



Appendix 4D

and

Half Year Report

For the half year ended 31 December 2016

Midway Limited

ABN 44 005 616 044

This half year financial report is provided to the Australian Securities Exchange (**ASX**) under ASX Listing Rule 4.2A.3.



Midway Limited

ABN 44 005 616 044

Appendix 4D

Half year report

for the half year ended 31 December 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Half year ended: 31 December 2016

Previous corresponding period: Half year ended 31 December 2015

Result Summary

		%		\$
Consolidated revenue from operations	down	19.3	to	87,977,525
Net profit after tax from ordinary activities attributable to shareholders	down	42.1	to	8,664,948
Net profit after tax attributable to shareholders	down	56.4	to	6,525,063

Midway achieved a net profit after tax (NPAT) of \$6,525,063 and Pro Forma NPAT (being NPAT from ordinary activities excluding the Initial Public Offering transaction costs) of \$8,664,948 attributable to shareholders.

The performance for the period was lower than the previous corresponding period mainly as a result of no revenue from log sales and higher stumpage costs following the sale of the tree crop. The results were also adversely impacted by a higher foreign exchange rate against the USD and a lower volume of plantation hardwood woodchip sales from Geelong.

Midway is on track to achieve the full year prospectus forecast of \$28.1m pro forma earnings before interest, tax, depreciation and amortisation (EBITDA) and \$16.5m Pro Forma NPAT. For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the half year ended 31 December 2016 and the accompanying Directors' Report.

Dividends / distributions

	Amount per security	Franked amount per security at 30%
2016 interim dividend (declared and paid)	20.12 cents	Fully franked
2016 final dividend (declared and paid)	6.0 cents	Fully franked
2017 interim dividend (declared after balance date but not yet paid)	9.0 cents	Fully franked

Record date for determining entitlements to the dividend: **17 March 2017**

Date dividend **payable**: **21 April 2017**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	121.9 cents	180.3 cents

Other information required by Listing Rule 4.2A

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the accompanying Half Year Financial Report for the half year ended 31 December 2016.

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DIRECTORS' REPORT

The Directors of Midway Limited (the **Company**) present their half year report together with the condensed consolidated financial statements for the period ended 31 December 2016.

The names and details of the Company's Directors in office during the period and until the date of this report are as follows:

Greg McCormack	Non-Executive Chairman
Anthony Price	Managing Director and CEO
Anthony Bennett	Non-Executive Director
Gordon Davis	Non-Executive Director
Nils Gunnersen	Non-Executive Director
Thorold Gunnersen AM	Non-Executive Director (resigned as a Director 08/11/2016) (appointed as a Director 10/02/2017)
Tom Keene	Non-Executive Director

All of the Directors have been in office for the entire period unless otherwise stated.

REVIEW OF OPERATIONS

Midway is on track to achieve the full year prospectus forecast of \$28,088,998 pro forma earnings before interest, tax, depreciation and amortisation (EBITDA) and \$16,471,204 Pro Forma NPAT.

Midway achieved a net profit after tax (NPAT) of \$6,535,917 and \$8,675,802 NPAT from ordinary activities (Pro Forma NPAT) which was down on the previous corresponding period. Pro Forma NPAT excludes \$2,139,885 of costs attributable to the Initial Public Offering of securities on the ASX which occurred on the 8th December 2016.

The performance for the period was lower than the previous corresponding period mainly as a result of no revenue from log sales and higher stumpage costs following the sale of the tree crop. The results were also adversely impacted by a higher foreign exchange rate against the USD and a lower volume of plantation hardwood woodchip sales from Geelong.

The prospectus forecast recognised that the FY17 first half period would not be as strong as the previous corresponding period, due to the reasons described above.

Net cash was lower than from 30 June 2016 by \$6,552,016, reflecting the payment of the 2016 final dividend of \$4,489,196 and higher than anticipated inventory levels as a result of the timing of vessels.

Geelong

The Geelong operation performed strongly in the first half, in spite of the impact of reduced log supply in the first half due to wet weather.

The delayed timing of shipments also impacted profitability for the half year period as revenue was not recorded in the first half having a gross margin impact of \$2,324,823. The timing of these shipments is not expected to impact full year results.

Queensland Commodity Exports Pty Ltd (QCE)

QCE Brisbane's hardwood shipments have commenced and volumes are expected to grow steadily over time.

South West Fibre Pty Ltd (SWF)

SWF continues to perform steadily and in line with management expectations.

Dividend

The Board has declared an interim fully-franked dividend of 9.0 cents per share. This is in line with the prospectus dividend forecast of between 70% and 90% of Pro Forma NPAT, franked to the maximum extent available.

Outlook

Midway is on course to achieve its FY2017 prospectus forecasts of pro forma EBITDA of \$28.1m and Pro Forma NPAT of \$16.5m.

Midway is well positioned to benefit from Asia's rising demand for woodchips, supported by solid export contracts, a broad customer base, and secure long-term timber supply arrangements.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the period ended 31 December 2016.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE PERIOD

The Directors are not aware of any other matter or circumstance which has arisen since 31 December 2016 that has significantly affected or may significantly affect the operations of the Company in subsequent financial years, the results of those operations, or the state of affairs of the Company in future financial years.

Signed in accordance with a resolution of the Directors:



G H McCormack
Chairman
23 February 2017



A R Price
Managing Director
23 February 2017



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Midway Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Paul J McDonald', written in a cursive style.

Paul J McDonald

Partner

Melbourne

23 February 2017

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 31 DECEMBER:**

	2016	2015
	\$	\$
Revenue and other income		
Sales revenue	87,977,525	108,965,181
Other income	<u>1,849,474</u>	<u>1,928,994</u>
	<u>89,826,999</u>	<u>110,894,175</u>
Less: expenses		
Changes in inventories of finished goods and work in progress	6,873,409	257,659
Materials, consumables and other procurement expenses	(62,150,736)	(63,230,303)
Depreciation and amortisation expense	(1,660,936)	(1,736,000)
Employee benefits expense	(4,040,467)	(4,050,983)
Finance expense	(725,256)	(969,944)
Biological assets net fair value increment	-	2,770,000
Plantation management expenses	(323,689)	(260,526)
Freight and shipping expense	(12,806,846)	(20,781,559)
Repairs and maintenance expense	(2,007,338)	(1,841,739)
Other expenses	<u>(6,102,990)</u>	<u>(3,575,047)</u>
	<u>(82,944,849)</u>	<u>(93,418,442)</u>
 Share of net profits from equity accounted investments	 <u>1,568,460</u>	 <u>2,781,833</u>
Profit before income tax expense	8,450,610	20,257,566
Income tax expense	<u>(1,914,693)</u>	<u>(5,242,720)</u>
Profit for the period	<u>6,535,917</u>	<u>15,014,846</u>

The condensed notes on pages 13 to 21 are an integral part of these condensed consolidated half year financial statements.

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 31 DECEMBER:**

	Note	2016 \$	2015 \$
Profit for the period		6,535,917	15,014,846
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss</i>			
Revaluation of land fair value adjustment, net of tax		1,393,910	682,654
<i>Items that may be reclassified subsequently to profit and loss</i>			
Cash flow hedges - effective portion of changes in fair value, net of tax		<u>(834,829)</u>	-
Other comprehensive income for the period		<u>559,081</u>	<u>682,654</u>
Total comprehensive income for the period		<u>7,094,998</u>	<u>15,697,500</u>
Profit is attributable to:			
- Owners of Midway Limited		6,525,063	14,954,881
- Non-controlling interests		<u>10,854</u>	<u>59,965</u>
		<u>6,535,917</u>	<u>15,014,846</u>
Total comprehensive income is attributable to:			
- Owners of Midway Limited		7,084,144	15,637,535
- Non-controlling interests		<u>10,854</u>	<u>59,965</u>
		<u>7,094,998</u>	<u>15,697,500</u>
Earnings per share for profit attributable to equity holders:			
Basic earnings per share		\$0.09	\$0.20
Diluted earnings per share		\$0.09	\$0.20

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MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT:

	Note	31 Dec 2016	30 June 2016
		\$	\$
Current assets			
Cash and cash equivalents		4,743,107	11,180,360
Receivables		3,501,575	9,914,815
Inventories		18,583,950	11,710,541
Derivative financial assets	11	-	366,307
Biological assets		1,957,086	2,145,781
Other assets		4,417,165	3,698,003
Current tax receivable		<u>327,063</u>	-
Total current assets		<u>33,529,946</u>	<u>39,015,807</u>
Non-current assets			
Biological assets		1,763,441	808,785
Investments accounted for using the equity method		13,546,778	12,998,318
Intangible assets		1,970,930	1,970,930
Property, plant and equipment		102,683,347	101,517,227
Other non-current assets		<u>511,513</u>	-
Total non-current assets		<u>120,476,009</u>	<u>117,295,260</u>
Total assets		<u>154,005,955</u>	<u>156,311,067</u>
Current liabilities			
Trade and other payables		12,693,034	17,953,669
Borrowings	9	662,824	464,552
Provisions		1,601,505	1,489,685
Derivative financial liabilities	11	826,435	-
Current tax liabilities		-	964,636
Total current liabilities		<u>15,783,798</u>	<u>20,872,542</u>
Non-current liabilities			
Borrowings	9	30,548,452	30,436,234
Provisions		71,375	87,676
Deferred tax liabilities		<u>14,451,039</u>	<u>14,369,126</u>
Total non-current liabilities		<u>45,070,866</u>	<u>44,893,036</u>
Total liabilities		<u>60,854,664</u>	<u>65,765,578</u>
Net assets		<u>93,151,291</u>	<u>90,545,489</u>
Equity			
Share capital		28,833,038	28,833,038
Reserves		61,211,468	58,616,520
Retained earnings		<u>1,614,002</u>	<u>1,614,002</u>
Equity attributable to owners of Midway Limited		91,658,508	89,063,560
Equity attributable to non-controlling interests		<u>1,492,783</u>	<u>1,481,929</u>
Total equity		<u>93,151,291</u>	<u>90,545,489</u>

The condensed notes on pages 13 to 21 are an integral part of these condensed consolidated half year financial statements.

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2016

	Share capital	Reserves	Retained earnings	Non controlling interests	Total equity
	\$	\$	\$	\$	\$
Balance as at 1 July 2016	28,833,038	58,616,520	1,614,002	1,481,929	90,545,489
Profit for the period	-	-	6,525,063	10,854	6,535,917
Revaluation of land, net of tax	-	1,393,910	-	-	1,393,910
Cash flow hedges - effective portion of changes in fair value, net of tax	-	(834,829)	-	-	(834,829)
Total comprehensive income for the period	-	<u>559,081</u>	<u>6,525,063</u>	<u>10,854</u>	<u>7,094,998</u>
Other Transactions:					
Reclassification to retained earnings on sale of biological assets	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-
Transfers to profits reserve	-	6,525,063	(6,525,063)	-	-
Transfer to retained earnings for dividend	-	-	-	-	-
Transactions with owners in their capacity as owners:					
Dividends	-	(4,489,196)	-	-	(4,489,196)
Total transactions	-	<u>2,035,867</u>	<u>(6,525,063)</u>	-	<u>(4,489,196)</u>
Balance as at 31 December 2016	<u>28,833,038</u>	<u>61,211,468</u>	<u>1,614,002</u>	<u>1,492,783</u>	<u>93,151,291</u>

The condensed notes on pages 13 to 21 are an integral part of these condensed consolidated half year financial statements.

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2015

	Share capital	Reserves	Retained earnings	Non controlling interests	Total equity
	\$	\$	\$	\$	\$
Balance as at 1 July 2015	28,833,038	48,822,523	62,131,898	1,286,080	141,073,539
Profit for the period	-	-	14,954,881	59,965	15,014,846
Revaluation of land, net of tax	-	<u>682,654</u>	-	-	<u>682,654</u>
Total comprehensive income for the period	-	<u>682,654</u>	<u>14,954,881</u>	<u>59,965</u>	<u>15,697,500</u>
Other Transactions:					
Decrement of plantations, net of tax	-	(126,000)	126,000	-	-
Transfer to retained earnings	-	-	-	-	-
Transfers of current year profits	-	14,954,881	(14,954,881)	-	-
Transactions with owners in their capacity as owners:					
Dividends	-	<u>(19,864,692)</u>	-	<u>(39,524)</u>	<u>(19,904,216)</u>
	-				
Total transactions		<u>(5,035,811)</u>	<u>(14,828,881)</u>	<u>(39,524)</u>	<u>(19,904,216)</u>
Balance as at 31 December 2015	<u>28,833,038</u>	<u>44,469,366</u>	<u>62,257,898</u>	<u>1,306,521</u>	<u>136,866,823</u>

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MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER:

	2016	2015
	\$	\$
Cash flow from operating activities		
Receipts from customers	96,763,306	120,927,952
Payments to suppliers and employees	(95,525,838)	(94,810,454)
Interest received	186,808	344,400
Interest paid	(565,283)	(1,004,063)
Income tax paid	<u>(3,363,955)</u>	<u>(5,237,610)</u>
Net cash provided by operating activities	<u>(2,504,962)</u>	<u>20,220,225</u>
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	148,412	276,910
Payment for property, plant and equipment	(364,190)	(2,627,392)
Repayment of loan from associates	-	1,020,000
Dividends received from associates	<u>1,020,000</u>	-
Net cash provided by investing activities	<u>804,222</u>	<u>(1,330,482)</u>
Cash flow from financing activities		
Net finance lease payments	(362,080)	(92,310)
Dividends paid	<u>(4,489,196)</u>	<u>(19,904,216)</u>
Net cash used in financing activities	<u>(4,851,276)</u>	<u>(19,996,526)</u>
Reconciliation of cash		
Cash at beginning of the financial period	11,180,360	29,181,595
Net increase/(decrease) in cash held	<u>(6,552,016)</u>	<u>(1,106,783)</u>
Cash at end of financial period (net of overdrafts)	<u>4,628,344</u>	<u>28,074,812</u>

Reconciliation of cash and cash equivalents	2016	2015
	\$	\$
<i>Cash at the end of financial period reconciled to the statement of financial position</i>		
Cash and cash equivalents	4,743,017	28,074,812
Overdraft (disclosed in "borrowings")	(114,763)	-
Cash at end of financial period	<u>4,628,344</u>	<u>28,074,812</u>

The condensed notes on pages 13 to 21 are an integral part of these condensed consolidated half year financial statements.

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

**NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL
STATEMENTS**

NOTE 1: REPORTING ENTITY

Midway Limited (the "Company") is a company domiciled in Australia. These condensed consolidated half year financial statements ("half year financial statements") as at and for the period ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Company"). The Company is primarily involved in the production and export of wood fibre to producers of pulp, paper and associated products.

The consolidated annual financial statements of the Company as at and for the year ended 30 June 2016 are available at <http://www.midwaylimited.com.au/>.

NOTE 2: BASIS OF PREPARATION

These half year financial statements are prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2016.

These half year financial statements were authorised for issue by the Company's Board of Directors on 23 February 2017.

NOTE 3: USE OF JUDGEMENTS AND ESTIMATES

In preparing these half year financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2016.

NOTE 4: SEGMENT REPORTING

The Company reports segment information based on the internal reporting used by management for making decisions and assessing performance. The operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Chief Executive Officer.

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 and SWF (51%). Each operating segment provides similar products.

The Company evaluates the performance of its operating segments based on net sales. Earnings before interest, tax, depreciation and amortisation (EBITDA) for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. EBITDA for each segment excludes other income and expense and certain expenses managed outside the operating segments. The Company does not include intercompany transfers between segments for management reporting purposes.

Segment assets include cash, receivables, biological assets, derivatives, inventories and property, plant and equipment.

Midway sells hardwood chips to export markets and provides plantation management services to third party tree owners. QCE sells hardwood and softwood chips to export markets and SWF sells hardwood chips to export markets.

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

NOTE 4: SEGMENT REPORTING (CONTINUED)

Key adjustment items relate to the gross up of revenue and operating & other expenses to reflect CIF sales. Management accounts are prepared on a segment basis with 51% share of the SWF Joint Venture included. For statutory accounts SWF is equity accounted with revenue & expenses of SWF eliminated.

Midway, QCE and SWF sell to Chinese and Japanese customers.

Midway has 6 key Chinese customers and 1 key Japanese customer, QCE has 1 key Japanese customer and 1 key Chinese customer and SWF has 1 key Japanese customer and 3 key Chinese customers.

The following table shows information by segment for the period ended 31 December 2016:

	100% Midway	100% QCE	51% SWF	Subtotal	Adjustments and eliminations	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Sales revenue	67,538,055	11,663,998	40,810,839	120,012,892	(32,035,367)	87,977,525
Other income	1,344,650	-	593,915	1,938,565	(89,091)	1,849,474
Total income	68,882,705	11,663,998	41,404,754	121,951,457	(32,124,458)	89,826,999
Operating and other expenses	(56,973,098)	(11,361,177)	(38,465,988)	(106,800,263)	29,298,585	(77,501,678)
Share of profit/(loss) of equity accounted investments	1,568,460	-	-	1,568,460	-	1,568,460
EBITDA before significant items	13,478,067	302,821	2,938,766	16,719,654	(2,825,873)	13,893,781
Significant items: IPO Costs	(3,056,979)	-	-	(3,056,979)	-	(3,056,979)
EBITDA	10,421,088	302,821	2,938,766	13,662,675	(2,825,873)	10,836,802
Depreciation and amortisation	(1,516,292)	(144,645)	(716,472)	(2,377,409)	716,473	(1,660,936)
EBIT	8,904,796	158,176	2,222,294	11,285,266	(2,109,400)	9,175,866
Net finance expense	(609,253)	(3,113)	18,363	(594,003)	(131,253)	(725,256)
Net profit before tax	8,295,543	155,063	2,240,657	10,691,263	(2,240,653)	8,450,610
Income tax expense	(2,935,219)	(46,519)	(672,197)	(3,653,935)	1,739,242	(1,914,693)
Net profit after tax	5,360,324	108,544	1,568,460	7,037,328	(501,411)	6,535,917
Segment assets	134,285,466	10,435,505	20,380,246	165,101,217	(11,095,262)	154,005,955
Equity accounted investees	13,546,778	-	-	13,546,778	-	13,546,778
Capital expenditure	(766,977)	(136,709)	(839,454)	(1,743,140)	839,454	(903,686)
Segment liabilities	(57,979,286)	(1,920,368)	(7,003,283)	(66,902,937)	6,048,273	(60,854,664)

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

NOTE 4: SEGMENT REPORTING (CONTINUED)

The following table shows information by segment for the period ended 31 December 2015:

	100% Midway	100% QCE	51% SWF	Subtotal	Adjustments and eliminations	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Sales revenue	88,369,752	4,332,377	42,313,515	135,015,644	(26,050,463)	108,965,181
Other income	1,474,150	-	37,973	1,512,123	416,871	1,928,994
Total income	89,843,902	4,332,377	42,351,488	136,527,767	(25,633,592)	110,894,175
Operating and other expenses	(70,575,787)	(3,155,670)	(37,744,771)	(111,476,228)	20,763,730	(90,712,498)
Share of profit/(loss) of equity accounted investments	2,781,833	-	-	2,781,833	-	2,781,833
EBITDA before significant items	22,049,948	1,176,707	4,606,717	27,833,372	(4,869,862)	22,963,510
Significant items	-	-	-	-	-	-
EBITDA	22,049,948	1,176,707	4,606,717	27,833,372	(4,869,862)	22,963,510
Depreciation and amortisation	(1,413,718)	(322,566)	(649,005)	(2,385,289)	649,289	(1,736,000)
EBIT	20,636,230	854,141	3,957,712	25,448,083	(4,220,573)	21,227,510
Net finance expense	(678,676)	5,111	16,490	(657,075)	(312,869)	(969,944)
Net profit before tax	19,957,554	859,252	3,974,202	24,791,008	(4,533,442)	20,257,566
Income tax expense	(4,985,730)	(256,991)	(1,192,369)	(6,435,090)	1,192,370	(5,242,720)
Net profit after tax	14,971,824	602,261	2,781,833	18,355,918	(3,341,072)	15,014,846
Other material Non-cash items:	-	-	-	-	-	-
Fair value gain on biological assets	2,770,000	-	-	2,770,000	-	2,770,000
Segment assets	203,954,666	7,758,014	20,568,963	232,281,643	(14,713,798)	217,567,845
Equity accounted investees	10,116,959	-	-	10,116,959	-	10,116,959
Capital expenditure	(727,256)	(52,448)	(131,462)	(911,167)	131,462	(779,704)
Segment liabilities	(78,897,499)	(848,513)	(10,451,642)	(90,197,654)	9,496,632	(80,701,022)

NOTE 5: INTERESTS IN JOINT VENTURE

Nature of relationship		Ownership interest		Measurement basis	Share of net profits	
		31 Dec 16	31 Dec 15		31 Dec 16	31 Dec 15
		%	%		\$	\$
Joint Venture						
South West Fibre Pty Ltd	Ordinary shares	51	51	Equity Accounted	1,568,460	2,781,833

South West Fibre Pty Ltd paid and declared dividends of \$1,020,000 (fully franked) in respect of the half year period to the Company.

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

**NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL
STATEMENTS**

NOTE 6: SEASONALITY OF OPERATIONS

General

The Company does not typically experience a seasonality in operations. However, as sales are made in bulk via shipping vessels with volumes of approximately 35,000 to 60,000 green metric tonnes, any movement in anticipated timing of shipments from one half to another can alter the half year financial performance.

Other transactions

In February 2016, the majority of standing trees owned by Midway Plantations was sold to Strategy Timber Pty Ltd (Strategy) for approximately \$55.7m.

Midway Plantations and Strategy entered into a Stumpage Sale Agreement on 29 February 2016 pursuant to which Midway Plantations agreed 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.

NOTE 7: OTHER INCOME AND EXPENSES

The following individually material items are included with the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 December:

	2016	2015
	\$	\$
Initial Public Offering transaction costs	3,056,979	-

On 8 December 2016, the Company successfully completed its Initial Public Offering (IPO) of securities and was admitted to the Australian Securities Exchange (ASX). The IPO comprised the sell-down by pre-existing shareholders of 14,967,691 shares at \$2.50 per share. The majority of pre-existing shareholders have entered into escrow arrangements that restrict dealing in relation to pre-IPO issued shares until the Company lodges its Appendix 4E for FY2017 with the ASX, and the two major shareholders are escrowed until the Company lodges its Appendix 4E for FY2018.

There has been no change in the amount of ordinary shares issued by the Company since 30 June 2016.

MIDWAY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

NOTE 8: DIVIDENDS

	2016	2015
	\$	\$
The following dividends were declared and paid during the 6-month period ending 31 December:		
Final ordinary dividend of 15.90 cents per share		11,896,369
Special dividend of 10.65 cents per share		7,968,323
Final ordinary dividend of 6.0 cents per share	4,489,196	

All dividends declared and paid in the current and previous corresponding period were fully franked.

Subsequent events

Since the end of the half year, the Directors declared the following dividend:

Interim dividend on ordinary shares of 9.0 cents per share (fully franked), payable on 21 April 2017.

NOTE 9: BORROWINGS

	31 Dec 2016	30 June 2016
	\$	\$
CURRENT		
<i>Secured liabilities</i>		
Finance lease liability	610,403	520,938
Unexpired term charges	(62,342)	(56,386)
<i>Unsecured liabilities</i>		
Overdraft	<u>114,763</u>	-
	662,824	464,522
NON-CURRENT		
<i>Secured liabilities</i>		
Commercial bills	29,400,000	29,400,000
Finance lease liability	1,219,436	1,116,796
Unexpired term charges	<u>(70,984)</u>	<u>(80,562)</u>
	30,548,452	30,436,234

Finance leases in the form of Finance Lease Agreements are secured against the assets to which they relate.

During the period, the Company renegotiated the terms of its debt facility, which now expires on 31 March 2019.

MIDWAY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

NOTE 9: BORROWINGS (CONTINUED)

Midway Limited now has access to a \$15 million acquisition facility. A summary of the available facilities has been provided below:

Borrower	Type	Utilised	Total	Maturity
Midway	Term debt	\$29,400,000	\$29,400,000	31 March 2019
Midway	Asset finance, Working capital	\$1,696,513	\$12,950,000	31 March 2018
Midway	Bank guarantee	\$2,684,133	\$4,250,000	31 March 2018
Midway	Acquisition debt facility	-	\$15,000,000	31 March 2019
QCE	Asset finance, Working capital	\$114,763	\$1,000,000	31 March 2018
QCE	Bank guarantee	\$225,000	\$950,000	31 March 2018
Midway, QCE	Business card	\$31,505	\$170,000	31 March 2018

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

- Capital Adequacy Ratio, calculated as Total Tangible Net Worth divided by Total Tangible Assets.
- Interest Cover Ratio, calculated as EBITDA divided by Gross Interest Expense.
- Operating Leverage Ratio, calculated as Gross Bank Debt divided by EBITDA.

Midway has fully complied with all debt related financial covenant obligations since the start of the financial year.

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; and
 - the property situated at 1A The Esplanade, North Shore VIC, granted by Midway Limited.

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

NOTE 10: SHARE BASED PAYMENT ARRANGEMENTS

The Board has established a Long-Term Incentive Plan (LTIP) under which Directors and employees of Midway may be invited by the Board to participate. The awards which may be issued under the LTIP include:

- Shares;
- Options; and
- Performance rights

Currently the following share based payment arrangements are in effect under the LTIP:

(a) Initial Public Offering (IPO) Bonus Rights Issue (equity settled)

On 8 December 2016, upon successfully completing the IPO, the Board established an IPO Bonus Rights Issue for the Managing Director and other senior management personnel in order to:

- 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.

Under this program performance rights have been issued with the following vesting conditions:

Grant date / employees entitled	Number of instruments	Vesting Conditions
Performance rights granted to key management personnel on 9 February 2017)	128,000	50% of the performance rights issued to the participant will vest on the date that is 12 months after Completion of the IPO provided the participant remains in continuous employment with the Company until the vesting date; and
Performance rights granted to senior employees on 9 February 2017)	36,000	50% of the performance rights issued to the participant will vest on the date that is 24 months after Completion of the IPO provided the participant remains in continuous employment with the Company until the vesting date.

The fair value of services received is driven from the value of the performance rights granted in February 2017.

(b) Long Term Incentive Rights (equity settled)

In December 2016, following the successful completion of the IPO the Board offered to grant the Managing Director 65,000 performance rights, subject to vesting conditions (see below). Following successful completion of the vesting conditions the rights will automatically vest and the underlying shares will be issued. The performance period is until 30 June 2019. The offer was accepted on 9 February 2017 (grant date).

Vesting conditions

- Participant must maintain continuous employment over the performance period;
- The percentage of performance rights that will vest at the end of the performance period will depend on Midway's total shareholder return (TSR) over the performance period, relative to a comparator group of companies in the S&P/ASX 300 Index.

MIDWAY LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

NOTE 11: FINANCIAL INSTRUMENTS

Fair value measurements

The Company holds forward exchange contracts used for hedging on the balance sheet measured at fair value and included in level 2 in the fair value hierarchy. The balance as at 31 December 2016 is a current liability of \$826,435 (30 June 2016: \$366,307 current asset).

The carrying amounts of other financial assets and liabilities are reasonable approximations of their fair values.

Fair value estimation

The fair value of the foreign currency forward and swap contracts are calculated using the present value of estimated future cash flows based on observable forward exchange rates and maturity and yield characteristics. A change to inputs would result in differing valuation results.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no instruments reclassified between levels for the half year ended 31 December 2016.

The Company did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2016.

NOTE 12: CONTINGENCIES

In the previous financial year, legal proceedings had commenced against the Company in the Victorian Civil and Administrative Tribunal (VCAT). There has been no significant progress with the proceeding and hence it remains premature for the Company to speculate on when it might be resolved or whether the proceeding could have a material impact on the Company's financial position or financial performance. The Company intends to vigorously defend the action.

Other than as noted above, at the date of this report there are no claims or contingent liabilities that are expected to materially impact, either individually or in aggregate, the Company's financial position or results from operations.

NOTE 13: RELATED PARTIES

Significant transactions with related entities

Aggregate amounts of significant transactions with related entities for the period ended 31 December:

Company Name	Nature of transaction	2016 \$	2015 \$
South West Fibre Pty Ltd	Operator fee income	(1,199,966)	(1,244,516)
	Reimbursement of costs	(132,601)	(147,098)
	Loan repayments (net)	-	(1,020,000)
	Sale of wood products (at cost)	(4,455,739)	(5,097,205)
	Purchase of wood products (at cost)	371,388	-
	Dividends received (fully franked)	(1,020,000)	-

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

**NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL
STATEMENTS**

NOTE 14: SUBSEQUENT EVENTS

An interim 2017 dividend has been declared on 22 February 2017 for 9.0 cents per share (fully franked).

There has been no other matters or circumstances, which have arisen since 31 December 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2016, of the Company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 December 2016, of the Company.

NOTE 15: COMMITMENTS

During the period, the Company entered into a commitment for an item of plant and equipment for \$728,000. This was paid and delivered in January 2017.

The Company has not entered into any other significant commitments during the period.

NOTE 16: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these half year financial statements are the same as those applied in the Company's consolidated financial statements as at and for the period ended 30 June 2016.

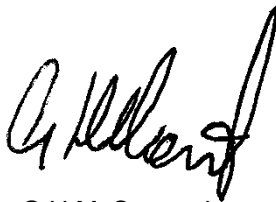
Directors' Declaration

The Directors declare that the condensed consolidated interim financial statements and notes set out on pages 13 to 21 in accordance with the Corporations Act 2001:

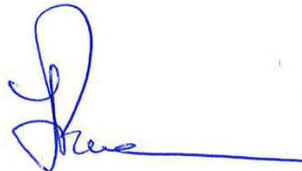
- a) Comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- b) Give a true and fair view of the financial position of the Company as at 31 December 2016 and of its performance for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



G H McCormack
Chairman
23 February 2017



A R Price
Managing Director
23 February 2017

Independent Auditor's Review Report

To the shareholders of Midway Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying Half-year Financial Report of Midway Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Midway Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Half-year Financial Report comprises:

- Condensed consolidated statement of financial position as at 31 December 2016;
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The Group comprises Midway Limited (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

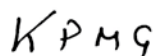
Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Midway Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

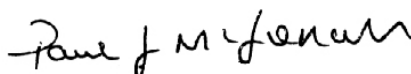
A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



Paul J McDonald

Partner

Melbourne

23 February 2017