ordinary resolution.

Other interests of Directors and management are set out in this Section 6.3.

6.3.2.4 Director shareholdings

Directors are not required under the Constitution to hold any Shares. On Completion of the Offer, the number of Shares held by the Directors or entities with which they are associated will be as outlined in the table below. All of these Shares will be subject to voluntary escrow arrangements. Please refer to Section 7.7 for further detail.

Figure 34: Shareholdings of Directors and their associated entities, pre and post the Offer

Director	Midway Shares held prior to the Offer ¹	Midway Shares held prior to the Offer (%)	Shares held at Completion of the Offer ('000) ¹	Shares held at Completion of the Offer (%)
Greg McCormack	12,978,379	17.3%	12,978,379	17.3%
Tony Price ²	-	-	-	-
Nils Gunnersen	28,525,892	38.1%	28,525,892	38.1%
Anthony Bennett	5,075,356	6.8%	2,675,356	3.6%
Tom Keene	224,378	0.3%	224,378	0.3%
Gordon Davis	-	-	-	-

¹ Includes Shares held directly or indirectly (via trusts, companies or superannuation funds associated with the Director).

² The number of Shares noted in this table in respect of Tony Price does not include any IPO Bonus Rights to be issued to Mr Price, as referred to in Section 6.3.4.2.

Note 1: The above table does not take into account any Shares the Directors may acquire under the Offer.

Note 2: Neither Mr Tony Price nor Mr Gordon Davis (or any trusts, companies or superannuation funds associated with them) hold any Shares.

Note 3: All Shares held, directly or indirectly, by Greg McCormack and Nils Gunnersen at Completion of the Offer (including via trusts, companies or superannuation funds associated with them) will be escrowed until Midway lodges with ASX its Appendix 4E (Preliminary Final Report) for FY2018. All Shares held, directly or indirectly, by any other Directors at Completion of the Offer (including via trusts, companies or superannuation funds associated with them) will be escrowed until Midway lodges with the ASX its Appendix 4E (Preliminary Final Report) for FY2017.

6.3.3 Executive remuneration

6.3.3.1 Managing Director and CEO

Midway has entered into an employment agreement with Tony Price pursuant to which Mr Price is appointed as the Chief Executive Officer of the Group. The agreement sets out Mr Price's fixed annual remuneration, which is \$487,500 per annum inclusive of superannuation and is adjusted from time to time in accordance with the agreement. In addition, Mr Price may be entitled to:

- A short term incentive (**STI**) under which, depending on Midway's and Mr Price's respective performance, he may be entitled to receive up to a maximum of \$162,500 in each financial year, payable in cash. The payment of any short term incentive will be subject to satisfaction of various conditions, including Group EBITDA (one third), lost time injury frequency rates (one third) and achievement of strategic objectives (one third). The amount of any STI and the conditions for payment of the STI are subject to the discretion of the Board, and may change if the Board considers it necessary or appropriate to do so.
- Participation in the long-term incentive plan (**LTIP**) under which Mr Price may be entitled to receive performance rights, with a total face value of \$162,500, subject to appropriate documentation and Shareholder approval if necessary. Further details in relation to the nature of any awards to be issued to Mr Price are set out in Sections 6.3.4.2 and 6.3.4.3.

In addition, if Completion of the Offer does not occur on or before 31 March 2017, Mr Price will be entitled to an incentive payment upon various liquidity events occurring, including a change of control of the Company or a sale of substantially all of the assets of the Company. The amount of the incentive payment is equal to two times the then prevailing fixed annual remuneration of Mr Price. For completeness, note that the IPO Bonus Rights (as referred to in Section 6.3.4.2) will only be issued to Mr Price if Completion of the Offer occurs on or before 31 March 2017. Either Mr Price or Midway may terminate the employment agreement with three months' written notice, and Midway may also terminate Mr Price's employment immediately without notice or payment in lieu if he engages in certain improper conduct as described in the agreement. Mr Price will be subject to a post-employment restraint in relation to businesses or activities that are in competition with the Company throughout Australia for a maximum period of three months from his cessation date.

6.3.3.2 Other members of senior Management

Other members of Midway's senior Management team are employed under individual employment contracts. Those employment contracts include:

- fixed annual remuneration, comprising base salary, allowances and superannuation;
- termination notice provisions of three months by either party (other than in the event of certain improper conduct that warrants immediate termination by Midway), provided that if Midway terminates the senior manager's employment, Midway must pay the senior manager an additional amount equal to three weeks' pay for every year of continuous service (capped at 60 weeks); and
- restraint of trade provisions throughout Australia for a period of time after cessation of employment calculated by reference to the time served by the employee.

In addition, senior Management may (at the Board's discretion) be entitled to participate in a short term incentive plan or the long-term incentive plan operated by Midway, as follows:

- a short term incentive under which, depending on Midway's and the senior manager's respective performance, the senior manager may be entitled to receive a cash payment in any given financial year subject to satisfaction of various conditions to be set by the Board at the time of the offer;
- the long-term incentive plan under which the senior manager may be entitled to receive awards, subject to appropriate documentation and Shareholder approval if necessary. Further details in relation to the nature of any Awards that may be issued to senior managers are set out in Section 6.3.4.3. As at the date of this Prospectus, no Awards have been offered to any senior managers under the LTIP, other than the IPO Bonus Rights referred to in Section 6.3.4.2 and the annual LTI grant to Mr Tony Price referred to in Section 6.3.4.3 which will be issued immediately following Completion of the Offer.

6.3.4 Long-Term Incentive Plan

6.3.4.1 Terms of the Long-Term Incentive Plan

The Company has adopted an LTIP, the key terms of which are summarised below.

Eligibility	The Board has the discretion to determine which Directors and employees of Midway or any related Company are eligible to participate in the LTIP (Eligible Employees).
Awards	The awards (Awards) that may be issued under the LTIP currently include: <ul style="list-style-type: none"> • Shares; • options; and • performance rights.
Vesting conditions	The Board may determine that the Awards will be subject to performance, service or other conditions (Vesting Conditions) and, if so, will specify those Vesting Conditions in the offer. Vesting Conditions may include conditions relating to continuous employment, performance of the participant or the occurrence of particular events.

6. Key People, Interests and Benefits

Vesting date	Subject to the satisfaction of any applicable Vesting Conditions, Awards held by a participant will vest on the date specified in the terms of the offer for those Awards, which are to be determined by the Board at the time of offer and advised to the participant in individual offer documents.
Shares as an Award, or on vesting of an Award	<p>Shares allocated on vesting of an Award carry the same rights and entitlements as other issued Shares, including dividend and voting rights.</p> <p>Depending on the terms issued, the Shares may be subject to disposal and/or forfeiture restrictions, which means that they may not be disposed of or dealt with for a period of time and/or may be forfeited if certain further conditions are not satisfied.</p>
Dividend and voting entitlements	Awards, other than Shares, are not entitled to dividend or voting rights.
Quotation	Awards, except Shares, will not be quoted on the ASX. Midway will apply for official quotation of any Shares issued under the LTIP, in accordance with the Listing Rules and having regard to any disposal restrictions in place under the LTIP.
Cessation of employment	<p>If a participant ceases to be an employee or Director of the Midway Group or any of its subsidiaries by reason of:</p> <ul style="list-style-type: none"> • the termination of his or her employment because of a breach of his or her terms of employment; or • the resignation of the participant for a reason other than death, illness or injury, <p>the participant's unvested Awards will lapse and terminate (unless the Board determines otherwise).</p>
Change of control	Upon the occurrence of a change of control of Midway, the Board may at its discretion and subject to such terms and conditions as it determines, resolve that the Vesting Conditions applicable to any unvested Awards be waived.
Restrictions	<p>Without the prior approval of the Board or as expressly provided in the LTIP:</p> <ul style="list-style-type: none"> • options and performance rights may not be disposed of, transferred or encumbered; and • unvested Shares may not be disposed of, dealt with or encumbered or transferred in any way whatsoever until the first to occur of the following: (i) the satisfaction of the applicable Vesting Conditions; and (ii) the time when the Participant is no longer employed by the Company or a related Company.
Loans	At the direction of the Board, the Company or a related Company may offer a participant a loan for the purpose of acquiring any Shares offered to the participant under the LTIP.
Amendments	To the extent permitted by the Listing Rules, Midway may amend all or any of the provisions of the LTIP rules.
Other terms	The LTIP also contains customary and usual terms having regard to Australian law for dealing with the administration, variation, suspension and termination of the LTIP.

6.3.4.2 IPO Bonus Rights issued to Directors and senior managers under the LTIP

The following Awards will be issued under the LTIP following the Completion of the Offer:

IPO Bonus Rights	
Purpose	<p>The Board has sought to issue IPO Bonus Rights to selected Directors and members of Management in order to:</p> <ul style="list-style-type: none"> • reward individuals for the significant additional work exerted in order for the Company to achieve the milestone of listing on the ASX; • align the individual with Shareholders through the provision of equity; and • act as a retention mechanism for these individuals in the period following Listing.
Number of performance rights issued	<p>Subject to Completion of the Offer occurring and Midway being listed on the ASX on or before 31 March 2017, performance rights will be issued following Completion of the Offer (and by no later than 30 April 2017), comprising:</p> <ul style="list-style-type: none"> • 80,000 performance rights to be issued to Mr Tony Price, with a total face value of \$200,000; • 48,000 performance rights to be issued to Mr Ashley Merrett, with a total face value of \$120,000; • 20,000 performance rights to be issued to Mr Stephen Roffey, with a total face value of \$50,000; • 8,000 performance rights to be issued to Mr Rowan Eyre, with a total face value of \$20,000; • 8,000 performance rights to be issued to Mr Michael Taylor, with a total face value of \$20,000;

6. Key People, Interests and Benefits

Vesting date	In respect of each participant, subject to satisfaction of the Vesting Conditions: <ul style="list-style-type: none"> • 50% of the performance rights issued to the participant will vest on the date that is 12 months after Completion of the Offer; and • 50% of the performance rights issued to the participant will vest on the date that is 24 months after Completion of the Offer.
Vesting Conditions	The performance rights will only vest if the participant has maintained continuous employment with Midway from the time of grant until the relevant vesting date.
Automatic exercise of performance rights	Any performance rights which meet the Vesting Conditions will be automatically exercised on the relevant vesting date, and the participant will be entitled to one Share on that date for each performance right that is automatically exercised (subject to the terms of the LTIP providing for a reorganisation of the number of Shares to be delivered in respect of a performance right).

6.3.4.3 Long-term incentive rights proposed to be issued to Directors and senior managers under the LTIP

In addition to the IPO Bonus Rights, the Board currently intends to issue performance rights under the LTIP as follows:

Annual LTI grant	
Eligible Employees	Each year, the Board will determine which, if any, Eligible Employees will be offered or granted an Award under the annual LTI grant. It is currently intended that the Managing Director and the Chief Financial Officer (and potentially other senior managers who report directly to the Managing Director) will be offered an Award under the annual LTI grant on an annual basis. Subject to Completion of the Offer occurring and Midway being Listed on the ASX, the Board has agreed to issue the first annual LTI grant to Mr Tony Price, the Managing Director, following Completion of the Offer and by no later than 30 April 2017. No other awards under the annual LTI grant will be offered or granted until such time as the Company is listed on the ASX.
Awards to be offered to Eligible Employees	It is currently intended that the Board will offer performance rights as part of the annual LTI grant. The number of performance rights to be offered to each Eligible Employee is at the discretion of the Board, but it is currently intended that the Board will offer performance rights with a face value equal to up to one third of the Eligible Employee's fixed annual remuneration. In relation to the annual LTI grant to be made to Mr Tony Price following Completion of the Offer, the Board will grant Mr Price 65,000 performance rights, with each such performance right having a face value equal to the Offer Price and all such performance rights having collectively a total face value of \$162,500. No amounts will be payable by Mr Price for the issue of such performance rights.
Performance period	The annual LTI grant to be made to Mr Tony Price following Completion of the Offer will have a performance period from the date of listing to 30 June 2019. It is intended that subsequent annual LTI grants will have a performance period of three years commencing from the date of the grant.
Vesting date	The vesting date will occur shortly following the completion of the applicable performance period.
Vesting conditions	<p>It is currently intended that the performance rights will only vest if the participant has maintained continuous employment with Midway for the entire performance period.</p> <p>In addition, the percentage of performance rights that will vest on the vesting date will depend on Midway's total shareholder return (TSR) over the performance period, relative to a comparator group determined by the Board from time to time (which, initially, will be companies in the S&P/ASX 300 Index, excluding mining and energy companies). In this regard, it is currently intended that if Midway's TSR is:</p> <ul style="list-style-type: none"> • less than median of the comparator group, no performance rights will vest; • at median of the comparator group, 50% of the performance rights will vest; • between median and the 75th percentile of the comparator group, a straight-line pro rata vesting of between 50% and 100% of the performance rights will occur; and • greater than 75th percentile of the comparator group, 100% of the performance rights will vest. <p>The Board has determined that the vesting conditions set out above will apply to the performance rights to be issued to Mr Tony Price following Completion of the Offer as part of his annual LTI grant.</p>
Automatic exercise of performance rights	Any performance rights that vest will be automatically exercised on the relevant vesting date, and the participant will be entitled to one Share on that date for each performance right that is automatically exercised (subject to the terms of the LTIP providing for a reorganisation of the number of Shares to be delivered in respect of a performance right).

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6.4 Corporate governance

This Section 6.4 explains how the Board will oversee the management of Midway's business. The Board is responsible for the overall corporate governance of Midway. The Board monitors the operational and financial position and performance of Midway and oversees its business strategy, including approving the strategic goals of Midway and considering and approving a business plan and an annual budget. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Midway. In conducting Midway's business with these objectives in mind, the Board seeks to ensure that Midway is properly managed to protect and enhance Shareholder interests, and that Midway and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Midway, and has adopted or is developing relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Midway's business and which are designed to promote the responsible management and conduct of Midway.

The ASX Corporate Governance Council has developed and released the third edition of its ASX Corporate Governance Principles and Recommendations (**ASX Recommendations**) for the ASX-listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. While the ASX Recommendations are not prescriptions, but guidelines, under the Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. Except as set out below, the Company intends to comply with all of the ASX Recommendations with effect from Listing; however, it may depart from certain ASX Recommendations in the future if it considers that such a departure would be reasonable.

Copies of Midway's key policies and practices, and charters for the Board and each of its committees, will be available from Listing at <http://www.midwaylimited.com.au>.

6.4.1 Board of Directors

The Board is comprised of the Managing Director, and five Non-Executive Directors, including the Chairman, of whom two are independent. Detailed biographies of the Directors are provided in Section 6.1.

The Board considers an independent Director to be a Non-Executive Director who is independent of Management and free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the exercise of their judgement and ability to act in the best interests of the Company and its Shareholders. Given the Board is currently comprised of five Directors who are not independent, and two independent Directors, Midway does not currently comply with Recommendation 2.4 of the ASX Recommendations, which provides that a majority of the Board of a listed entity should be independent Directors. However, the Board considers that, collectively, the Directors bring an objective and independent judgement to its decision-making processes and that each of the Directors will make a valuable contribution to the Company. Furthermore, the Directors believe that the balance of non-independent to independent Directors is appropriate for Midway, arising as it does from the Company's specific needs in relation to the specialised industry sector in which it operates and that the Directors are able to objectively analyse the issues before them in the best interests of all Shareholders and in accordance with their duties as Directors. The Board has also considered Midway's immediate requirements as it transitions to an ASX-listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, skills and experience for the Company after listing.

The Board considers that Tom Keene and Gordon Davis are free from any business or any other relationships that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement and are both able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

For the reasons set out below, each of Tony Price, Greg McCormack, Nils Gunnensen and Anthony Bennett are considered by the Board not to be independent for the purposes of the ASX Recommendations.

- Tony Price is not considered to be independent on the basis of his Management role in the Company.
- Greg McCormack is a Director of certain entities which comprise one of the Company's major shareholder, being McCormack Timber Holdings Pty Ltd, McCormack Timbers Pty Ltd and McCormack Timbers Pty Ltd (Staff Superannuation Fund).
- Nils Gunnensen is a director of the Company's major shareholder, Chebmont Pty Ltd.
- Anthony Bennett is a Director of one of the Company's major Existing Shareholders, W.H. Bennett & Sons Pty Ltd.

The Company's Directors and management are committed to conducting the Company's business in an ethical manner and in accordance with the highest standards of corporate governance. Upon listing, the Company will adopt and substantially comply with the ASX Corporate Governance Principles and Recommendations (Third Edition) (**Recommendations**).

Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out the Board's role and responsibilities, composition, structure and membership requirements and delegations by the Board to Management.

In accordance with its charter, the Board is responsible for the overall operation and stewardship of the Company and, amongst other things, has the following roles and responsibilities:

- approving and monitoring the Company's strategic directions, budgets and capital expenditure;
- reviewing and ratifying the Company's systems of internal compliance and control, risk management and legal compliance;

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- appointing the Managing Director, ratifying the appointment of other senior executives and approving the Company's remuneration policies and framework;
- undertaking an annual evaluation of the performance of the Board, each committee established by the Board and each individual Director;
- monitoring the Company's compliance with its Corporate Governance standards; and
- such other functions as prescribed by the Corporations Act.

The Managing Director (or equivalent) is responsible for running the day-to-day affairs of the Company under delegated authority from the Board and for implementing the policies and strategies set by the Board. In carrying out this role, the Managing Director must report to the Board in a timely and clear manner. Each Director has the right to seek independent professional advice at Midway's expense, subject to the reasonable approval of the Chairman of the Board.

6.4.2 Board committees

As described below, the Board has established the Audit and Risk Management Committee, the Remuneration and Nomination Committee and the Occupational Health and Safety and Management Systems Committee to facilitate and assist the Board in fulfilling its responsibilities. The Board may, from time to time, establish other committees as and when required. Membership of Board committees will be based on the needs of Midway, relevant legislative and other requirements and the skills and experience of individual Directors.

Audit and Risk Management Committee

The primary role of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibilities in relation to the financial reports, financial reporting process, internal control structure, risk management systems and the internal and external audit processes of Midway, including by:

- assessing the appropriateness and Application of Midway's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- assessing any significant accounting estimates, judgements or choices contained in Midway's financial reports;
- reviewing all half yearly and annual reports with Management, advisers, and the external auditor (as appropriate) to assess (amongst other things) compliance with accounting standards and the Corporations Act;
- overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the on-going efficacy of those systems;
- approving the terms of engagement with the external auditor at the beginning of each financial year;
- approving policies and procedures for appointing or removing an external auditor and for external audit engagement partner rotation; and
- meeting periodically with the external auditor and inviting them to attend committee meetings to assist the committee to discharge its obligations.

Under its charter, the Audit and Risk Management Committee must have at least three members, a majority of whom must be independent Directors and all of whom must be Non-Executive Directors. The committee must also have an independent Chairman who is not the Chairman of the Board. In addition, all members of this committee must be financially literate, and at least one member must be a qualified accountant or other financial professional with appropriate expertise of financial and accounting matters. The Committee is chaired by Tom Keene, and comprises Greg McCormack and Gordon Davis (whose relevant qualifications and experience are set out in Section 6.1). All members of the committee are Non-Executive Directors and all members are financially literate. Midway will, on Listing, comply with the requirements of the ASX Recommendations 4.1 and 7.1 that a majority of members of its Audit and Risk Management Committee be independent.

Remuneration and Nomination Committee

The primary role of the Remuneration and Nomination Committee is to assist and advise the Board on Board membership, remuneration and other human resources policies and practices, including by:

- establishing the policies and practices of the Company regarding the remuneration of Directors and senior executives, and reviewing all components of the remuneration framework;
- assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors, and senior managers;
- making recommendations to the Board in relation to the design and operation of Midway's executive and employee incentive schemes and any awards to be made under such plans;
- ensuring that coherent remuneration policies and practices are in place which enable Midway to attract and retain executives and Directors who will create value for Shareholders;
- reviewing the performance of the Board and individual Directors;
- proposing candidates for appointment to the Board, and ensuring that appropriate checks are undertaken prior to such candidates being put forward for appointment;

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- developing or arranging appropriate professional development opportunities for Directors; and
- making recommendations to the Board in relation to the membership of various Board committees.

Under its charter, the Remuneration and Nomination Committee must have at least three members, a majority of whom must be independent Directors and all of whom must be Non-Executive Directors. The committee currently must also have an independent Chairman who must either be the Chair of the Board or an independent Director. The Committee is chaired by Gordon Davis, and comprises Tom Keene and Nils Gunnersen (whose relevant qualifications and experience are set out in Section 6.1). All members of the committee are Non-Executive Directors. Midway will, on Listing, comply with the requirements of the ASX Recommendations 2.1 and 8.1 that a majority of members of its Remuneration and Nomination Committee be independent.

Occupational Health and Safety and Management Systems Committee

The primary role of the Occupational Health and Safety and Management Systems Committee is to assist the Board in fulfilling its responsibilities in relation to the safety, occupational health, security, operational risk management and legal and regulatory compliance processes of Midway, including by:

- reviewing the processes in place to ensure management understands and protects the Company's reputation for high standards of safety and occupational health, including the planning and preparedness for safe plant operations and for safety in all of the Company's workplaces, and the safety performance of the Company's plant operations and in all of the Company's workplaces;
- reviewing the processes in place to ensure compliance with legal and regulatory obligations regarding safety and occupational health;
- monitoring the adequacy of safety reporting systems for actual and potential workplace accidents, breaches and incidents;
- monitoring the investigation of matters referred to in the above paragraph and the implementation of remedial actions;
- ensuring (in coordination with the Audit and Risk Management Committee) that management establishes and operates a risk management system designed to identify, assess, monitor and manage operational risks;
- reviewing the risk management processes in place to identify and manage processing safety risks, and occupational health and safety risks;
- reviewing the Company's operational contingency planning processes to identify any timber processing safety risks, occupational health and safety risks and critical operational systems and processes; and
- ensuring (in coordination with the Audit and Risk Management Committee) that the Company complies with relevant legal and regulatory obligations and relevant internal policies and procedures.

Under its charter, the Occupational Health and Safety and Management Systems Committee must have one or more Non-Executive Directors and one or more senior executives with relevant responsibilities, as determined by the Board. At least one of the members must also be a member of the Audit and Risk Management Committee. The Board will appoint one of the Non-Executive Directors as Chairman of the committee. The Chairman of the committee will be an independent Director, unless the Board resolves otherwise. The committee is chaired by Nils Gunnersen, and comprises Tom Keene and Gordon Davis (whose relevant qualifications and experience are set out in Section 6.1).

6.4.3 Corporate governance policies

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations.

Risk management policy

The identification and proper management of Midway's risks are an important priority of the Board, and Midway is committed to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board has adopted a risk management policy which sets out the accountabilities and responsibilities of the Board, the Audit and Risk Management Committee, the Managing Director, senior Management, the Company Secretary and all other employees of Midway in relation to risk management. Pursuant to this policy, the Board has overall responsibility for the identification, understanding and monitoring of key strategic risks affecting Midway, while the Audit and Risk Management Committee is responsible for the oversight of Midway's risk management processes.

Diversity policy

Midway values a strong and diverse workforce and is committed to developing measurable objectives to achieve gender diversity in its workplace. Therefore, Midway has implemented a diversity policy which is overseen by the Remuneration and Nomination Committee and which promotes the achievement of a diverse workforce through its recruitment, remuneration and performance management practices and the promotion of flexible work practices. Midway will disclose in its annual reports the measurable objectives for achieving gender diversity and the progress towards achieving those objectives, and will also disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

Continuous disclosure policy

Once listed on the ASX, the Company will be required to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, the Company will be required to disclose to the ASX any

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information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company has adopted a continuous disclosure policy which establishes procedures that are aimed at ensuring that the Company complies with its continuous disclosure obligations and that Directors and employees are aware of, and fulfil, their obligations in relation to the timely disclosure of material price-sensitive information. Under the continuous disclosure policy, the Company Secretary will be responsible for managing the Company's compliance with its continuous disclosure obligations.

Securities trading policy

Midway has adopted a securities trading policy to assist Directors and employees of Midway to comply with the insider trading provisions of the Corporations Act, which prohibit them from trading in securities in Midway or other companies while they hold "inside information" (as that term is defined in the Corporations Act) in relation to Midway or certain other companies. The policy establishes certain "Closed Periods" during which Midway's Directors, officers and certain senior employees are prohibited from trading in Midway securities (unless exceptional circumstances apply), and provides that at all other times, such persons must seek prior written clearance from a designated officer at Midway prior to any trading in Midway Shares.

Code of conduct

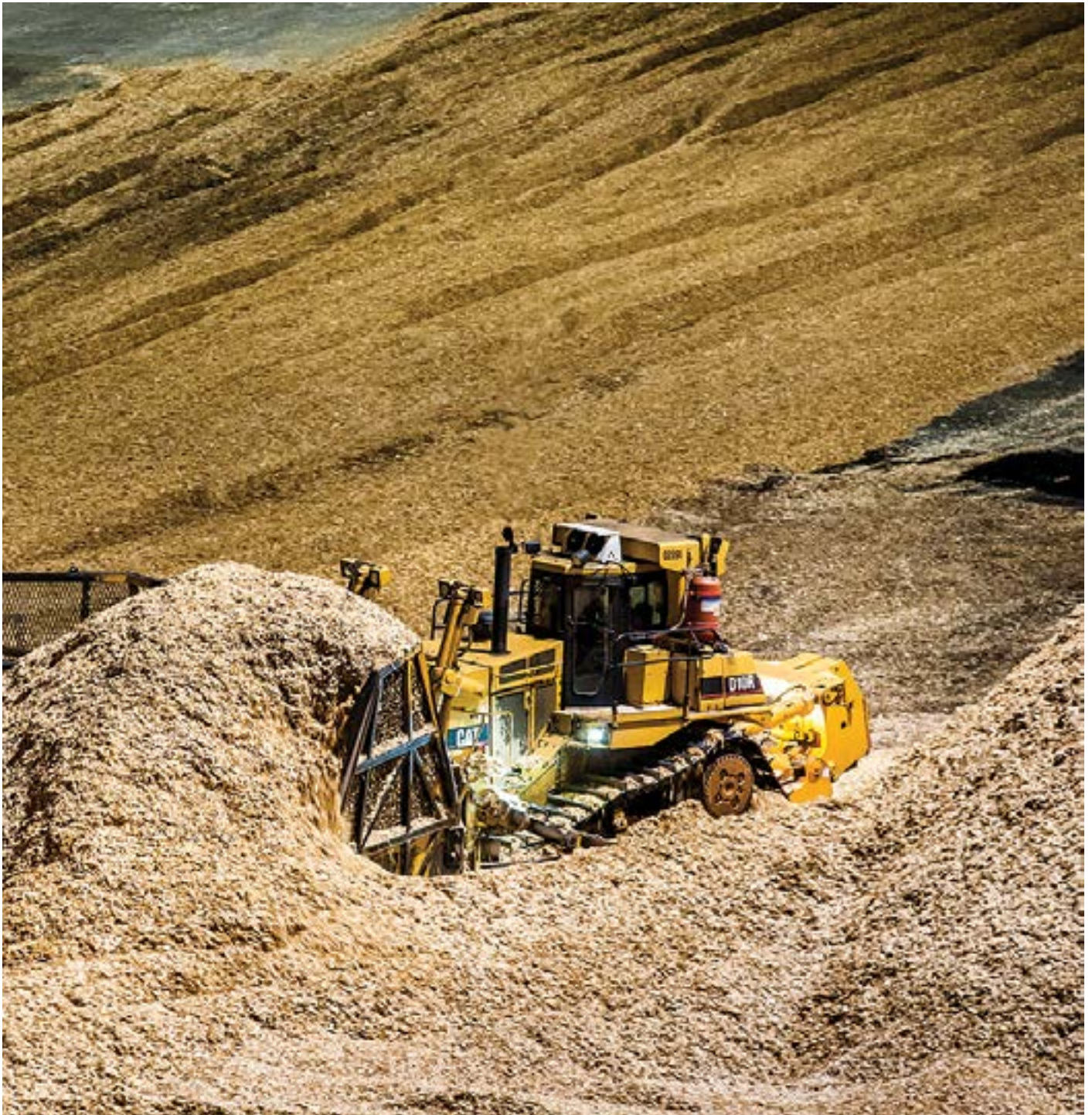
The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct to be followed by all Directors, employees, officers and contractors. The key requirements of the code are to:

- avoid conflicts between their personal interests and the interests of Midway;
- not accept any gift, reward or entertainment which goes beyond common courtesies associated with the ordinary and proper course of business from any third party which could compromise Midway;
- keep non-public information about or entrusted to Midway confidential;
- deal with Shareholders, clients, customers, suppliers, competitors and other employees in a lawful, diligent and fair manner and with honesty, integrity and respect;
- protect Midway's assets and only use such assets for authorised and legitimate business purposes; and
- comply with all applicable laws and regulations, as well as the code of conduct itself and all other Company policies.

Communications with Shareholders

The Board's aim is to ensure Shareholders are provided with sufficient information to assess the performance of Midway and that Shareholders are kept informed of all major developments affecting the state of affairs of Midway in accordance with all applicable laws. In addition to the Company's disclosure obligations under the Listing Rules and the Corporations Act, the Company has a policy of seeking to keep Shareholders informed. All the ASX announcements made to the market, including annual and half-year financial results, will be posted on the Company's website at <http://www.midwaylimited.com.au> as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's annual report, key policies, the charters of its Board committees and copies of all investor presentations made to analysts and media briefings will also be posted on the Company's website.

DETAILS OF THE OFFER



Bulldozer moving woodchips at Midway's Geelong facility

7.1 The Offer

This Prospectus relates to an initial public offering of 15.0 million shares in Midway at an Offer Price of \$2.50 per Share. The Shares offered under this Prospectus will represent approximately 20.0% of the Shares on issue at Completion.

The Selling Shareholders have irrevocably offered to sell the Sale Shares to SaleCo free from encumbrances and third party rights below and have undertaken to deliver Sale Shares to or as directed by SaleCo subject only to:

- the receipt of valid applications for all of the Shares offered under the Prospectus at a price not less than the Offer Price; and;
- ASX approving the Company's application for admission to the official list of ASX and quotation for the Shares on the ASX on terms and conditions that are acceptable to the Company and SaleCo.

The Offer is expected to raise approximately \$37.4 million from the sale of Sale Shares held by SaleCo. No new Shares are offered or will be issued pursuant to the Offer. The total number of Shares on issue at Completion will be 74.8 million and all Shares will rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.10.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the Retail Offer, which consists of the:
 - Broker Firm Offer – open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker; and
 - Priority Offer – which is only open to selected investors in Australia who have received a Priority Invitation; and
- the Institutional Offer – an invitation to bid for Shares made to Institutional Investors in Australia and in certain other eligible jurisdictions.

No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares. The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer will be determined by the Company in consultation with the Joint Lead Managers.

Details of the Broker Firm Offer and the allocation policy under it are described in Section 7.3.1. Details of the Institutional Offer and the allocation policy under it are described in Section 7.4. The allocation of Shares between the Retail Offer and the Institutional Offer shall be determined by the Joint Lead Managers in agreement with Midway, having regard to the allocation policies outlined in Sections 7.3.1.5, 7.3.2.4 and 7.4.2.

The Offer has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.5.

7.1.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to provide the Company with:

- a liquid market for its Shares and an opportunity for others to invest in Shares;
- a broader and increased profile that arises from being a listed entity, additional financial flexibility and access to capital markets to pursue the growth opportunities outlined in Section 3; and
- to provide Existing Shareholders with an opportunity to realise all or part of their investment in Midway through the sale of Existing Shares through SaleCo.

7.1.3 Use of proceeds of the Offer

All of the proceeds of the Offer will be paid to or at the direction of SaleCo, which will in turn distribute (or procure the distribution of) the proceeds to the Selling Shareholders without deduction. The total costs of the Offer, which are expected to be approximately \$4.7 million (as set out in Section 9.15) will be paid by Midway (and not SaleCo or the Existing Shareholders).

7. Details of the Offer

7.1.4 Shareholding structure

The details of the ownership of Midway immediately prior to the Offer, and on Completion of the Offer, are set out in the table below:

SHAREHOLDING STRUCTURE*

Existing Shareholders	Shares held at Prospectus Date	% pre-Offer	Shares issued/ acquired/ (sold)	Shares held at Completion of the Offer	% Shares held at Completion of the Offer
Chebmont Pty Ltd	28,525,892	38.1%	-	28,525,892	38.1%
Entities associated with Mr Greg McCormack	12,978,379	17.3%	-	12,978,379	17.3%
Management, Board and employees	5,542,232	7.4%	(2,619,998)	2,922,234	3.9%
Other Existing Shareholders	27,773,430	37.1%	(12,347,693)	15,425,737	20.6%
Investors in the Offer	-	-	14,967,691	14,967,691	20.0%
Total	74,819,933	100.0%	-	74,819,933	100.0%

Information on the number of Shares to be held on Completion of the Offer that will be subject to voluntary escrow arrangements, and details of those escrow arrangements, are set out in Section 7.7.

7.1.5 Completion of the Offer

On Completion of the Offer, the following key steps will occur to effect the transfer of the Shares to the investors under the Offer:

- first, Selling Shareholders will transfer, in aggregate, 15.0 million Shares to SaleCo in accordance with the Share Sale Deeds summarised in Section 9.4;
- SaleCo will then transfer those Shares to investors under the Offer; and
- the amounts to be paid by investors under the Offer will be distributed to the Selling Shareholders (without deduction), as contemplated in Section 7.1.3.

7.1.6 Control implications of the Offer

The Directors do not expect any single Shareholder to control Midway on Completion (as defined in Section 50AA of the Corporations Act).

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in Midway).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.12 below.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being \$2.50 per Share.
What is the Offer Period?	The Retail Offer opens on 28 November 2016 and closes on 5 December 2016. The key dates are set out in the Important Dates Section of this Prospectus. The Offer timetable is indicative only, and may change without notice (subject to the ASX Listing Rules and the Corporations Act).

Topic	Summary
What are the cash proceeds to be raised?	Midway will not be raising any funds in respect of the Offer. Rather, approximately \$30.0 million will be paid to SaleCo if the Offer proceeds from the sale of Shares held by SaleCo, and then paid to Existing Shareholders as contemplated by Section 7.1.3.
Is the Offer underwritten?	Yes. The Joint Lead Managers have fully underwritten the Offer pursuant to the Underwriting Agreement. Details are provided in Section 9.5.
What is the minimum and maximum Application size under the Retail Offer?	<p>The minimum Application under the Retail Offer is \$2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Offer.</p> <p>The Company, SaleCo and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for.</p>
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer shall be determined by the Joint Lead Managers and the Company, having regard to the allocation policy outlined in Sections 7.3.1.5, 7.3.2.4 and 7.4.2.</p> <p>For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares among their eligible retail clients.</p> <p>The allocation of Shares among Applicants in the Priority Offer and Institutional Offer is determined by the Joint Lead Managers and the Company.</p> <p>For further information on the Broker Firm Offer, see Section 7.3.1.</p> <p>For further information on the Priority Offer, see Section 7.3.2.</p> <p>For further information on the Institutional Offer, see Section 7.4.</p>
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 9 December 2016.
Will the Shares be quoted?	<p>The Company will apply to the ASX within seven days of the Prospectus Date for admission to the Official List of, and quotation of its Shares by, the ASX under the code "MWY". Completion of the Offer is conditional on the ASX approving this Application. If approval is not given within three months after such Application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the Listing Rules, subject to any waivers obtained by the Company from time-to-time.</p> <p>The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of Midway or the Shares offered for subscription.</p>
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on the ASX will commence on or about 8 December 2016, initially on a deferred settlement basis until the Company has advised the ASX that holding statements have been dispatched to Shareholders.</p> <p>Normal settlement trading is expected to commence on or about 12 December 2016.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>The Company, SaleCo and the Joint Lead Managers disclaim all liabilities, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Midway Offer Information Line, by a Broker or otherwise.</p>
Are there any escrow arrangements?	Yes. Details are provided in Section 7.7.

7. Details of the Offer

Topic	Summary
Has an ASIC relief or the ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 7.10.
Are there any tax considerations?	Refer to Section 9.11.2.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Sections 6.3.1, 9.5 and 9.15 for details of various fees payable by the Company to the Joint Lead Managers.
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Midway Offer Information Line on 1300 781 323 (toll free within Australia) or +61 (3) 9415 4673 (outside Australia) between 9.00am and 5.00pm (AEST), Monday to Friday. All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3 Retail Offer

7.3.1 Broker Firm Offer

7.3.1.1 Who can apply?

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia. If you have received a firm allocation of Shares from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether you can receive an allocation of Shares from them under the Broker Firm Offer.

7.3.1.2 How to apply

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Broker Firm Offer is \$2,000 worth of Shares, and in multiples of \$100 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, Midway, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer which are for more than \$250,000. Midway may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with their Broker in accordance with the Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer opens on 28 November 2016 and is expected to close on 5 December 2016. Midway, SaleCo and the Joint Lead Managers may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.1.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions received from their Broker.

7.3.1.4 Application Monies

Midway and SaleCo each reserve the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Amount by the Offer Price. Where the Offer Price does not divide evenly into the Application Amount, the number of Shares to be allocated will be determined by the Applicant's Broker.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed "Not Negotiable" and must be made payable in accordance with the directions of the Broker from whom the Applicant received a firm allocation of Shares.

Applicants should ensure that sufficient funds are held in the relevant accounts to cover the amount of the cheques or bank drafts lodged with their Applications. If the amount of your cheques or bank drafts for Application Monies (or the amount for which those cheques or bank drafts clear in time for allocation) is less than the amount specified on your Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

7.3.1.5 Broker Firm Offer Allocation policy

The allocation of Shares to Brokers was determined by the Joint Lead Managers in consultation with Midway. Shares that have been allocated to Brokers for allocation to their clients will be transferred to the Applicants who have received a valid allocation of Shares from those Brokers (subject to the right of Midway, SaleCo and the Joint Lead Managers to reject or scale back Applications which are for more than \$250,000). It will be a matter for those Brokers as to how they allocate Shares among their clients, and they (and not Midway, SaleCo or the Joint Lead Managers) will be responsible for ensuring that clients who have received an allocation from them receive the relevant Shares.

7.3.2 Priority Offer

7.3.2.1 Who can apply?

Under the Priority Offer, eligible investors nominated by Midway are able to apply for Shares up to the value provided on their personalised invitation. If you have been invited by the Company to participate in the Priority Offer, you will be treated as an Applicant under the Priority Offer in respect of that allocation.

7.3.2.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on your personalised invitation to complete and lodge your Application.

The minimum Application under the Priority Offer will be specified in the Applicant's personalised invitation. Applicants are able to apply for Shares up to the value provided on their personalised invitation. Midway and SaleCo each reserve the right to reject or scale back Applications in whole or part, without giving any reason. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded. Midway may amend or waive the Priority Offer Application procedures or requirements in its discretion in compliance with applicable laws.

Midway, SaleCo and the Joint Lead Managers may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

7.3.2.3 How to pay

Applicants under the Priority Offer must pay their Application Monies in accordance with instructions set out on their personalised invitation.

7.3.2.4 Priority Offer allocation policy

Allocations under the Priority Offer will be at the absolute discretion of Midway, in consultation with the Joint Lead Managers. An amount applied for in excess of the amount allocated to each Applicant, will be refunded in full (without interest).

7.3.3 Acceptance of Applications under the Retail Offer

An Application in the Retail Offer is an offer by an Applicant to SaleCo to purchase Shares in the amount up to that specified in their Application or Application Form, as applicable, at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the personalised invitation or Application Form, as applicable. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by SaleCo, Midway and the Joint Lead Managers in respect of the full number of Shares specified in the Application or Application Form, as Applicable, or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7. Details of the Offer

The Joint Lead Managers, in consultation with Midway and SaleCo, reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Retail Offer will be allotted Shares at the Offer Price. Successful Applicants in the Retail Offer will receive the number of Shares equal to the value of their Application accepted by SaleCo, Midway and the Lead Managers divided by the Offer Price (rounded down to the nearest whole Share). No refunds pursuant solely to rounding will be provided.

7.4 Institutional Offer

7.4.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares.

The Joint Lead Managers separately advised Institutional Investors of the Application procedures for the Institutional Offer. Shares acquired by Institutional Investors as part of the Institutional Offer will be transferred under this Prospectus.

7.4.2 Allocation policy under the Institutional Offer

The allocation of Shares under the Institutional Offer was determined by the Joint Lead Managers in consultation with Midway.

Participants in the Institutional Offer have been advised of their allocation of Shares by the Joint Lead Managers.

The allocation policy under the Institutional Offer was influenced by a range of factors, including:

- the number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- Midway's desire for an informed and active trading market following listing on the ASX;
- Midway's desire to establish a wide spread of institutional Shareholders;
- the anticipated level of demand under the Retail Offer;
- the size and type of funds under management, and the investment style, of particular bidders;
- the likelihood that particular bidders will be long-term Shareholders; and
- any other factors that Midway and the Joint Lead Managers considered appropriate.

7.5 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the AUD amount shown on the front of the Application Form;
- agreed to being allocated and transferred the number of Shares for which he, she or it has applied (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated and transferred to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or New Zealand (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

7.6 Underwriting arrangements

The Offer is fully underwritten pursuant to an Underwriting Agreement under which the Joint Lead Managers have been appointed to arrange, manage and act as Joint Lead Managers, bookrunner and underwriter of the Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer. The Underwriting Agreement is subject to a number of conditions precedent and sets out a number of circumstances under which the Joint Lead Managers may terminate the Underwriting Agreement and their underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the conditions precedent and termination provisions, is provided in Section 9.5.

7.7 Escrow arrangements

Existing Shareholders have voluntarily agreed to the following escrow arrangements:

- all of the Shares held at Completion of the Offer by Chebmont Pty Ltd, an associate of Mr Nils Gunnensen, and by those Existing Shareholders associated with Mr Greg McCormack, will be escrowed until Midway lodges with ASX its Appendix 4E (Preliminary Final Report) for FY2018. The escrow period for these Shares will therefore be approximately 21 months from Completion of the Offer;
- all of the Shares held at Completion of the Offer by each other Selling Shareholder will be escrowed until Midway lodges with the ASX its Appendix 4E (Preliminary Final Report) for FY2017. Under the Listing Rules, the preliminary final report must be lodged with the ASX as soon as the report is prepared and in any event by no later than 31 August 2017. The escrow period for these Shares will therefore be approximately nine months from Completion of the Offer; and
- the vast majority of all of the Shares held at Completion of the Offer by Non Selling Shareholders will be escrowed until Midway lodges with the ASX its Appendix 4E (Preliminary Final Report) for FY2017. Under the Listing Rules, the preliminary final report must be lodged with the ASX as soon as the report is prepared and in any event by no later than 31 August 2017. The escrow period for these Shares will therefore be approximately nine months from Completion of the Offer.

In total, approximately 99.7% of the Shares that will be held by Existing Shareholders after Completion of the Offer will be subject to voluntary escrow restrictions, as set out in the table below.

The escrow arrangements for Selling Shareholders as described above are contained within the Share Sale Deeds pursuant to which the Selling Shareholders offered Shares to SaleCo. The escrow arrangements for those Non Selling Shareholders which have agreed to those arrangements are contained in separate Voluntary Restriction Deeds Poll given by the relevant Non Selling Shareholders in favour of Midway. Further information in respect of these documents are outlined in Section 9.4. All escrow arrangements exclude dealings in Shares arising solely as a result of the acceptance of a successful takeover bid made under Chapter 6 of the Corporations Act or as part of a scheme of arrangement under Part 5.1 of the Corporations Act.

The table below summarises the escrow arrangements for all of the Shares held by Existing Shareholders at Completion.

Existing Shareholders	Number of Shares held at Completion of the Offer	% Shares held at Completion of the Offer	Escrowed	Escrow Period
Chebmont Pty Ltd, an associate of Mr Nils Gunnensen	28,525,892	38.1%	Yes	Until lodgement with the ASX of Appendix 4E for FY2018
Entities associated with Mr Greg McCormack	12,978,379	17.3%	Yes	Until lodgement with the ASX of Appendix 4E for FY2018
Management, Board and employees	2,922,234	3.9%	Yes	Until lodgement with the ASX of Appendix 4E for FY2017
Other Selling Shareholders	5,001,708	6.7%	Yes	Until lodgement with the ASX of Appendix 4E for FY2017

7. Details of the Offer

Existing Shareholders	Number of Shares held at Completion of the Offer	% Shares held at Completion of the Offer	Escrowed	Escrow Period
Non Selling Shareholders which have agreed to escrow their Shares	10,216,356	13.7%	Yes	Until lodgement with the ASX of Appendix 4E for FY2017
Non Selling Shareholders which have not agreed to escrow their Shares	207,673	0.3%	No	Not applicable

7.8 Restrictions on distribution

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia, and may only be distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, pledged or otherwise transferred, whether directly or indirectly, in the United States unless the Shares are registered under the U.S. Securities Act or an exemption from the registration requirements and any other applicable securities laws is available. Accordingly, the Shares are being offered and sold only outside the United States in reliance on the exemption from registration provided by Regulation S promulgated under the U.S. Securities Act.

Each Applicant in the Retail Offer and each person in Australia to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States unless the Shares are registered under the U.S. Securities Act or an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable laws of states or other jurisdictions in the United States;
- it is not in the United States and is not acting on behalf of a person in the United States;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with all applicable laws to the jurisdiction in which the Shares are offered or sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.9 Discretion regarding the Offer

With the consent of the Joint Lead Managers, Midway and SaleCo may withdraw the Offer at any time before the issue or transfer of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.

Midway, SaleCo and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.10 ASX and ASIC

7.10.1 ASX waivers and confirmations

The Company has sought and obtained the following waivers and confirmations from the ASX in relation to the Offer:

- confirmation that a waiver from Listing Rule 1.1, Condition 11 is not required to permit the Company to be admitted to the Official List in so far as the IPO Bonus Rights described in Section 6.3.4.2 and the performance rights to be issued to Mr Tony Price under the annual LTI grant described in section 6.3.4.3 have an exercise price of less than \$0.20;
- confirmation that the issue of performance rights under the LTIP as described in Section 6.3.4, and the subsequent issue of Shares upon exercise of those performance rights, will be exempt from the Company's 15% annual placement capacity under Listing Rule 7.1; and
- a waiver from Listing Rule 10.14 to permit the IPO Bonus Rights described in Section 6.3.4.2 and the performance rights under the annual LTI grant described in Section 6.3.4.3 to be issued to the Managing Director (being Mr Tony Price) without Shareholder approval.

7.10.2 ASIC exemptions, modifications and relief

The Company has sought and obtained the following exemptions, modifications and relief from ASIC in relation to the Offer:

- a modification of Section 609 of the Corporations Act so that the voluntary escrow arrangements described in Section 7.8 do not give rise to a "relevant interest" for Midway in respect of any Shares that are subject to voluntary escrow restrictions, and a modification of Section 671B of the Corporations Act to require the Company to make substantial holding disclosure of the "relevant interest" it would have acquired, but for the modification of Section 606, in such Shares; and
- a modification of Section 707(3) of the Corporations Act to permit certain senior managers of the Company who will be issued performance rights following Completion of the Offer (as set out in Sections 6.3.4.2 and 6.3.4.3) to sell the Shares that will be issued to them upon exercise of such performance rights without a disclosure document within twelve months of the issue of those Shares.

7.11 ASX listing, registers and holding statements and deferred settlement trading

7.11.1 Application to the ASX for listing of Midway and quotation of Shares

Midway will apply for admission to the official list of the ASX and quotation of the Shares on the ASX within seven days of the Prospectus Date. Midway's ASX code is expected to be MWY.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Midway to the Official List is not to be taken as an indication of the merits of Midway or the Shares offered for subscription.

If approval is not given for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by Midway will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Midway will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Midway from time to time.

7.11.2 CHESS and issuer sponsored holdings

Midway will apply to participate in the ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued. Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Midway and the Share Registry may charge a fee for these additional issuer sponsored statements.

7. Details of the Offer

7.11.3 Deferred settlement trading and selling Shares on market

It is expected that trading of the Shares on the ASX on a deferred settlement basis will commence on or about 8 December 2016. Trading on a deferred delivery basis will continue until the Company has advised the ASX that holding statements have been dispatched to Shareholders. Shares are expected to commence trading on the ASX on a normal settlement basis on 10 December 2016.

Following the transfer of Shares to investors under the Offer, successful Applicants will receive a holding statement setting out the number of Shares transferred to them under the Offer. It is expected that holding statements will be dispatched on or about 9 December 2016.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If Shares are sold before receiving a holding statement, Applicants do so at their own risk. The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if a Shareholder sells Shares before receiving a holding statement, even if the Shareholder obtained details of their holding from the Midway Offer Information Line or confirmed their firm allocation through a Broker.

7.12 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive, does not constitute a definitive statement of the rights and liabilities of Shareholders and is qualified by the fuller terms of the Constitution. The summary assumes that the Company is admitted to the Official List.

All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with each other and with all Shares on issue prior to the Prospectus Date.

Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and on a poll, one vote for each fully paid Share. The holder of partly paid Shares in the Company has a vote in respect of the Share on a poll which has the same proportionate value as the proportion that the amount paid on the Shares bears to the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call are to be ignored.

General meeting and notices

Each holder of Shares will be entitled to receive notice of, and to attend and vote at the Company's general meetings and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.

Dividends

The Directors may by resolution determine that any interim dividend or final dividend is payable as the financial position of the Company justifies and fix the time for and method of payment. The Directors may implement a dividend reinvestment plan and amend, suspend or terminate any dividend reinvestment plan they implement.

For further information in respect of the Company's proposed dividend policy, see Section 4.14.

Variation of class rights

At present, the Company only has ordinary Shares on issue. The rights and restrictions attaching to a class of the Company's shares can only be altered if the holders of 75% of the shares issued in that class consent to the variation in writing, or with the consent of a special resolution passed at a separate meeting of the holders of that class of shares.

Further issues of Shares and options

The Directors may, subject to the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, issue Shares or grant options over Shares to any person at any time and on any terms and conditions as they think fit.

Winding up

Subject to any special rights conferred on the holders of any share or class of share, if the Company is wound up and the Company's property is more than sufficient to pay all of its debts and liabilities and the costs, charges and expenses of the winding up, the excess must be divided among the members in proportion to the number of shares held by each of them, irrespective of the amounts paid or

credited as paid by each of them, provided that the amount of such excess that would otherwise be distributed to the holder of a partly paid share must be reduced by the amount unpaid on that share as at the date of the distribution.

Small holdings

Subject to the Listing Rules and the ASX Settlement Operating Rules (unless a member gives notice rejecting the process), the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares. The Company may only do this once in any 12 month period, and may not do so during the offer period of a takeover bid for the Company.

Transfer of Shares

Subject to the Listing Rules and the Constitution, the Shares are transferable in accordance with the ASX Settlement Operating Rules, by instrument in writing in any usual or common form or in any other form that the Directors approve. The Directors may refuse to register any transfer of Shares where permitted to do so by the Listing Rules.

Directors – appointment and removal

Under the Constitution, the minimum number of Directors is three and the maximum is 10 or other number as is determined by authorised resolution passed by the Company's members. The Company may elect Directors by resolution. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the Managing Director) will then hold office until the next annual general meeting of the Company (unless the Listing Rules require otherwise) and is then eligible for election at that meeting. No Director (other than the Managing Director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later).

Directors – voting

Questions arising at a meeting of Directors are to be decided by a majority of votes of the Directors present and voting and, subject to the Corporations Act, each Director has one vote. Subject to the Listing Rules, in the case of an equality of votes the chairperson of a meeting does not have a casting vote.

Indemnities and insurance

To the extent permitted by law and subject to the Corporations Act, the Company indemnifies current and past Directors and secretaries of the Company against a liability incurred by the person acting in that capacity and against legal costs incurred in connection with proceedings in which the person becomes involved because of that capacity. The Company may also purchase and maintain insurance in respect of any liability incurred by a Director or secretary of the Company, to the extent it is permitted to do so by law.

The Company has entered into deeds of indemnity, insurance and access with all Directors, further details of which are set out in Section 6.3.2.2.

Proportional takeover provisions

The Constitution includes a prohibition from registering a transfer giving effect to a contract resulting from the acceptance of an offer made under a proportional takeover bid unless and until a resolution approving the proportional takeover bid is passed by the holders of the bid class shares in accordance with the Constitution. However, the proportional takeover provisions have not been renewed by the Company and, as such, have ceased to have any effect. The Company may seek to renew the proportional takeover provisions in the future.

Amendment of the Constitution

The Corporations Act provides that the constitution of a Company may be modified or repealed by a special resolution passed by the members of the Company. The Company's Constitution does not impose any further requirements to be complied with to effect a modification of its Constitution, or to repeal it.

8

INVESTIGATING ACCOUNTANT'S REPORT



Woodchip pile at Midway's Geelong facility

**KPMG Transaction Services**

A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
147 Collins Street
Melbourne VIC 3000

ABN: 43 007 363 215
Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
DX: 30824 Melbourne
www.kpmg.com.au

The Directors
Midway Limited
10 The Esplanade
North Shore VIC 3214

GPO Box 2291 U
Melbourne VIC 3001
Australia

17 November 2016

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Midway Limited ("Midway") to prepare this report for inclusion in the Prospectus to be dated on or about 17 November 2016 ("Prospectus"), and to be issued by Midway, in respect of the initial public offering of shares in Midway ("Transaction").

Expressions defined in the Prospectus have the same meaning in this report.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical and forecast financial information described below and disclosed in the Prospectus.

The pro forma historical and forecast financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of Midway (the responsible party) included in section 4 of the Prospectus.

The pro forma historical financial information has been derived from the 30 June 2014 and 30 June 2015 re-issued historical and 30 June 2016 historical financial information of Midway, after adjusting for the effects of pro forma adjustments described in section 4.2 of the Prospectus. The pro forma historical financial information consists of Midway's:

KPMG Financial Advisory Services (Australia) Pty Ltd is affiliated with KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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- Pro forma historical Balance Sheet as at 30 June 2016;
- Pro forma historical Income Statements for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- Pro forma historical Cash Flow Information for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- And related notes as set out in section 4.5.2, 4.6, 4.7 and 4.8 of the Prospectus issued by Midway,

(collectively the "Pro Forma Historical Financial Information").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4.2 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been compiled by Midway to illustrate the impact of the event(s) or transaction(s) on Midway's balance sheet as at 30 June 2016 and Midway's income statement and cash flow information for the years ended 30 June 2014, 30 June 2015 and 30 June 2016. As part of this process, information about Midway's income statement and cash flow information has been extracted by Midway from their re-issued financial statements for the financial years ended 30 June 2014 and 30 June 2015, and their historical financial statements for the financial year ended 30 June 2016.

The re-issued financial statements of Midway for the years ended 30 June 2014 and 30 June 2015 were audited by Midway's external auditor in accordance with Australian Auditing Standards. The audit opinions issued to the members of Midway relating to those financial statements were unmodified, with an emphasis of matter indicating that the re-issued audit reports supersede the previously issued audit reports, due to the correction of errors in each of the re-issued financial reports. The errors corrected in the re-issued financial statements for the years ended 30 June 2014 and 30 June 2015 relate to the understatement of Deferred Tax Liability and the overstatement of Asset Revaluation Reserve. Additionally, the re-issued financial statements for the year ended 30 June 2015 refers to the correction of errors to reflect a restatement of the fair value of biological assets and the associated income statement impact. The historical financial statements of Midway for the year ended 30 June 2016 were audited by KPMG in accordance with the Australian Auditing Standards. The audit opinion issued to the members of Midway relating to these financial statements was unmodified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared, in all material respects, by the

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directors in accordance with the stated basis of preparation. As stated in section 4.2 of the Prospectus, the stated basis of preparation is:

- the extraction of Historical Financial Information from the audited financial statements of Midway for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- the application of pro forma adjustments, determined in accordance with Australian Accounting Standards and Midway's accounting policies, to the Historical Financial Information of Midway to illustrate the effects of events and transactions described in section 4.2 of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures we performed were based on our professional judgement and included:

Historical financial information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Historical Financial Information of Midway from its re-issued audited financial statements for the years ended 30 June 2014 and 30 June 2015 and its historical audited financial statements for the year ended 30 June 2016;

Pro forma adjustments:

- consideration of the pro forma adjustments described in the Prospectus;
- enquiry of directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information; and
- a review of accounting policies for consistency of application.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' Forecast and directors' best-estimate assumptions

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the Pro Forma Forecast Information and Pro Forma Forecast cash flow information of Midway (the responsible party) for the period ending 30 June 2017, as described in section 4.3 of the Prospectus (the "Directors' Forecast"). The directors' best-estimate assumptions

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underlying the Directors' Forecast are described in section 4.10 of the Prospectus. As stated in section 4.1 of the Prospectus, the basis of preparation of the Directors' Forecast is the recognition and measurement principles contained in Australian Accounting Standards and Midway's accounting policies.

We have performed limited assurance procedures in relation to the Directors' Forecast, set out in section 4.5 of the Prospectus, and the directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions do not provide reasonable grounds for the Directors' Forecast;
- in all material respects the Directors' Forecast is not:
 - prepared on the basis of the directors' best-estimate assumptions as described in the Prospectus; and
 - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and Midway's accounting policies;
- the Directors' Forecast itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted primarily of:

- comparison and analytical review procedures;
- discussions with management and directors of Midway of the factors considered in determining their assumptions; and
- examination, on a test basis, of evidence supporting:
 - the assumptions and amounts in the Directors' Forecast; and
 - the evaluation of accounting policies used in the Directors' Forecast.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The directors of Midway are responsible for the preparation of:

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- the Historical Financial Information;
- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Information;
- the Directors' Forecast, including the directors' best-estimate assumptions on which the Directors' Forecast is based and the sensitivity of the Directors' Forecast to changes in key assumptions.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in section 4 of the Prospectus, comprising:

- the pro forma historical income statements of Midway for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- the pro forma historical cash flow information of Midway for the years ended 30 June 2014, 30 June 2015 and 30 June 2016; and
- the pro forma historical balance sheet of Midway as at 30 June 2016,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 4.2 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Midway's accounting policies.

Directors' Forecast and the directors' best-estimate assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Directors' Forecast for the year ending 30 June 2017 do not provide reasonable grounds for the Directors' Forecast; and
- in all material respects, the Directors' Forecast:
 - is not prepared on the basis of the directors' best-estimate assumptions as described in section 4.10 of the Prospectus; and
 - is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and Midway's accounting policies; and

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- the Directors' Forecast itself is unreasonable.

The Directors' Forecast has been prepared by Midway management and adopted and disclosed by the directors in order to provide prospective investors with a guide to the potential financial performance of Midway for the year ending 30 June 2017.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Directors' Forecast since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Directors' Forecast is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Midway. Evidence may be available to support the directors' best-estimate assumptions on which the Directors' Forecast is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Midway, which are detailed in the Prospectus, and the inherent uncertainty relating to the Directors' Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in section 5 and 4.11 of the Prospectus. The sensitivity analysis described in section 4.11 of the Prospectus demonstrates the impact on the Directors' Forecast of changes in key best-estimate assumptions. We express no opinion as to whether the Directors' Forecast will be achieved.

We have assumed, and relied on representations from certain members of management of Midway, that all material information concerning the prospects and proposed operations of Midway has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed proposed initial public offering, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is

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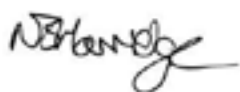
appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 4 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully



Nick Harridge
Authorised Representative

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Financial Services Guide Dated 17 November 2016

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**'KPMG Transaction Services'**), and Nick Harridge as an authorised representative of KPMG Transaction Services, authorised representative number 405346 and as an authorised representative of KPMG Transaction Services, authorised representative number **(Authorised Representative)**.

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide

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financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Midway Limited (Client) to provide general financial product advice in the form of a Report to be included in the Prospectus (Document) prepared by Client in relation to the initial public offering of shares in Midway Limited (Transaction).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services approximately \$0.85 million for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities

and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of audit, tax and advisory services to the Company for which professional fees are received. Over the past two years professional fees of \$0.15 million have been received from the company.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Company or has other material financial interests in the transaction.

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Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO
Box 3, Melbourne Victoria 3001

Telephone: 1800 367 287
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Level 38, Tower Three,
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
Sydney NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7001

Nick Harridge
C/O KPMG
PO Box H67
Australia Square
Sydney NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7001

ADDITIONAL INFORMATION



9. Additional Information

9.1 Incorporation

Midway Limited (ABN 44 005 616 044) was incorporated on 18 January 1980 under the name “Midway Wood Products Pty Ltd”. Its name was changed to “Midway Pty Ltd” on 30 May 1997 and again to “Midway Limited” on 29 August 2008.

Midway SaleCo Limited (ACN 611 573 043) was incorporated on 30 March 2016 as an Australian public company limited by shares.

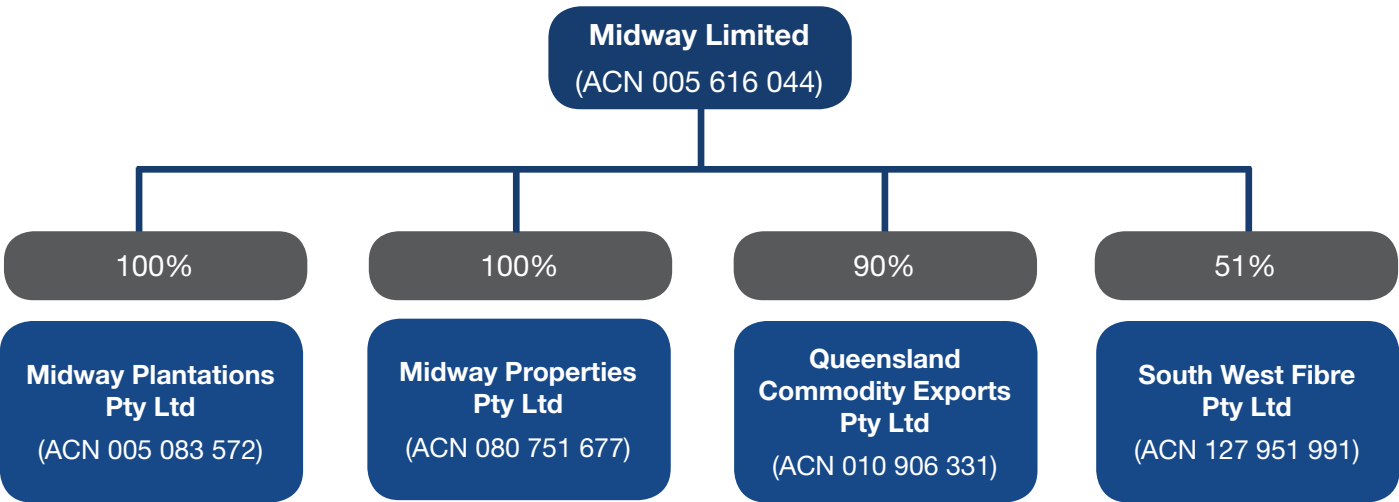
9.2 Company tax status

The Company is taxed in Australia as a public company.

9.3 Corporate structure

Figure 35 reflect’s Midway’s corporate structure.

Figure 35: Midway’s corporate structure



The Company owns all of the issued share capital in the following companies:

- Midway Plantations Pty Ltd ACN 005 083 572, which owns, and manages on behalf of third parties, various plantation land and plantation trees; and
- Midway Properties Pty Ltd ACN 080 751 677, which owns a portion of the portside freehold land in Geelong.

In addition:

- the Company owns 90% of the issued share capital in Queensland Commodity Exports Pty Ltd, with the remaining 10% owned by GrainCorp Limited ACN 057 186 035; and
- the Company owns 51% of the issued share capital in South West Fibre Pty Ltd, with the remaining 49% owned by Mitsui Bussan Woodchip Oceania Pty Ltd ACN 070 210 990.

9.4 Arrangements between Midway, SaleCo, Existing Shareholders and the Directors

9.4.1 SaleCo

Midway SaleCo Limited (ACN 611 573 043) (**SaleCo**) was incorporated on 30 March 2016 as an Australian public company limited by shares.

SaleCo is a special purpose vehicle established to enable Existing Shareholders to sell all or part of their Shares in Midway on Completion of the Offer. Each Director of Midway is also a Director of SaleCo. The sole shareholder of SaleCo is Mr Tony Price, being the Managing Director of Midway.

SaleCo has no material assets, liabilities or operations other than its interest in the Share Sale Deeds and the other documents referred to in this Section 9.4.

9.4.2 Share Sale Deed

Each Existing Shareholder who wished to sell all or some of its Shares has signed a Share Sale Deed pursuant to which it irrevocably offers to transfer some of all of its Shares to SaleCo free from all encumbrances and third-party interests. The Offer is conditional upon the Offer proceeding. The amount payable by SaleCo to each Selling Shareholder is the same as the Offer Price under this Prospectus. Pursuant to the Share Sale Deeds, each Selling Shareholder has agreed to the escrow restrictions that are summarised in Section 7.7.

9.4.3 No Sale Confirmation Forms

Each Existing Shareholder who elected not to sell any of their investment in Midway to SaleCo has signed a No Sale Confirmation Form pursuant to which the Existing Shareholder, amongst other things, acknowledges that it has been provided the opportunity to offer for sale all or any of its Shares to SaleCo in connection with the Offer and confirms that it does not wish to do so.

9.4.4 Voluntary Restriction Deed Poll

The vast majority of Non Selling Shareholders have also signed a Voluntary Restriction Deed Poll in favour of Midway pursuant to which the Non Selling Shareholder agrees that it will not, amongst other things, sell any of its Shares during the relevant period applicable to that Shareholder (as referred to in Section 7.7).

9.4.5 Indemnification deeds

Given the structure of the Offer, and the incorporation of SaleCo as a special purpose vehicle to enable Existing Shareholders to sell all or part of their investment in the Company on settlement of the Offer, the Company has agreed to indemnify SaleCo, to the maximum extent permitted by law, from and against all losses directly or indirectly suffered or incurred by SaleCo in connection with, amongst other things, the Offer, the Underwriting Agreement, any deeds that it enters into with Existing Shareholders in respect of the sale by Existing Shareholders of Shares to SaleCo in order to facilitate the Offer.

Each Director of Midway is also a Director of SaleCo. The Company has also agreed to indemnify each Director of SaleCo, to the maximum extent permitted by law, from and against all losses directly or indirectly suffered or incurred by him or her in connection with, amongst other things, the Offer.

For completeness, note that the Company has entered into separate deeds of access, insurance and indemnity with Directors of the Company (as summarised in Section 6.3.2.2) and SaleCo has entered into deeds on substantially the same terms with each of the Directors of SaleCo.

9.5 Underwriting agreement

The Company, SaleCo and the Joint Lead Managers have entered into an underwriting agreement dated 17 November 2016 (**Underwriting Agreement**), pursuant to which the Joint Lead Managers have agreed to manage the Offer and underwrite subscriptions for the number of Shares offered under the Offer for which valid Applications are not received, at the Offer Price, on an exclusive basis.

9.5.1 Fees and expenses

On settlement of the Offer, which is expected to occur on 6 December 2016 (**Settlement Date**), the Company must pay the Joint Lead Managers:

- a management fee equal to 1.00% of the total proceeds of the Offer; and
- an underwriting fee equal to 2.00% of the total proceeds of the Offer,

with one third payable to each Joint Lead Manager.

The Company may also pay to the Joint Lead Managers an incentive fee (split 40% Ord Minnett, 30% Bell Potter and 30% Morgans) of up to a combined total of 0.50% of the total proceeds of the Offer, subject to the Joint Lead Managers achieving certain performance thresholds relating to the level of institutional investor interest in the Broker Firm Offer and the total value of valid retail network demand received under the Retail Offer.

The Company must also pay an advisory fee of \$600,000 to Ord Minnett and Morgans subject to the listing of Midway to the ASX no later than 30 June 2017, with 80% of such fees being payable to Ord Minnett and 20% of such fees being payable to Morgans.

The Joint Lead Managers must pay any fees due to any co-managers, co-lead managers and Brokers appointed by the Joint Lead Managers under the Underwriting Agreement.

In addition to the fees described above, the Company has agreed to pay or reimburse the Joint Lead Managers for certain other agreed costs, charges and expenses of, and incidental to, the Offer incurred by the Joint Lead Managers.

9.5.2 Termination events

Each Joint Lead Manager may, at any time on or after the date of the Underwriting Agreement and before 10.00am on the Settlement Date or at any earlier time as specified below, terminate the Underwriting Agreement (without any cost or liability to the Joint Lead Managers by notice to the Company, SaleCo and the other Joint Lead Manager and whether or not with the consent of the other Joint Lead Manager), if any of the following events occur:

9. Additional Information

- a statement in the certain documents issued or published by or on behalf of the Company and SaleCo in respect of the Offer (**Offer Documents**), including this Prospectus and the Application Form, is misleading or deceptive or likely to mislead or deceive, or there is an omission from the offer documents of material required by Sections 710, 711, 715A or 716 of the Corporations Act;
- there occurs a new circumstance that arises after this Prospectus is lodged, which would have been required to be included in this Prospectus if it had arisen before lodgement;
- the Company and SaleCo:
 - issue or, in the reasonable opinion of the Joint Lead Managers are required to issue, a supplementary prospectus because of the operation of Section 719(1) of the Corporations Act; or
 - lodge a supplementary prospectus with ASIC in a form and substance that has not been approved by the Joint Lead Managers;
- at any time the S&P/ASX All Ordinaries Index falls to a level that is 90% or less of the level as at the close of trading on the date of the Underwriting Agreement and closes at or below that 90% level:
 - on at least three consecutive business days prior to the Settlement Date; or
 - on the business day immediately prior to the Settlement Date;
- without the prior consent of the Joint Lead Managers, any of the sale deeds pursuant to which SaleCo will acquire the Sale Shares from the Selling Shareholders referred to in Section 9.4.2 of this Prospectus are varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- without the prior consent of the Joint Lead Managers, any of the escrow arrangements between the Company and the Existing Shareholders referred to in Section 7.7 of this Prospectus are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- a fire, flood or other natural disaster occurs in relation to one or more plantations from which the Company sources hardwood which gives rise to, or is reasonably likely to give rise to, a material adverse effect on the Company;
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions (in the reasonable opinion of the Joint Lead Managers), to:
 - the Company's admission to the official list of the ASX on or before the 8 December 2016 under the Underwriting Agreement; or
 - the quotation of the Shares on the ASX or for the Shares to be traded through CHESS on or before the 8 December 2016 under the Underwriting Agreement,or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions in the reasonable opinion of the Joint Lead Managers) or withheld;
- any of the following notifications are made in respect of the Offer:
 - ASIC issues an order (including an interim order) under Section 739 of the Corporations Act and any such inquiry or hearing is not withdrawn within three business days or if it is made within three business days of the Settlement Date it has not been withdrawn by the day before the Settlement Date;
 - ASIC holds a hearing under Section 739(2) of the Corporations Act;
 - an Application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer Document, and any such Application inquiry or hearing is not withdrawn within three business days, or if it is made within three business days of the Settlement Date, it has not been withdrawn before the Settlement Date;
 - any person who has previously consented to the inclusion of its name in this Prospectus (other than a Joint Lead Manager) withdraws that consent; or
 - any person gives a notice under Section 730 of the Corporations Act in relation to this Prospectus (other than a Joint Lead Manager, co-lead manager or co-manager);
- the Company or SaleCo withdraws this Prospectus or the Offer;
- an event specified in the timetable for the Offer set out in the Underwriting Agreement up to and including the Settlement Date is delayed by more than two business days (other than any delay caused solely by the Joint Lead Managers or any delay agreed between the Company, SaleCo and the Joint Lead Managers or a delay as a result of an extension of the exposure period by ASIC), provided that the Joint Lead Managers have not unreasonably withheld or delayed their consent to any request for delay made by the Company or SaleCo;
- SaleCo is prevented from transferring the Sale Shares, by applicable laws, an order of a court of competent jurisdiction or a governmental authority, within the time required by the Listing Rules;
- any member of the Midway Group or SaleCo becomes insolvent (as defined in the Underwriting Agreement), or there is an act or omission which is likely to result in a member of the Midway Group or SaleCo becoming insolvent;
- a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or SaleCo to perform its obligations under the Underwriting Agreement, such that the Company or SaleCo is rendered unable to perform such obligations; or
- a change in the Chief Executive Officer or Chief Financial Officer of the Company occurs, or there is a change in the Board of Directors of the Company or SaleCo.

In addition, each Joint Lead Manager may, at any time on or after the date of the Underwriting Agreement and before 10.00am on the Settlement Date or at any earlier time as specified below, terminate the Underwriting Agreement (without any cost or liability to the Joint Lead Managers by notice to the Company, SaleCo and the other Joint Lead Manager and whether or not with the consent of the other Joint Lead Manager), if any of the following events occur and the Joint Lead Manager has reasonable grounds to believe, and does believe, that the event:

- has, or is likely to have, a materially adverse effect on the successful settlement or marketing of the Offer, or the ability of the Joint Lead Managers to promote or settle the Offer, or the willingness of investors to subscribe for shares under the Offer; or
- will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager of, any applicable law.

The events are:

- any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules, or any other applicable law or regulation;
- a statement in any public information, including any public or other media statements made by or on behalf of the Company or SaleCo in relation to the business affairs of Midway on or after the date of the Underwriting Agreement or the Offer, is or becomes misleading or deceptive or is likely to mislead or deceive;
- the due diligence reports prepared by the due diligence committee formed by the Company in connection with the Offer and its reporting members is, or becomes, false, misleading or deceptive, including by way of omission;
- an event occurs which is, or is likely to give rise to:
 - an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Midway Group from those disclosed in this Prospectus lodged with ASIC on the Prospectus Date; or
 - an adverse change in the nature of the business conducted by Midway as disclosed in this Prospectus lodged with ASIC on the Prospectus Date;
- there are not, or there cease to be, reasonable grounds in the opinion of that Joint Lead Manager for any statement or estimate in the Offer Documents which relates to a future matter or any statement or estimate in the Offer Documents which relates to a future matter is, in the opinion of that Joint Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- the Company or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement; or a statement in any closing certificate is, in any material respect, false, misleading, inaccurate or untrue or incorrect;
- in respect of any one or more of Australia, New Zealand, the United States, the United Kingdom, Hong Kong, the Peoples' Republic of China, Singapore or any member state of the European Union:
 - hostilities not presently existing commence;
 - a major escalation in existing hostilities occurs (whether war is declared or not);
 - a declaration is made of a national emergency or war; or
 - a major terrorist act is perpetrated;
- any of the obligations of the relevant parties under any of the sale deeds (as described in Section 9.4.2 of this Prospectus), the escrow deeds (as described in Section 9.4.2 of this Prospectus) or the material contracts described in Section 9.6 of this Prospectus are not capable of being performed in accordance with their terms (in the opinion of the Joint Lead Managers), or if all or any part of any of those deeds or agreements:
 - is terminated, withdrawn, rescinded, avoided or repudiated;
 - is altered, amended or varied without the consent of the Joint Lead Managers;
 - is breached, or there is a failure by a party to comply;
 - ceases to have effect, otherwise than in accordance with its terms; or
 - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and affect, or its performance is or becomes illegal;
- there is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or government policy in Australia (excluding a policy of the Reserve Bank of Australia), New Zealand, the United States, the United Kingdom, Hong Kong, the Peoples' Republic of China, Singapore or any member state of the European Union (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- there is a contravention by the Company or SaleCo or any entity within the Midway Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the *Australian Securities and Investments Commission Act 2001* (Cth), the constitution of the relevant entity, or the Listing Rules;
- a representation or warranty contained in the Underwriting Agreement on the part of the Company or SaleCo is breached, becomes not true or correct or is not performed;
- the Company or SaleCo defaults on one or more of its undertakings or obligations under the Underwriting Agreement;
- any of the following occurs:

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- a Director of the Company or SaleCo is charged with an indictable offence;
- any Director of the Company or SaleCo is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- the commencement of legal proceedings against the Company or SaleCo or any of their Directors in their capacity as a Director; or
- any regulatory body commences any inquiry against any member of the Midway Group or SaleCo or the Company;
- any of the following occurs:
 - a general moratorium on commercial banking activities in Australia, the United Kingdom, the United States or Hong Kong or any member state of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - trading in all securities quoted or listed on the ASX, the London Stock Exchange or the New York Stock Exchange is suspended for at least one day on which that exchange is open for trading; or
 - any of the Company or SaleCo or any of their Directors or officers (as those terms are defined in the Corporations Act) engage, or have been alleged by a governmental authority to have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer.

9.5.3 Conditions, representations, warranties, undertakings and other terms

The Underwriting Agreement contains certain customary representations, warranties and undertakings provided by the Company and SaleCo (as applicable) to the Joint Lead Managers. It also contains a number of customary conditions precedent, including:

- the agreements required to effect the offer of the Sale Shares by the Selling Shareholders to SaleCo and the voluntary escrow arrangements described in Section 7.7 of this Prospectus being executed and not being breached, terminated or rescinded;
- the delivery of certain due diligence documents and reports to the Joint Lead Managers;
- lodgement of this Prospectus with ASIC;
- the Company and SaleCo obtaining the ASIC and the ASX modifications and waivers referred to in Section 7.10.1 of this Prospectus; and
- the Company and SaleCo obtaining all other required regulatory approvals, relief and modifications necessary to enable the Offer to proceed.

The representations and warranties given by the Company and/or SaleCo (as applicable) relate to matters such as their powers and capacities, their conduct (including in respect of their compliance with applicable laws and the ASX Listing Rules, business and status, due diligence and disclosure), certain documents issued by the Company and SaleCo in connection with the Offer (which includes this Prospectus, an Application Form, any supplementary prospectus, marketing presentations and public announcements in connection with the Offer), the information provided in such documents (including the financial information and information as to future matters), insolvency, the conduct of the Offer, litigation and insurance.

The Company's undertakings include that it will not, from the date of the Underwriting Agreement up until 120 days after Completion of the Offer, without the prior written consent of the Joint Lead Managers or as disclosed in this Prospectus, issue or agree to issue any Shares (or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity) other than pursuant to the Offer, the Underwriting Agreement, an employee share plan, a non-underwritten dividend reinvestment plan or a bonus share plan.

9.5.4 Indemnity

The Company and SaleCo jointly and severally agree to keep the Joint Lead Managers and certain of the Joint Lead Managers' affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions including fraud, wilful misconduct, recklessness or gross negligence.

9.6 Other material contracts

Summaries of contracts set out in this Prospectus are included for the information of potential investors, but do not purport to be complete and are guided by the text of the contracts themselves.

9.6.1 Agreements with Strategy and GMORR

Midway has entered into a number of agreements with Strategy, the trustee of an investment trust managed by GMORR. GMORR is part of a global, professional investment and asset management group specialising in the investment of forest and farmland on behalf of investors.

Set out below is a summary of the key features of the agreements between Midway and Strategy:

- Midway Plantations and Strategy entered into a Sale Agreement on 5 February 2016 pursuant to which Midway Plantations sold substantially all of the *Pinus radiata* plantation trees (**Softwood Trees**) and eucalyptus plantation trees (**Eucalypt Trees**) standing on Midway Plantations' freehold and leasehold land in Victoria (**Strategy Trees**). The sale of those trees completed on 29 February 2016.

- Midway and Strategy entered into a Forest Management Agreement on 29 February 2016 pursuant to which Midway is contractually engaged to manage the Strategy Trees on behalf of Strategy on commercial terms.
- Midway Plantations and Strategy entered into a Stumpage Sale Agreement on 29 February 2016 pursuant to which Midway Plantations agrees to acquire back from Strategy the Eucalypt Trees. The agreement requires Midway Plantations to acquire the Eucalypt Trees by the end of specified five-year harvest windows in respect of those trees for a price that is determined in accordance with the agreement. The amount payable by Midway Plantations for each compartment of Eucalypt Trees repurchased under the agreement is based on a fixed quantity of timber which will be deemed to be derived from the compartment, regardless of the actual yield from or quantity of timber standing within the compartment when repurchased. The price per GMT of such fixed quantity payable by Midway Plantations is a price initially specified in the agreement as varied in accordance with a review mechanism which takes into account changes in the prevailing market FOB export pricing for *E. globulus* from the Port of Geelong and movements in the consumer price index.
- Midway Plantations and Strategy entered into a Softwood Harvest and Marketing Agreement on 29 February 2016 pursuant to which Midway Plantations is contractually engaged to provide various services on commercial terms to Strategy in relation to the harvesting, marketing and ultimate sale of the Softwood Trees.
- To facilitate the arrangements set out above, Midway Plantations granted to Strategy forestry rights registrable on title under the *Climate Change Act (Vic) 2010* (in respect of the freehold land owned by Midway Plantations on which the Strategy Trees stand) and a forestry licence agreement (in respect of the leasehold land on which the Strategy Trees stand). The documents, amongst other things, grant Strategy the right to access, maintain, manage, protect and harvest the Strategy Trees on the land.
- To secure the repurchase obligations of Midway Plantations under the Stumpage Sale Agreement, Midway Plantations has granted to Strategy a mortgage over its freehold land on which the Strategy Trees stand.

In addition to the documents summarised above, Midway has entered into a Strategic Alliance Agreement with GMORR through which Midway and GMORR agree to work together to identify *E. globulus* plantation hardwood for GMORR to acquire or establish on behalf of its investors and supply hardwood pulpwood to Midway. In summary, the agreement envisages that Midway will provide plantation management services and Midway will have the right to the associated offtake. It is important to note that this agreement is non-binding and an expression of the intentions of the parties only, other than various provisions regarding confidentiality and exclusivity.

9.6.2 Agreements with Macquarie Group

In each calendar year between 2003 and 2011 (inclusive) (each a **Relevant Year**), Midway has entered into a number of agreements with Macquarie Forestry Services Pty Ltd (**MFSPL**), Macquarie Alternative Assets Management Limited (**MAAML**), Macquarie Financial Products Management Limited and Macquarie Bank Limited (collectively, **Macquarie Group**).

Set out below is a summary of the key features of the agreements between Midway and the Macquarie Group:

- MAAML acts as responsible entity for a managed investment scheme in respect of each of the Relevant Years (each a **Project**). Each Project enables investors participating in the Project (**Growers**) to, amongst other things, carry on the business of growing and maintaining various trees, including *Eucalyptus nitens* and *Eucalyptus globulus* (**Trees**), on parcels of land (**Plantation Lots**) that are leased by MAAML and, in turn, licenced to the Growers for the purposes of carrying on their forestry businesses.
- Each of the Growers has appointed MAAML to manage its forestry business, and MAAML has appointed MFSPL as manager to perform some of its obligations under the relevant scheme constitution.
- In turn, MFSPL has entered into a management agreement with Midway (**Midway Management Agreement**) pursuant to which Midway is engaged to undertake various maintenance and management obligations in respect of the Plantation Lots, including (without limitation) the following:
 - controlling vermin and weeds at each Plantation Lot;
 - managing tree nutrition in respect of the Trees;
 - establishing and maintaining fire breaks and access tracks at each Plantation Lot; and
 - doing all things that are necessary for the growing of the Trees for felling or sale when they are sufficiently mature.
- In consideration for provision of the maintenance and management services under the Midway Management Agreement, Midway is paid various fees by MFSPL (including establishment fees, on-going forestry maintenance fees and productivity performance fees).
- In addition to the Midway Management Agreement, Midway has also entered into an off-take agreement with MAAML (**Midway Off-Take Agreement**) in each of the Projects pursuant to which:
 - Midway agrees to buy and the Grower agrees to sell the standing timber of the Project for a price that is calculated in a separate pricing and payment schedule entered into in respect of each Project (**Pricing and Payment Schedule**), as referred to below;
 - in the Midway Off-Take Agreement for each Project, Midway agrees to harvest the timber by 31 December in the year that is 11 years after the Relevant Year of that Project (for instance, in the Midway Off-Take Agreement in respect of the 2010 Project, Midway must harvest the timber by 31 December 2021).
- The Pricing and Payment Schedule for each Project sets the methodology by which the price at which Midway is obliged to purchase the timber is determined. In summary:
 - The parties must negotiate and seek to agree on the price to be paid by Midway for the purchase of the timber.

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- If the parties are unable to agree on the price payable, the parties may appoint an independent expert to, amongst other things, provide a recommended price for the timber at stump.
- If the parties are still unable to agree on the relevant price following receipt of the report from the independent expert, then the schedule provides for the appointment of an independent arbitrator to determine the fair market price for the timber at stump, which is the price to be paid by Midway.
- Note that, in respect of any timber (or any products derived from such timber) that Midway proposes to export, the schedule contemplates an adjustment to the price payable by Midway for such timber based on the difference (expressed as a percentage) between the weighted average price per GMT of certain woodchips produced by Midway (and which Midway has contracted to sell) in the year in which the timber is to be harvested (**Sale Period**) compared to the year immediately prior to the Sale Period.
- The Macquarie Group has a right to terminate the Midway Management Agreement and the Midway Off-Take Agreement in respect of each Project if, amongst other things:
 - Midway becomes insolvent;
 - Midway commits a material breach of the relevant agreement and, if the breach is capable of being cured, Midway fails to cure the breach within 60 days of being notified in writing of the breach; or
 - the Project, or the management agreement between MAAML and MFSPL, is terminated in accordance with their respective terms or constituent documents (as applicable) and the laws governing the Project.

The parties have not yet been able to agree on the sale price for the timber of the 2006 Project (which relates to timber that is due to be harvested no later than 2017) and, therefore, have in accordance with the Pricing and Payment Schedule referred the matter to an independent expert, just as they did as part of the price setting process for the 2005 Project, which was ultimately resolved satisfactorily. Midway will continue to endeavour to reach a commercial agreement with Macquarie Group with respect to the sale price for the timber of the 2006 Project in accordance with the Pricing and Payment Schedule.

The Projects comprise a material source of timber for Midway. If Macquarie Group or investors sought to wind up one or more of the remaining Projects then Midway's right to purchase the timber of any such Projects could be adversely affected or lost entirely. In those circumstances, and in the absence of receiving compensation and/or finding sufficient alternative supply at an acceptable price, it is possible that Midway's revenue and profitability would be materially and adversely affected.

9.6.3 Australian Bluegum Plantations Pty Ltd Alliance Agreement

SWF sources the majority of its pulpwood from ABP under an export woodchip alliance agreement dated 20 July 2010 (**Alliance Agreement**). Under the Alliance Agreement, SWF is required to purchase pulpwood from ABP for a price calculated in accordance with the agreement, process that pulpwood into woodchips and on-sell those woodchips to its customers and back to ABP (for on-selling by ABP to its customers).

ABP purchased the Portland Chip Terminal in 2012 and, in addition to the pulpwood processed through SWF, exports its own and third party owned woodchips through the Portland Chip Terminal. ABP is currently upgrading the Portland Chip Terminal.

The Alliance Agreement is due to expire on 31 December 2020, but can be extended for two further terms of five years each by mutual agreement. Should the Alliance Agreement not be extended beyond its current term, SWF may need to source a new supplier of pulpwood. If it cannot do so, there is a risk that SWF's revenue and profitability will be materially and adversely affected.

9.6.4 Banking facility

The Company has entered into a multi-option facility agreement with National Australia Bank Limited (**NAB**) dated 22 December 2009 as amended and restated from time to time (**Multi-Option Facility Agreement**). The Multi-Option Facility Agreement provides for a working capital facility, a revolving leasing facility, a transaction limit facility, a bank guarantee facility and a corporate markets loan facility.

The Multi-Option Facility Agreement contains certain undertakings, including financial undertakings to maintain certain financial ratios at the levels set out in the agreement which are tested at the end of each calendar quarter based on the previous 12-month period. A breach of these financial undertakings will constitute an "Event of Default" under the agreement, giving NAB the right to declare all debts and liabilities owing by members of Midway to NAB to be immediately payable and to cancel the facilities provided under the agreement. The Company expects to remain in compliance with these financial undertakings through to the period ending 30 June 2017.

The Multi-Option Facility Agreement also prohibits Midway from making a distribution (including a dividend) in any given financial year of an amount that is greater than 100% of net profit after tax (as calculated in accordance with the agreement) of that financial year.

All Midway facilities provided by NAB under the Multi-Option Facility Agreement will terminate on 31 December 2017 (or such later date as agreed between the parties). All QCE facilities will terminate on 30 April 2017.

Further details in relation to the Multi-Option Facility Agreement, including details regarding the security and financial covenants in respect of such facility, are set out in Section 4.7.2.2.

9.7 Consents to be named and inclusion of statement and disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Each of Bell Potter Securities Limited, Morgans Corporate Limited and Ord Minnett Limited has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus as an underwriter and a Joint Lead Manager in the form and context it is so named. Each of Bell Potter Securities Limited, Morgans Corporate Limited and Ord Minnett Limited takes no responsibility for any part of this Prospectus other than any reference to its name.
- SBA Law has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Company's Australian legal adviser (except in relation to taxation and stamp duty) in the form and context it is so named. SBA Law takes no responsibility for any part of this Prospectus other than any reference to its name.
- KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Limited, has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus as investigating accountant to the Company in the form and context it is so named and has given, and has not withdrawn, its consent to the inclusion in this Prospectus of its Limited Assurance Investigating Accountant's Report in the form and context in which it is included. KPMG Transaction Services takes no responsibility for any part of this Prospectus other than any reference to its name and the Limited Assurance Investigating Accountant's Report.
- KPMG has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to the Company in the form and context in which it is so named. KPMG takes no responsibility for any part of this Prospectus other than any reference to its name.
- Pitcher Partners Advisors Pty Ltd has consented, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus as tax advisors to the Company in the form and context in which it is so named. Pitcher Partners Advisors Pty Ltd does not make or purport to make any other statement in the Prospectus.
- Pitcher Partners has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus as the auditors of the Company in relation to the Historical Financial Information, and to the inclusion of references that are said to be based on statements made by Pitcher Partners (or the auditors) in connection with the Historical Financial Information, in the form and context in which they appear. Pitcher Partners takes no responsibility for any part of this Prospectus other than any reference to its name and the statements attributed to it.
- Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry of the Company. Computershare Investor Services Pty Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.
- RISI has given, and has not withdrawn before lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus in relation to the inclusion in this Prospectus of references to its report "Outlook for Hardwood Chip Supply and Demand in the Asian Markets, 2015-2030 (2016)" and its publication 'RISI International Pulpwood Trade Review 2016 - Special Market Analysis Study' in the form and context in which they are included. RISI takes no responsibility for any part of this Prospectus other than any reference to its name and its report.
- The Fifth Estate Pty Ltd has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus in relation to the inclusion in Section 2.3.4 of this Prospectus of the statement attributed to it, in the form and context in which such statement is included. The Fifth Estate Pty Ltd takes no responsibility for any part of this Prospectus other than any reference to its name and the statement attributed to it.

No entity or person referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and, subject to the law, expressly disclaims and takes no responsibility for any statements or omissions in this Prospectus except as stated above.

9.8 Description of the syndicate

The Joint Lead Managers of the Offer are Morgans Corporate Limited, Bell Potter Securities Limited and Ord Minnett Limited.

9.9 Litigation

Midway may be involved from time to time in disputes or other claims. These disputes may lead to legal and other proceedings, and may cause Midway to suffer additional costs. Save for the matter described in Section 5.2.16, the Directors are not aware of any current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Midway is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Midway.

9. Additional Information

9.10 Claims and insurance

The Company has a range of insurance policies in place to manage the risks of its day-to-day business and certain other activities. These policies include general liability insurance, which is held by all member companies of the Group, along with workers' compensation insurance for all states and territories in which the Group has employees. There are additional, more specific policies in place to cover other relevant business risks, including machinery breakdown, corporate travel, industrial special risks and public liability insurance.

9.11 Australian taxation considerations

The following comments provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their Shares on capital account.

This summary does not consider the consequences for non-Australian tax resident Shareholders, or Australian tax resident Shareholders who are insurance companies, banks, Shareholders that hold their Shares on revenue account or carry on a business of trading in shares or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Australian tax resident Shareholders who are subject to Division 230 of the *Income Tax Assessment Act 1997* (the Taxation of Financial Arrangements or "TOFA" regime).

This summary is based on the law in Australia in force at the Lodgement Date. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

Shareholders should obtain their own advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

9.11.1 Dividend on a Share

Dividends may be paid to Shareholders

The Company may attach "franking credits" to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

Australian tax implications

Individuals and complying superannuation entities

Where dividends on a Share are distributed, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend, together with any franking credit attached to that dividend if they are a "qualified person" (refer to further comments below). Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a "qualified person" or where the Shareholder receives less than \$5,000 in franking credits from all sources for the income year. The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income in an income year, such Shareholders should be entitled to a tax refund.

Where a dividend paid is unfranked, the Shareholder will generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

Corporate Shareholders

Corporate Shareholders are required to include both the dividend and the associated franking credit in their assessable income subject to being a "qualified person". A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate Shareholders can then pass on the benefit of the franking credits to their own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in their assessable income in determining the net income of the trust or partnership. Subject to being a "qualified person", the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

Shares held at risk

The benefit of franking credits can be denied where a Shareholder is not a “qualified person”, in which case the Shareholder will not be required to include the amount of the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule including, if necessary, the related payment rule.

The holding period rule requires a Shareholder to hold the Shares “at risk” for more than 45 days continuously, in the period beginning the day after the day on which the Shareholder acquires the Shares and ending on the 45th day after the day on which the Shares become ex-dividend. The dates on which the Shares are acquired and disposed of are ignored for the purposes of determining the 45-day period. Any day on which a Shareholder has a materially diminished risk of loss or opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares “at risk”. This holding period rule is subject to certain exceptions. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where a Shareholder or their associate passes on the benefit of the dividend to another person. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. Practically, this should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if these requirements have been satisfied.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in assessable income) in respect of a dividend received. Shareholders should consider the impact of these rules having regard to their own personal circumstances.

9.11.2 Disposal of Shares

Australian tax implications

The disposal of a Share by a Shareholder will be a capital gains tax (**CGT**) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm’s length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

A CGT discount may be applied against the capital gain (after reduction of total capital gains by capital losses) where the Shareholder is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

9.11.3 Goods and services tax (**GST**)

Australian tax implications

Shareholders should not be liable for GST in respect of their acquisition of Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on-costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect.

9.11.4 Stamp duty

Australian stamp duty implications

Shareholders should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of Shares.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.11.5 Tax file numbers (**TFNs**)

Resident Shareholders may, if they choose, notify the Company of their TFN, ABN or a relevant exemption from withholding tax with respect to dividends. In the event that the Company is not so notified, tax will automatically be deducted at the highest marginal rate, including, where relevant, the Medicare Levy and the Temporary Budget Repair Levy, from unfranked dividends and/or distributions.

Resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

9. Additional Information

9.12 Privacy

Persons who make Applications for Shares will provide personal information to the Company, SaleCo and the Share Registry, which is contracted by the Company to manage Applications. Taxation and Company law requires some personal information to be collected in connection with Applications for Shares. If an Applicant does not provide the information requested, the Applicant's Application for Shares may not be able to be processed efficiently, if at all.

The Company, SaleCo and the Share Registry collect, store and use the personal information provided by each Applicant in order to: assess the Applicant's Application for Shares; service the needs of the Applicant as an investor in the Company; provide facilities and services requested by the Applicant as an investor in the Company; and carry out relevant administration.

The Company, SaleCo and the Share Registry may disclose an Applicant's personal information to their agents and service providers, for purposes related to the Applicant's investment in the Company. The Company and the Share Registry may also disclose an Applicant's personal information as otherwise authorised under applicable privacy legislation. An Applicant has a right to gain access to his or her personal information that Midway and the Share Registry may hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to Midway's registered office or the Share Registry's office, details of which are included in the Corporate Directory on the final page of this Prospectus. Applicants can obtain a copy of Midway's privacy policy by visiting the Company's offer website (www.midwaylimitedoffer.com.au). By submitting an Application, you agree that Midway and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer.

9.13 Contract summaries

All summaries of contracts set out in this prospectus (including the summary of the Underwriting Agreement set out in Section 9.5, the summaries of other material contracts set out in Section 9.6 and the summary of the agreements between the Existing Shareholders and SaleCo set out in Section 9.4) are included for the information of potential investors only and do not purport to be complete and are qualified by the text of the contracts themselves.

9.14 Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents, or that the assets shown in them are owned by Midway. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables included in this Prospectus is based on information available to the Company at the Prospectus Date.

9.15 Costs of the Offer

The costs of the Offer are expected to be approximately \$4.7 million (excluding GST). These costs will be borne by Midway. For further information in relation to the costs of the Offer, refer to Section 6.3.1.

9.16 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in Victoria, and each Applicant and bidder submits to the exclusive jurisdiction of the courts of Victoria.

9.17 Statement of Directors and SaleCo Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus with ASIC and the issue of this Prospectus and has not withdrawn that consent.



APPENDIX A: GLOSSARY



Appendix A: Glossary

AEST	means Australian Eastern Standard Time.
AIFRS	means the Australian equivalents to International Financial Reporting Standards.
APP	means Asia Pulp Paper.
Applicant	means a person or entity who submits an Application Form.
Application Form	means the form attached to, or accompanying, this Prospectus.
Application Monies	means the money received by the Company from Applicants for Shares under the Offer, being the Offer Price multiplied by the number of Shares for which Applications are made.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited (ACN 008 624 691).
ATO	means the Australian Taxation Office.
Bell Potter	means Bell Potter Securities Limited (ABN 25 006 390 772).
BHKP	means Bleached Hardwood Kraft Pulp.
Board	means the Board of Directors of Midway and SaleCo.
CHESS	means the Clearing House Electronic Subregister System, operated by ASX Settlement Pty Ltd.
CIF	means or “cost, insurance and freight” has the meaning given to that term in Incoterms 2015.
Closing Date	means the date on which the Offer closes, being 5.00pm AEST on 5 December 2016.
Company	means Midway Limited (ABN 44 005 616 044) and, where appropriate, its controlled entities.
Completion or Completion of the Offer	means completion in respect of the transfer of Shares of the Offer in accordance with the Underwriting Agreement.
Corporations Act	means the Corporations Act 2001 (Cth).
Director	means a Director of the Company and SaleCo.
Directors	means the Board of Directors of the Company and SaleCo.
EBIT	means earnings before interest and tax.
EBITDA	means earnings before interest, tax, depreciation and amortisation.
Electronic Prospectus	means the electronic version of this Prospectus.
Escrow Period	means the Shares held by Escrowed Shareholders that are subject to escrow restrictions as set out in Section 7.7.
Escrowed Shareholders	means the persons specified in the table in Section 7.7 and their controlled entities.
Existing Shareholders	means the holders of Shares as at the date of the Prospectus.
Existing Shares	means all of the issued Shares held as at the date of the Prospectus.
Exposure Period	means the period of seven days after lodgement of this Prospectus which may be extended by ASIC by not more than seven days pursuant to Section 727(3) of the Corporations Act.
FOB	means or “free on Board” has the meaning given to that term in Incoterms 2015.
FY2014	means financial year ended 30 June 2014.
FY2015	means financial year ended 30 June 2015.
FY2016	means financial year ending 30 June 2016.
FY2017	means financial year ending 30 June 2017.
GMORR	means GMO Renewable Resources, LLC.
Green Triangle	means a regional estate located in the South East of South Australia and South Western Victoria.
HIN	means Holder Identification Number.
Institutional Investors	<p>means an investor:</p> <ul style="list-style-type: none"> • in Australia who is either a “professional investor” or “sophisticated investor” under Sections 708(11) and 708(8) of the Corporations Act; or • in certain other jurisdictions, as agreed between Midway and the Joint Lead Managers, to whom offers or invitations in respect of securities can be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company is willing, in their absolute discretion, to comply), in either case, provided that such person is not in the United States.

Institutional Offer	means the invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 6.5.
Issuer Sponsored	means shares issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a Broker or without the holder being admitted as an institutional participant in CHESS.
IPO Bonus Rights	means the performance rights to be issued by Midway under the LTIP as referred to in Section 6.3.4.2.
Joint Lead Managers	means Bell Potter, Morgans and Ord Minnett.
Listing	means the date on which the Company is admitted to the Official List.
Listing Rules	means the ASX Listing Rules.
LTI Plan	means the long-term incentive plan summarised in Section 6.3.4.1 of this Prospectus.
Management	means the executive management of the Company.
Midway or Company	Midway Limited (ABN 44 005 616 044).
Midway Group or Group	means a reference to Midway and any or all of the Subsidiaries.
Morgans	means Morgans Corporate Limited (ABN 32 010 539 607).
Non Selling Shareholders	means Existing Shareholders who do not transfer any Shares to SaleCo on or around Completion.
NPAT	means net profit after tax.
Offer	means the offer pursuant to this Prospectus as set out under the heading “Key Offer Information” on page 4 of this Prospectus.
Offer Period	means the period commencing on the Opening Date and ending on the Closing Date.
Offer Price	means \$2.50 per Share.
Official List	means the official list of the ASX.
Opening Date	means 28 November 2016, which is the date on which the Offer opens.
Ord Minnett	means Ord Minnett Limited (ABN 86 002 733 048).
Prospectus	means this Prospectus, lodged with ASIC on 18 November 2016.
Prospectus Date	means the date on which the Prospectus was lodged with ASIC.
QCE	means Queensland Commodity Exports Pty Ltd (ACN 010 906 331)
SaleCo	means Midway SaleCo Limited (ACN 611 573 043)
SaleCo Director	means a Director of SaleCo.
Sale Shares	means Existing Shares offered for sale by SaleCo pursuant to this Prospectus.
Security Holding Statement	means the statement setting out the number of Shares allotted to an investor pursuant to this Prospectus.
Selling Shareholders	means Existing Shareholders which transfer Shares to SaleCo on or around Completion.
Share	means one fully paid ordinary share in the Company.
Shareholders	means holders of Shares in Midway.
Share Registry	means Computershare Investor Services Pty Limited (ACN 078 279 277).
Strategy	means Strategy Timber Pty Ltd (ABN 94 610 305 121).
Stumpage	means the amount paid directly to forest owners for the purchase of their wood. Usually paid at a rate of \$/GMT using weighbridge data.
SWF	means South West Fibre Pty Ltd (ACN 127 951 991)
TIMO	means Timber Investment Management Organisation.
Underwriting Agreement	means the underwriting agreement between the Company and the Joint Lead Managers dated 17 November 2016.
U.S. or United States	means United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.
U.S. Person	means has the meaning given in Rule 902(k) of Regulation S under the U.S. Securities Act.
U.S. Securities Act	means U.S. Securities Act of 1933, as amended.



APPENDIX B: GLOSSARY OF INDUSTRY SPECIFIC TERMS



Appendix B: Glossary of Industry Specific Terms

Term	Definition
AFS CoC (AS 4707:2014)	Australian Standard-Chain of custody for forest products. Australian Standard AS 4707 sets requirements for the chain of custody of forest products marketed with claims about certification under the Australian Forestry Standard (AFS).
PEFC	Program for the Endorsement of Forest Certification. The Program for the Endorsement of Forest Certification (PEFC) is an international non-profit, non-governmental organisation dedicated to promoting Sustainable Forest Management (SFM) through independent third-party certification. PEFC is an umbrella organisation. It works by endorsing national forest certification systems.
FSC	The Forest Stewardship Council® (FSC) is an independent, not for profit, non-government organisation established to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests. FSC's vision is that the world's forests meet the social, ecological, and economic rights and needs of the present generation without compromising those of future generations.
FSC CoC FSC-STD-40-004	FSC Standard for Chain of Custody certification. This standard specifies the required elements that shall be complied with for FSC Chain of Custody certification. FSC Chain of Custody is an information trail about the path taken by products from the forest or, in the case of recycled materials, from the reclamation site to the consumer including each stage of processing, transformation, manufacturing, and distribution where progress to the next stage of the supply chain involves a change of ownership.
FSC CW FSC-STD-40-005	Requirements for Sourcing FSC® Controlled Wood. This standard outlines the requirements for a due diligence system for FSC Chain of Custody certified organisations to avoid material from unacceptable sources. The five FSC controlled wood categories of unacceptable sources (referred to as controlled wood categories) are: (1) Illegally harvested wood; (2) Wood harvested in violation of traditional and human rights; (3) Wood from forests in which high conservation values are threatened by management activities; (4) Wood from forests being converted to plantations and non-forest use; and (5) Wood from forests in which genetically modified trees are planted.
FSC CW FM FSC-STD-30-010	FSC Controlled Wood Standard for Forest Management Enterprises. The intent of this standard is to allow forest management enterprises to supply FSC Controlled Wood* to FSC CoC certified operations. *Refer to FSC CW FSC-STD-40-005 for controlled wood definition.
PHW	Plantation hardwood. Includes species: <i>Corymbia maculata</i> ; <i>Eucalyptus cloeziana</i> ; <i>Eucalyptus dunnii</i> ; <i>Eucalyptus globulus</i> ; <i>Eucalyptus grandis</i> ; <i>Eucalyptus nitens</i> ; <i>Eucalyptus pilularis</i> ; other <i>Eucalyptus</i> spp.
PSW	Plantation softwood. Includes species: <i>Araucaria cunninghamii</i> ; <i>Pinus caribaea</i> ; <i>Pinus elliottii</i> ; <i>Pinus radiata</i> .
NHW	Native hardwood. Hardwood-regrowth <i>Eucalyptus</i> species sourced from native forest harvest operations.



APPENDIX C: INDUSTRY UNITS OF MEASURE



Appendix C: Industry Units of Measure

The forest industry in general and the woodchip industry specifically use a number of interrelated units of measure. In summary, the key measures and their abbreviations are:

Abbreviation	Meaning	Calculation	Definition and use
m ³	Cubic metres	Cross-sectional area multiplied by length	The volume of logs to be converted into woodchips.
GMT	Green Metric Tonnes	Net green weight across a weighbridge	Used for the measurement of log and chip quantities. Often converted from cubic metres by a factor between 0.9 and 1.1 depending on species and season
BDMT	Bone Dry Metric Tonnes	Green tonnes less all moisture (GMT multiplied by (1-% moisture))	The standard quantity unit of measure for the hardwood woodchip trade. Prices are usually quoted in \$/BDMT
BDU	Bone Dry Unit	BDMT multiplied by 1.08863	The standard quantity unit of measure for the softwood woodchip trade. Prices are usually quoted in \$/BDU

Conversion factors

Woodchips are measured in a variety of units. These include bone dry units (BDU), bone dry metric tonnes (BDMT), green metric tonnes (GMT), bone dry short tonnes (BDST), green short tonnes (GST) and cubic metres (m³). The primary international pricing unit used by exporters and importers has traditionally been U.S. dollars per BDU (for the softwood trade) and U.S. dollars per BDMT (for the hardwood trade). Australian hardwood suppliers of woodchips to Japan, however, have historically quoted prices in Australian dollars per BDMT, and we have reported these prices accordingly.

Conversions from green measure to dry measure

Conversion between green weight and dry weight measures depends on the moisture content of the woodchips. To convert from GMT to BDMT, the weight in GMT is multiplied by 1.0 minus the % moisture content. For example, at 50% moisture content: 2.0 GMT multiplied by (1.0 - 0.50) = 1.0 BDMT. Increasingly, participants in the international woodchip trade refer to “dry fibre content”, which is simply the inverse of moisture content. So, for example, if E. globulus chips are described as having a dry fibre content of 53.5%, then the conversion from GMT to BDMT would be 2.0 GMT multiplied by 0.535 = 1.07 BDMT.

It is difficult to give “rules of thumb” for conversions between green and dry measures of woodchips, because of the wide range of moisture contents which can be encountered. Historical softwood conversion factors for the various species/fiber ages range from a low of 1.7 GMT per BDMT for mature log slash pine slabs to 2.0-2.1 for Caribbean pine, 2.1-2.2 for slabwood Douglas-fir from the United States Pacific Northwest and Canadian spruce-pine-fir, 2.2-2.4 for Australian/New Zealand sawmill residue chips, and 2.9 for immature radiata pine thinnings.

Source: RISI International Pulpwood Trade Review 2016 – Special Market Analysis Study



APPENDIX D: SIGNIFICANT ACCOUNTING POLICIES



Appendix D: Significant Accounting Policies

The significant accounting policies adopted in the preparation of the Financial Information in Section 4 are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The Statutory Historical Financial Information has been derived from the re-issued general purpose statutory consolidated financial statements of Midway for FY2014 and FY2015 and general purpose statutory consolidated financial statements of Midway for FY2016. These consolidated financial statements are general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards and the Corporations Act. The re-issued consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for revaluations to fair value for certain classes of assets as described in the accounting policies below.

Basis of consolidation

The consolidated financial statements are those of the consolidated entity ("the economic entity"), comprising the financial statements of the parent entity and all of the entities the parent controls. The economic entity controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses, have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the economic entity and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the economic entity are presented as non-controlling interests. Non-controlling interests in the result of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and consolidated balance sheet.

Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

The parent entity Midway Limited and its subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 1 July 2002. The parent entity and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and deferred tax assets, arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

Net finance expense

Finance income, in the form of interest income, is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

Appendix D: Significant Accounting Policies

Finance costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, including trade creditors and lease finance charges. Finance costs are expensed as incurred.

Finance income and costs have been presented on a net basis within this document.

Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 15 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of profit or loss.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Revenue and other income

Sales revenue is recognised on transfer of the significant risks and rewards to the customer. Export woodchip sales are generally on CIF/FOB shipping terms, with revenue recognised when goods are loaded on Board. All other sales are generally recognised as revenue at the time of delivery of the goods to the customer.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Rental revenue is recognised on a straight-line basis over the rental term.

All revenue is stated net of the amount of goods and services tax (**GST**).

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct material, direct labour and a proportion of manufacturing overheads based on normal operating capacity.

Biological assets

Biological assets comprise standing timber growing on freehold and leasehold land. Biological assets are revalued each year to fair value.

The fair value net increase or decrease to the carrying value of the standing timber revaluation is recognised in profit or loss and other comprehensive income. To the extent they remain unrealised, the after-tax net increase or decrease is transferred to a plantation revaluation reserve in shareholders equity.

Nursery trees comprise new plantings. Nursery trees are initially recorded at cost which approximates fair value. Once developed these are transferred and classified within Biological assets which are revalued each year to fair value.

In revaluing the biological asset component of the forest plantations, a deferred tax asset or liability has been recognised.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Freehold and plantation land

Freehold land and buildings are measured at fair value. At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date.

Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. To the extent that the increase reverses a decrease of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same asset are recognised in other comprehensive income under the heading of revaluation surplus; all other decreases are charged to the statement of comprehensive income.

Plant and equipment

Plant and equipment is measured on a cost basis.

Buildings

Buildings are measured on a cost basis.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

Class of fixed asset	Depreciation rates	Depreciation basis
Buildings at cost	2.5 – 20%	Straight line
Plant and equipment at cost	3 – 100%	Straight line

Roading amortisation is amortised over the expected relevant harvest period. The amortisation method on roading assets has changed from the previous 25 year useful life assumption. Amortisation is now based the expected timing of harvesting determined by the Strategy agreement. Intent is for all road costs to be fully amortised by the time the final tree crop is harvested.

Intangibles

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Foreign currency translations and balances

Functional and presentation currency

The financial statements of each entity within the consolidated entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the consolidated entity's functional and presentation currency.

Appendix D: Significant Accounting Policies

Transactions and balances

Transactions in foreign currencies of entities within the consolidated economic entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year.

Employee benefits

Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the consolidated balance sheet.

Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated balance sheet.

Interests in joint arrangements

Joint ventures

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about the relevant activities are required. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement.

The economic entity's interest in joint ventures are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the joint venture are recognised in the economic entity's profit or loss and the economic entity's share of the joint venture's other comprehensive income is recognised in the economic entity's other comprehensive income.

Financial instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including intercompany balances and loans from or other amounts due to Director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

Derivative financial instruments

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of OCI in shareholders' equity and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in the statement of profit and loss. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions.

Hedge accounting

Certain derivatives are designated as hedging instruments and are further classified as either fair value hedges or cash flow hedges.

At the inception of each hedging transaction, the economic entity documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The economic entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair value or cash flows of hedged items.

Cash flow hedge

To qualify as a cash flow hedge the underlying transactions generating the cash flows must be highly probable.

Changes in the fair value of derivative that are designated and qualified as cash flow hedges are recognised in equity in the cash flow hedging reserve (net of tax). This gain or loss is released to profit or loss in the same period when the forecast transactions occur, thereby offsetting any exchange fluctuations that would have been recognised in the absence of the hedge.

Segment Information

Segments are defined by the geographical networks in which the Company operates being Queensland ('QLD') and Victoria ("VIC"). The Company manages its business primarily on a geographic basis. Accordingly, the Company determined its reportable operating segments, which are generally based on the location of its operations, to be Midway, QCE & South West Fibre (51%). Each operating segment provides similar products.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Significant accounting estimates and judgements

The preparation of the consolidated financial report in conformity with AAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. There are no changes in critical accounting estimates and judgements in the current period as compared to the previous reporting period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Appendix D: Significant Accounting Policies

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include:

Inventories

Wood fibre is purchased in Green Metric Tonnes (GMT's), (fibre inclusive of moisture) and is sold in Bone Dry Metric Tonnes (BDMT's), (fibre exclusive of moisture). Inventories are valued at the lower of cost and net realisable value. Cost is determined on the average cost basis. Moisture content and Production losses are applied to the GMT in the perpetual records. Factors vary depending on the timber species type and seasonal factors.

Product	Moisture Content Loss Range	Production Loss Range
Plantation Hardwood	3.0%-5.4%	2.0%-2.4%
Native Hardwood	1.5%	2.0%
Softwood	3.6%-7.8%	11.9%

Volumetric chip stack surveys are used to support perpetual records. Conversion from M3 to GMT range from 2.2 to 2.4 – the range depends upon factors such as timber species, climatic conditions and production methods.

Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Forest plantation land valuation

The consolidated entity's plantation land is stated at revalued amounts, being the assets fair value and best use at the date of revaluation. This is adjusted by the Directors using a DCF methodology to an encumbered value to take into account clear fall period, reversionary costs and rental income for current use.

Assumption	Variable
Discount rate	9%
Discount rate	3%-6%
Discount rate	\$260 per hectare
Discount rate	\$0-\$1,688 per hectare

Road assets on plantation land owned by the Company

Roads on plantation land owned by the Company are amortised based the expected timing of harvesting determined by the Strategy agreement. Intent is for all road costs to be fully amortised by the time the final tree crop is harvested.

Investment in joint venture

South West Fibre Pty Ltd (SWFPL) is a joint venture in which the Company has a 51% ownership. Voting rights are proportionately in line with share ownership. The Company has significant influence but not ultimate control over the venture as the shareholder agreement requires a special resolution when making key decisions.

New accounting standards and interpretations not yet adopted

The following accounting standards, amendments to accounting standards and interpretations have been identified as those which may impact Midway in the period of initial adoption:

AASB 15 Revenue from Contracts with Customers becomes mandatory for Midway's 30 June 2019 financial statements and could change the timing and measurement of revenue. Midway is not currently intending to adopt this standard early and the extent of the impact has not been determined other than as disclosed in Section 4.13.

AASB 16 Leases was issued in February 2016 and is mandatory for Midway's 30 June 2020 financial statements. The standard is likely to result in further leases being recognised on the balance sheet. The extent of the impact has not been determined.

AASB 9 (2014) Financial Instruments becomes mandatory for Midway's 2018 financial statements and could change the classification of financial assets and the requirements for impairment of financial assets. Midway is not currently intending to adopt this standard early and the extent of the impact has not been determined.

There are also other amendments and revisions to accounting standards and interpretations that have not been early adopted. These changes are not expected to result in any material changes to Midway's financial performance or financial position.

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