Announcement of Full-Year Results 2022
Appendix 4E

Midway Limited
ABN 44 005 616 044

Contents

RESULTS FOR ANNOUNCEMENT TO THE MARKET

for the financial year ended 30 June 2022

Financial year ended: 30 June 2022
Previous corresponding period: 30 June 2021

Result Summary

		%		$'000
Consolidated Revenue from Operations	down	29.2	to	198,480
Net profit after tax from ordinary activities attributable to shareholders	down	922.9	to	(8,654)
Net profit after tax attributable to shareholders	down	141.9	to	(12,973)

Earnings drivers

The key drivers of reduced earnings were:

- Unfavourable FX movements due to the Group's hedged position being largely at 0.75 cents AUD / USD;
- Decreased woodfibre export volumes:
  - First half soft demand including impact from power restrictions in place in China and COVID-19,
  - Demand recovered in the second half, however the COVID-19 pandemic interrupted domestic supply chains and made contractor availability a major limiting factor in securing volume across the industry.
- Margin pressure also arose in the second half from adverse inflationary and fuel impacts on cost of supply, due in part to the conflict in Ukraine; and
- Dry fibre % was 2% down, primarily due to the continued adverse weather conditions in Eastern Australia including the Queensland floods.

Despite the poor results, actions have been taken to improve future performance including:

- Progression of the planned sale of the plantation estate, which will release capital for debt reduction and present significant opportunity to realign the Group to its strategic priorities moving forward;
- A decision taken to exit the loss-making Midway Logistics; and
- Announcement of a Strategic review to determine how to maximise shareholder value.

For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the year ended 30 June 2022 and the accompanying Directors' Report.

Dividends / distributions

	Amount per security	Franked amount per security at 30%
2021 interim dividend (no dividend declared)	-	-
2021 final dividend (no dividend declared)	-	-
2022 interim dividend (no dividend declared)	-	-
2022 final dividend (no dividend declared)	-	-
Record date for determining entitlements to the final dividend:		N/A
Date final dividend payable:		N/A

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	140.6 cents	149.2 cents

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the accompanying Financial Report for the year ended 30 June 2022.

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising of Midway Limited (the Company) and its subsidiaries for the financial year ended 30 June 2022 and the auditor's report thereon.

Directors

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

Name	Position Held	Employment status
Directors		
Gordon Davis	Independent Non-Executive Chairman	
Gregory McCormack	Non-Executive Director	
Nils Gunnersen	Non-Executive Director	
Tom Gunnersen	Non-Executive Director	
Leanne Heywood	Independent Non-Executive Director	
Thomas Keene	Independent Non-Executive Director	
Anthony McKenna	Managing Director and CEO	Commenced 24 January 2022
Anthony Price	Managing Director and CEO	Retired 24 January 2022

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

Gordon Davis B.Sc (Forestry), M.Sc (Ag), MBA

Independent Non-Executive Chairman

Gordon has spent most of his career in the forestry and commodities industries. He was Managing Director of AWB Limited from 2006 to 2011, and Chair of VicForests from 2011 to 2016. He has been a director of Nufarm Limited (ASX: NUF) since 2011, and Healius Limited (ASX: HLS) since 2015. Gordon was also the Chair of Greening Australia between 2014 and 2019, and was appointed Chairman of the Company from 1 May 2022. Gordon was appointed a director in April 2016.

Gregory McCormack B.Bus

Non-Executive Director

Greg has spent his entire career in the forest products industries. He was the Managing Director of McCormack Timbers, a timber milling and wholesale business, and was a founding Director of Midway in 1980. He has held senior positions with both the National and the Victorian Association of Forest industries (having served as President of both associations). Greg is the current President of the Australian Forest Products Association. Greg was appointed a director in November 1997 and is a member of the Remuneration and Nomination Committee. Greg stood down as Chair of the Board on 1 May 2022.

Nils Gunnersen B.Bus (Agricultural Commerce)

Non-Executive Director

Nils has over 25 years' experience across the forests and wood products industry. He is a graduate of the Australian Rural Leadership Programme. He was Executive Director of Operations and then Managing Director of Gunnersen Pty Ltd, a large independent wood products importer and distributor in Australia and New Zealand (2008-2019). He is a Trustee of the JW Gottstein Trust, a charitable trust which supports education in the forest products industry. Nils is a director of Chebmont Pty Ltd, which is a substantial holder of Midway shares. Nils is Chair of the Work Health Safety and Sustainability Committee, and was appointed a director in October 2012.

Midway

Directors' Report

Tom Gunnersen B.A (Melb), MBA (Finance) (Bond)

Non-Executive Director

Tom has 20 years of corporate, investment and capital markets experience in Australia and Asia. He is a co-founder and current Director of boutique corporate advisory firm KG Capital Partners and is a Director of Chebmont Pty Ltd, which is a substantial holder of Midway shares. Previously, Tom was a Director of Equities for global investment bank Canaccord Genuity Limited during which time he was based in Hong Kong for several years. Tom is a member of the Remuneration and Nomination Committee, and was appointed a Director in February 2018.

Leanne Heywood OAM, B.Bus (Acc), MBA, FCPA, GAICD

Independent Non-Executive Director

Leanne has broad general management experience gained through an international career in the mining sector, including 10 years with Rio Tinto. Her experience includes strategic marketing, business finance and compliance and she has led organisational restructures, disposals and acquisitions. She has been a director of Allkem Limited (ASK:AKE) since 2016, Snowy Hydro Limited since March 2022, Symbio Limited (ASX:SYM) since March 2022, Quickstep Holdings Limited (ASX:QHL) since February 2019 and is a Graduate member of the Charles Sturt University Council. Leanne is Chair of the Audit and Risk Management Committee and the Remuneration and Nomination Committee and a member of the Work Health Safety and Sustainability Committee. She was appointed a director in March 2019.

Thomas Keene B.Ec, FAICD

Independent Non-Executive Director

Tom has a commercial and agribusiness background, having held the position of Managing Director of GrainCorp Ltd between 1993 and 2008. In 2007, Tom was awarded the NAB Agribusiness Leader of the Year. He is a former Chairman of Allied Mills Ltd and Grain Trade Australia and a former Director of Cotton Seed Distributors Ltd. He has been a director of Australian Agricultural Company Limited (ASX: AAC) since 2011. Tom is a member of the Audit and Risk Management and the Remuneration and Nomination Committees, and was appointed a director in August 2008.

Anthony McKenna BA, MBA, CFA, GAICD

Managing Director and Chief Executive Officer (appointed 24 January 2022)

Tony has broad experience in private investment, M&A, and agribusiness. He was Managing Director of Ruyi Australia Group, part of Shandong Ruyi Technology, a Chinese multinational group, from 2016 to 2022. During that time, he was responsible for the operations of Cubbie Station, Australia's largest cotton farm, and Lempriere Wool, an international wool processing and trading business. Prior to 2016, Tony was CEO of Lempriere Capital, a private investment group specialising in agribusiness, and Executive Director of agri funds manager Agcap. Tony was appointed Managing Director and Chief Executive Officer on 24 January 2022.

Anthony Price B.Sc (Forestry), Grad. Dip. Bus Mgt, GAICD

Managing Director and Chief Executive Officer (retired 24 January 2022)

Tony has spent most of his career in the forestry sector, but spent some years working in the mining industry. He has held several senior management positions in the hardwood plantation sector and has also run his own consultancy business. He has attended the International Executive Programme at INSEAD in France. He is currently Chairman of Forestworks Ltd, an organisation which provides training packages to the forest industry. Tony was appointed Managing Director and Chief Executive Officer in November 2015 and retired on 24 January 2022.

Company Secretary

Robert Bennett B.Com, CA, FGIA

Rob has many years company secretarial and governance experience with Coles Group Limited, AWB Limited, and Medibank Private Limited.

Directors' Report

Committee Membership

As at the date of this report, the Company has an Audit & Risk Management Committee (ARMC), a Remuneration & Nomination Committee (RNC) and an Work Health Safety and Sustainability Committees (WHSSC) of the Board of Directors.

Name	ARMC	WHSSC	RNC	Comments
Directors				
Gordon Davis				
Gregory McCormack			✔	
Nils Gunnersen		✔		Chair WHSSC
Tom Gunnersen	✔	✔		
Leanne Heywood	✔	✔	✔	Chair ARMC | Chair RNC
Thomas Keene	✔		✔	
Anthony McKenna				CEO

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the year and the number of meetings attended by each Director were as follows:

	Board		ARMC		RNC		WHSSC		Other Committees	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Gordon Davis	20	19	5	5	3	3	3	3	-	-
Nils Gunnersen	20	20	-	-	-	-	3	3	-	-
Tom Gunnersen	20	20	1	1	3	3	-	-	-	-
Leanne Heywood	20	19	6	6	1	1	3	3	2	2
Thomas Keene	20	18	6	6	4	3	-	-	-	-
Gregory McCormack	20	19	-	-	1	1	-	-	2	2
Anthony McKenna	10	10	-	-	-	-	-	-	1	1
Anthony Price	10	10	-	-	-	-	-	-	-	-

Principal Activities

The principal activities of the Group during the 2022 financial year are based on the reportable segments of the group as below:

Reportable Segments	Products / Services
Woodfibre	Includes primary operations whereby the Group purchases and sells both own and third party wood. SWF is also proportionally consolidated at 51% for segment reporting which reflects how management views and makes decisions of its operations.
Forestry Logistics	Forestry logistics provides support services to third parties engaged in growing woodfibre including harvest and haul.
Plantation Management	Plantation management is the provision of silviculture services including on group owned trees. The segment also holds any group owned plantation land and trees.
Ancillary	Other aggregated costs which are not individually significant

Directors' Report

Operating and Finance Review

Financial Results

Full year results impacted by market forces and more recently COVID-19 supply chain disruption

- The Group achieved underlying earnings before interest, tax, depreciation and amortisation (EBITDA) before significant items of ($1.8M) (2021: +$14.6M).
- Underlying Net profit / (loss) before tax was ($12.7M) and underlying Net profit / (loss) after tax was ($8.6M).
- No dividend will be paid in respect of full year FY22 results.

Segment performance

- The Woodfibre segment faced a margin challenge during the year, as a result of adverse global market conditions including power cuts in China in the first half of the financial year, and disruption due to the COVID-19 pandemic causing unavailability of harvest and haul crews in the second half of the financial year.
- These impacts were partially offset by an improved sales price of US$180 / BDMT being secured for calendar year 2022.
- The Group was largely hedged at 0.75 cents AUD/USD which contributed to the underlying loss position.
- The Group's share of profit from SWF is $1.0M in FY22 (FY21: loss of $1.5M), with sales volume increasing by 245k GMT.
- Two shipments of woodfibre sales have been made from the Tiwi Islands in FY22, with a further seven forecast for FY23.
- An announcement was made to exit the loss making Logistics segment.

A summary of the financials has been provided below to the previous corresponding period:

	Notes	2022 $'000	2021 $'000	Change
Revenue and other income				
Sales revenue	1.1	198,480	280,197	(81,717)
Other income	4.8	2,845	2,155	690
		201,325	282,352	(81,027)
Less: expenses				
Changes in inventories of finished goods and work in progress		5,353	(12,654)	18,007
Materials, consumables and other procurement expenses		(133,563)	(179,675)	46,112
Employee benefits expense		(19,158)	(19,369)	211
Plantation management expenses		(80)	(199)	119
Freight and shipping expense		(40,945)	(40,161)	(784)
Repairs and maintenance expense		(7,680)	(6,438)	(1,242)
Other expenses		(8,050)	(7,749)	(301)
Share of net profits from equity accounted investments		1,036	(1,475)	2,511
EBITDA - S		(1,762)	14,632	(16,394)
Depreciation & Amortisation		(8,544)	(11,271)	2,727
EBIT - S		(10,306)	3,361	(13,667)
Net finance expense		(2,430)	(2,188)	(242)
Net profit before tax - S		(12,736)	1,173	(13,909)
Income tax expense		4,177	(1,834)	6,011
Net profit after tax - S		(8,559)	(661)	(7,898)

Directors' Report

Operating and Finance Review (continued)

Non-IFRS measures

Throughout this report the Group has used certain non-IFRS measures, predominately EBIT and EBITDA. The non-IFRS measures have been deemed useful for recipients in measuring the underlying performance of the Group. The non-IFRS measures have not been audited.

Non-IFRS measure	Description
EBIT	Earnings, before interest and tax
EBITDA	Earnings, before interest, tax, depreciation and amortisation
Underlying NPAT - S	Statutory net profit after tax adjusted to remove impact of one off or non-recurring items and the net fair value gain / (loss) on biological assets
Underlying EBITDA - S	Earnings, before interest, tax, depreciation and amortisation adjusted to remove impact of one off or non-recurring items and the net fair value gain / (loss) on biological assets

Reconciliation of underlying net profit / (loss) after tax to statutory net profit after tax (NPAT)

	2022 $'000	2021 $'000	Change
Net profit / (loss) after tax - S	(8,559)	(661)	(7,898)
Net fair value increment on biological assets	4,543	(1,583)	6,126
Non-cash interest expense (AASB 15 Strategy impact)	(7,997)	(1,767)	(6,230)
Job Keeper	-	1,410	(1,410)
Midway Logistics wind-down costs	(500)	-	(500)
Impairment loss on Non-current Assets (BGP Investment)	(98)	(1,749)	1,651
Restructuring costs	-	(105)	105
Profit on sale of Non-current Assets	1,361	-	1,361
Transaction costs incurred	(1,628)	(723)	(905)
NPAT Statutory	(12,878)	(5,178)	(7,700)

1 Non cash interest expense is incurred on the liability created on 1 July 2018 to repurchase trees under the Strategy arrangement, which was deemed a financing arrangement upon the adoption of AASB 15 Revenue from Contracts with Customers. The Strategy arrangement is a contractual obligation to repurchase hardwood trees the Group sold in February 2016.

Directors' Report

Operating and Finance Review (continued)

Reconciliation of underlying Earnings, before interest, tax, depreciation and amortisation to statutory Earnings, before interest, tax, depreciation and amortisation (EBITDA)

	2022 $'000	2021 $'000	Change
EBITDA -S	(1,762)	14,632	(16,394)
Net fair value increment / (decrement) on biological assets	6,490	(2,261)	8,751
JobKeeper	-	2,014	(2,014)
Profit / loss on sale of assets – Midway Plantations	1,943	-	1,943
Impairment loss on Non-current Assets (Bio Growth Partners Pty Ltd)	(98)	(2,269)	2,171
Midway Logistics wind-down costs	(714)	-	(714)
Restructuring cost	-	(149)	149
Transaction costs incurred	(2,326)	(1,034)	(1,292)
EBITDA	3,533	10,933	(7,400)

Performance against prior corresponding period

Woodfibre

	2022 Actual	2021 Actual	▼
Revenue	186,185	198,258	-6%
EBITDA - S	6,080	21,488	-72%
EBITDA	5,982	22,851	-74%

The reduced EBITDA - S is attributable to reduced volume throughout the period due to adverse market conditions in 1H22 and harvest and haul disruptions due to COVID-19 in 2H22. Key points include:

- Volume was down across Geelong and Midway Tasmania including third party woodfibre due to ongoing COVID-19 supply chain disruptions and wet weather.
- Pricing has been set for calendar year 2022 in March 2022. The rapid increase in fuel and labour costs incurred in the Group's subcontractor base in the second half of the year has therefore not been able to be passed on to customers.
- Performance at our joint venture operations (South West Fibre) offset this somewhat; the Group's share of profit increased by $2.5M to $1.0M (FY21: $1.5M loss). Production volumes increased by 27k GMT.
- Additionally, Plantation Management Partners shipped only two Acacia vessels for the year, leading to a $0.9M negative EBITDA contribution. Seven vessels have been contracted for FY23 which is expected to help drive improved performance.
- Other key movements include
    - A 2% decrease in dry fibre % due to adverse weather conditions throughout the Eastern States.
    - The AUD:USD exchange rate has fallen to 0.6889 at 30 June 2022, with the Group hedging position at 0.75, therefore exacerbating margin pressure during the year. Margins are expected to improve as the hedged position resets during the second half of FY23.

Directors' Report

Operating and Finance Review (continued)

Forestry Logistics

FORESTRY LOGISTICS	2022 Actual	2021 Actual	▲
Revenue	4,883	4,823	1%
EBITDA - S	(2,851)	(2,705)	-5%
EBITDA	(3,565)	(4,473)	20%

Midway Logistics is in the process of winding down and the segment is expected to cease operations in the first half of FY23.

Plantation Management

PLANTATION MANAGEMENT	2022 Actual	2021 Actual	▼
Revenue	10,634	12,053	-12%
EBITDA - S	(2,406)	(2,226)	-8%
EBITDA	6,027	(4,487)	234%

Improved EBITDA within the segment is driven mainly by the $6.5M fair value increase on the treecrop. This was offset by lower volumes being produced from the estate and sold to the Woodfibre segment (intra segment sales).

Directors' Report

Operating and Finance Review (continued)

Financial Position

	2022 $'000	2021 $'000
Current Assets	46,109	59,290
Non-current Assets	211,066	203,605
Total assets	257,175	262,895
Current Liabilities	62,930	46,367
Non-current liabilities	69,447	84,287
Total liabilities	132,377	130,654
Net assets	124,798	132,241

Highlights

- The challenging trading environment was reflected in reduced operating cash flows of negative $6.5M (FY21: positive $22.3M). The operating cash flow loss includes the impact of Midway Logistics in wind down mode and $2.3M in transaction costs primarily relating to the sale of the plantation estate.
- $139.6M of plantation land and trees on the balance sheet, valued at fair value
- No dividend declared in order to preserve cash ahead of the planned sale of the plantation estate in FY23

Net Debt	2022 $'000	2021 $'000
Borrowings - Current	21,029	9,552
Borrowings – Non-current	25,862	34,882
	46,891	44,434
less		
Cash and cash equivalents	(2,969)	(12,956)
Term deposit	(2,000)	-
Net Debt	41,922	31,478

Highlights

- As at 30 June 2022 the Group was within its covenant limits
- Net debt increased as a result of operating losses and maintaining capital initiatives such as investment in Bell Bay, and repurchase of the Strategy treecrop.

Directors' Report

Outlook

The Directors firmly believe that the long-term outlook for woodfibre exports into Asia, especially China and Japan, remains positive. Demand remains strong with all available volume for the remainder of calendar year 2022 contracted. Additionally, FOB pricing set on quarterly or half yearly terms have seen significant increases, combined with new mill pulp capacity expected to come on-stream in the next 12 months, further increasing global demand at a time when competing supply from South America and Vietnam is expected to reduce.

The COVID-19 pandemic continues to disrupt harvest and haul production and demand for paper used in offices, which was further exacerbated by power cuts in China during the first half of FY22. This, along with challenging geopolitical conditions, has contributed to increased costs of fuel, shipping and local labor. As a result, margins will continue to be constrained in 1H23, as the higher supply costs cannot be passed onto customers until the sales prices are renegotiated in 2H23.

The global trading issues may take some time to play out so your Directors are prudently looking at additional performance improvement initiatives and diversification strategies that may generate future revenue and earnings streams. We remain confident that there are many growth opportunities for Midway that will benefit shareholders in the longer term.

Key Risks and Business Challenges

The principal risks and business challenges for the Group are:

- Security of supply – There is a risk that Midway may not be able to secure sufficient timber supply necessary to meet growing customer demand.
- COVID-19 – there is a risk the pandemic that is currently disrupting production and supply chains continues for an extended period.
- Customer demand – As most sales are achieved on a short-term contractual basis, there can be no guarantee that these relationships will continue.
- Exposure to foreign exchange rates – As most sales are denominated in USD whilst costs are in AUD, any adverse exchange rate fluctuations would have an adverse effect on Midway's future financial performance and position.
- Banking facilities – There is a risk that Midway 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 may not be as favourable as the terms of its existing or future bank facilities. In addition, 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 foreign 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.
- Excess system capacity – Midway is subject to a number of contracts which contain minimum annual volume commitments. Financial costs are imposed if these volume commitments are not met.
- Contamination of product – Woodfibre export contracts all contain similar contamination requirements. There is a risk of financial recourse in the event of a breach of contract.
- Costs – Midway's profitability could be materially and adversely affected by changes in costs which are in many respects beyond its reasonable control.
- Sale of freehold plantation land – In the event freehold plantation land is sold after harvest of the current rotation of trees, there is a risk 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.
- Vessel chartering – There is a risk that Midway may not be able to finalise an export sale contract rendering a vessel idle, or that a vessel cannot be chartered when needed, causing a potential shipment to be adversely impacted.
- Employee recruitment and retention risk – There is a risk the Group may not be able to attract and retain key staff, particularly in remote regions.
- Port of Brisbane tenure – There is a risk that QCE will be unable to renew the lease, which is currently under negotiation, and therefore would need to seek access to an alternative export facility.
- Fire – The loss of plantation resource and therefore supply due to fire is an ever-present industry risk.
- Extreme weather events – There is a risk of extreme weather events occurring in remote regions such as the Tiwi Islands.
- Geopolitical conditions – There is a risk that global political developments may adversely affect market conditions.

Directors’ Report

Key Risks and Business Challenges (continued)

- Other risks facing the company include: Failure to comply with laws, regulations and industry standards generally (and environmental matters and industry accreditations specifically), risk of litigation, claims and disputes, bribery and corruption in foreign jurisdictions.

In order to manage these challenges, the Company hedges a significant proportion of its forward sales through foreign exchange hedging contracts and continues to maintain and strengthen its business relationships including entering into strategic alliances with key suppliers. Additionally, imposing a strong control environment focusing on preventative controls, acts to further manage these business challenges.

Dividends

There were no dividends declared during the 2022 financial year, or since the end of the financial year.

Corporate Governance

The Group has adopted a range of charters and policies aimed at ensuring that the Group’s business is conducted in an ethical manner and in accordance with the highest standards of corporate governance.

Significant Changes in the State of Affairs

Wind-down of Midway Logistics

On 1 April 2022 the Group announced its intention to exit Midway Logistics, which is expected to be complete by September 2022.

Sale of plantation estate

- Midway has signed contracts for the sale of 17,000 hectares of its existing plantation estate in the central and south-west regions of Victoria to a special purpose vehicle (SPV) owned by clients of MEAG, Munich Re’s asset manager, for an estimated $154.1M
- The sale will include the Group obtaining offtake rights from the plantation estate for a number of years, and also with the Group being appointed plantation manager for a minimum period of 5 years from settlement
- Settlement of the last tranche is due to occur in September 2024, with the largest tranche upfront representing the unencumbered land
- Settlement of the first stage of the transaction is expected to occur in October following necessary regulatory approvals, including the Foreign Investment Review Board (FIRB)
- The SPV has also committed to invest A$200 million in land acquisition for new hardwood ‘greenfield’ plantations in south-west Victoria over the next five years
- The sale of the plantation estate will not be recognsied as a sale until all the necessary regulatory approvals are received.

Significant Events Subsequent to the end of the Financial Year

Other than noted in this report, the Directors are not aware of any matter or circumstance which has arisen since 30 June 2022 that has significantly affected or may significantly affect the operations of the Group in subsequent financial years, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments and Expected Results of Operations

Midway will continue to pursue further growth opportunities through:

- securing additional supply to meet expected unfulfilled demand from existing and potential customers, including through strategic supply arrangements with large plantation managers and collaboration with other interested parties;
- proactively seeking new opportunities to utilise spare capacity at at least four processing and export facilities utilised by Midway;
- continuing to evaluate the potential acquisition of existing Australian woodfibre production and exporting businesses; and
- exploring complementary business opportunities which utilise our marketing, plantation management, processing and supply chain management skills.

Environmental Regulation

- The Chief Executive Officer reports to the Board on any environmental and regulatory issues at each Directors meeting, if required. During the year, no significant incidents occurred.

Directors' Report

Greenhouse Gas and Energy Data Reporting Requirements

- The Company is not subject to the reporting requirements of either the Energy Efficiency Opportunities Act 2006 or the National Greenhouse and Energy Reporting Act 2007.

Share Option Plan

- The Company has adopted a Long-Term Incentive Plan (LTIP) under which it has issued 840,593 performance rights and 721,436 options to senior executives in the current financial year. The rights and options vest over a performance period ending 30 June 2024, subject to satisfaction of vesting conditions such as comparator measure of Total Shareholder Return benchmarked against the top ASX 300 companies.
- Refer to the Remuneration Report for details on the rights issued to KMP.

Indemnification and Insurance of Directors and Officers

Indemnification

The Company has indemnified the Directors and officeholders of the Company for costs incurred, in their capacity as a Director or officeholder, for which they may be held personally liable, except where there is a lack of good faith.

Insurance of Directors and Officers

During the year the Company paid a premium for a Directors and Officers Liability Insurance Policy. This policy covers Directors and Officers of the Company and the Company. In accordance with normal commercial practices under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of the premiums are confidential.

Insurance of Auditor

No payment has been made to indemnify the Company's Auditor during or since the end of the financial year.

Proceedings on behalf of the Company

There are no legal proceedings currently outstanding.

Non-Audit Services

The Company may decide to employ the Auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit & Risk Management Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

KPMG Australia	2022 $	2021 $
Audit and assurance services		
- Statutory audit fees	228,000	210,000
Other services		
- Non- assurance services – other advisory services	88,717	20,420

Directors’ Report

Auditor’s Independence Declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is set out on page 16 and forms part of this report.

Rounding off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated financial statements and directors’ report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.

Gordon Davis
Chairman

Melbourne,

29 August 2022

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 audit of Midway Limited for the financial year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG	Simon Dubois
	Partner
	Melbourne
	29 August 2022

Remuneration Report (Audited)

Introduction

The Directors are pleased to present the FY2022 Remuneration Report, which forms part of the Midway Limited (Company) Directors' Report. It outlines the Board's remuneration philosophy and remuneration information for the Company's Non-Executive Directors, Executive Directors and other key management personnel (KMP) in accordance with the requirements of the *Corporations Act 2001* and its regulations.

For the purposes of this report, KMP is defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Executive Remuneration represents remuneration for the Executive KMPs and other members of senior management. This report discloses remuneration as it relates to Executive KMP's, however the framework is applied more broadly to other members of senior management.

The information provided in this Remuneration Report, which forms part of the Directors' Report, has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Key Management Personnel disclosed in this Report

Name	Position Held	Employment status
Directors		
Gordon Davis	Non-Executive Chairman	
Gregory McCormack	Non-Executive Director	
Nils Gunnersen	Non-Executive Director	
Tom Gunnersen	Non-Executive Director	
Leanne Heywood	Non-Executive Director	
Thomas Keene	Non-Executive Director	
Executives		
Anthony McKenna	Managing Director and CEO	Appointed 24 January 2022
Anthony Price	Managing Director and CEO	Retired 24 January 2022
Michael McKenzie[1]	Acting Chief Financial Officer	Appointed 11 April 2022
Ashley Merrett[2]	Chief Financial Officer	Personal leave from 11 April 2022

[1] Michael McKenzie was appointed as Chief Financial Officer on 1 July 2022.
[2] Ashley Merrett was on personal leave from 11 April 2022.

Principles Used to Determine Nature and Amount of Remuneration

The performance of the Group depends upon the quality and performance of its Directors and executives. To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high performing executives;
- Link executive rewards to shareholder value;
- Have a portion of executive remuneration variable, dependent upon meeting performance benchmarks; and
- Establish appropriate and demanding performance benchmarks in relation to variable executive remuneration.

This section of the Remuneration Report outlines the Company's remuneration framework and philosophy which is designed to attract, motivate and retain highly skilled Directors and executives.

Remuneration Report (Audited)

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee to assist the Board in reviewing and making recommendations to the Board in relation to the Company's remuneration policy, and remuneration arrangements for the Directors and executives.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of high quality, high performing Directors and executives.

The Remuneration and Nomination Committee is comprised of Non-Executive Directors, the majority of whom are independent in accordance with the Remuneration and Nomination Committee Charter. The Board considers that having a separate remuneration committee serves as an efficient and effective mechanism to bring the transparency, focus and independent judgement needed on remuneration decisions.

The Board has also adopted a number of key policies to support the Company's remuneration framework. The Company's policies and the Remuneration and Nomination Committee Charter, which sets out the functions and responsibilities of that committee, are available at www.midwaylimited.com.au.

Remuneration Framework

In accordance with best practice corporate governance standards, the Company's remuneration policies and practices regarding the remuneration of Non-Executive Directors are separate and distinct from the remuneration of Executive Directors and other senior executives.

These policies and practices appropriately reflect the different roles and responsibilities of Non-Executive Directors compared with Executive Directors and other senior executives of the Company.

Use of Remuneration Consultants

The Remuneration and Nomination Committee may, from time to time, engage external remuneration consultants to provide it with advice, information on current market practices, and other matters to assist the Committee in the performance of its duties.

The Remuneration and Nomination Committee engaged KPMG to provided a benchmarking report for Non-Executive Director Remuneration at a cost of $10,350. The outcomes of this review are described in the next section. The benchmarking analysis did not constitute remuneration advice or recommendations.

Non-Executive Director Remuneration

Objective

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors.

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Framework

Under the Company's Constitution, the Non-Executive Directors as a whole may be paid or remunerated for their services a total amount or value not exceeding $1.2M per annum or such other maximum amount fixed by the Company in general meeting. An amount not exceeding the amount determined is then divided between the Non-Executive Directors as approved by the Board upon recommendation from the Remuneration and Nomination Committee.

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.

Non-Executive Directors' fees and payments are reviewed periodically by the Remuneration and Nomination Committee. During the year the Remuneration and Nomination Committee engaged KPMG to provide a benchmarking report of Non-Executive Directors' fees against a comparator group of companies. As a result of this review, the Remuneration and Nomination Committee resolved to reduce fees paid to Non Executive Directors as highlighted in table 1.1.

Directors may also be reimbursed for expenses properly incurred by the Directors in connection with the affairs of the Company including travel and other expenses in attending to the Company's affairs.

Remuneration Report (Audited)

Non-Executive Director Remuneration (continued)

Table 1.1 Non-Executive Director fee structure

	Board Base Fee (previous)[1] $	Additional Fee (previous)[1] $	Board Base Fee (current)[1] $	Additional Fee (current)[1] $
Non-Executive Director	120,000	-	90,000	-
Chair	220,000	-	180,000	-
Chair - Audit and Risk Management Committee	-	15,000	-	15,000
Chair - Remuneration and Nomination Committee	-	11,000	-	15,000
Chair – Work, Health, Safety and Sustainability Committee	-	-	-	15,000
Committee member	-	-	-	7,500

[1] Revised Non-Executive Director fees applied from 1 June 2022

The aggregate remuneration of Non-Executive Directors for the year ended 30 June 2022 was $835,882.

Remuneration Report (Audited)

Executive Remuneration

In determining the level and make-up of executive remuneration, the Remuneration and Nomination Committee uses a combination of business experience, comparisons with executive remuneration of comparable companies and comparative remuneration in the market and makes its recommendations to the Board.

The executive remuneration and reward framework includes both fixed and 'at risk" reward components. 'At risk' reward includes short and long-term incentives which are based on performance outcomes. The structure has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- long term share-based performance incentives; and
- other remuneration such as superannuation and long service leave.

From time to time the Remuneration and Nomination Committee may consider "one-off" payments to executives, as part of their remuneration, in relation to specific events.

The combination of these comprises each executive's total remuneration.

Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee, based on individual and business unit performance, the overall performance of the Company, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Variable remuneration

Objective

The objective of the variable remuneration component of executive remuneration, comprising short term performance incentives and share based performance incentives, is to link the achievement of the Company's targets with the remuneration received by the executives charged with meeting those targets, and to reward executives in a manner which is consistent with the interests of shareholders.

The total potential variable component is set at a level so as to provide sufficient incentive to the executive to achieve the targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Actual variable incentives granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to operational profit, occupational health and safety and risk management, leadership and team contribution. The Company has predetermined benchmarks which must be met in order to trigger payments.

The type of variable incentives and performance against KPIs of the Company and the individual performance of each executive are taken into account when determining the amount, if any, of the variable incentive that is to be awarded to each executive. Any variable incentives to be awarded to executives across the Company are subject to the approval of the Board.

Remuneration Report (Audited)

2022 Executive Remuneration

Total remuneration for the CEO and CFO includes a combination of fixed remuneration, short term incentives and long-term incentives in the form of issued performance rights.

In assessing whether the KPIs for each variable component have been met, the Company measures actual results against internal targets.

A summary of contractual arrangements is provided below:

	Base salary[1] $	Maximum STI $	Eligibility LTIP	Termination Notice	Restraint of trade Provisions
Chief Executive Officer[3]	550,000	165,000	✔	3 months	✔
Chief Financial Officer[3]	290,000	95,700[2]	✔ [4]	3 months	✔

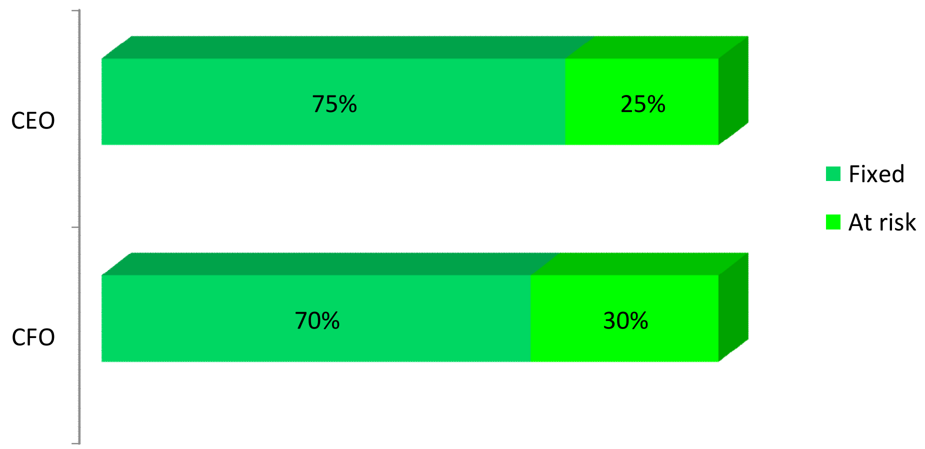
[1] Includes superannuation and car allowances

[2] Maximum STI applicable under normal contractual arrangements beginning 1 July 22.

[3] Tony Price retired from the position of CEO on 24 January 2022. Ashley Merrett was on personal leave from 11 April 2022. The table above discloses information for the current CEO and CFO.

[4] As at 30 June 2022 no performance rights were issued to the CFO. Performance rights will be issued in respect of the FY23 financial year.

The remuneration mix is outlined below:



Short Term Incentive Plan

The Company's KMP and other members of senior management are eligible to participate in the Company's short term incentive plan (STI Plan).

Participants in the STI Plan have a maximum cash payment which is set as a percentage of their total fixed remuneration (TFR). Actual short-term incentive payments in any given year are dependent on the achievement of financial and non-financial criteria as set by the Remuneration and Nomination Committee. No incentive payment is payable if the threshold performance target is not met.

Remuneration Report (Audited)

2022 Executive Remuneration (continued)

FY2022 Short Term Incentives

In FY2022, an offer to participate in the short term incentive (STI) Plan was made to the Company's executives including Executive KMP and other senior managers. Under the offer, employees will receive a STI payment calculated as a percentage of their TFR conditional on achieving performance measures including:

- Board approved underlying Earnings Before Interest, Tax, Depreciation and Amortisation [EBITDA] Actual vs Budget measured annually;
- Lost Time Injury Frequency Rate (LTIFR) Actual vs Previous Year measured annually; and
- Agreed and documented objectives specific to each executive's position measured annually.

EBITDA represents how the Company monitors its performance against budget, including achieving its strategic goals. Achieving the targeted EBITDA has a linkage to shareholder returns and therefore is an appropriate measure to incentivise executive performance.

LTIFR is an appropriate operational performance target as it is critical to the Company on two fronts: (1) It ensures the occupational health and safety measures implemented by the Company are first class to ensure employees are appropriately protected from any hazards in the workplace and; (2) By having limited downtime due to workplace injuries ensures maximum operational time of the Company's equipment.

A summary of the key terms of the Company's FY2022 STI Plan is set out as follows:

Term	Description		
Objective	To reward participants for achieving targets linked to the Company's business strategy		
Participants	All Executive key management personnel and selected senior management members		
Performance period	Financial year ended 30 June 2022		
Performance measures	STI is assessed against both financial and non-financial measures with the following weighting:		
	Measure	Weighting [CEO]	Weighting [CFO]
	EBITDA	40%	40%
	LTIFR	20%	20%
	Individual performance measures	40%	40%
Payment	Upon final endorsement by Board		

A sliding scale exists for each KPI target in relation to % of STI paid as set out below:

	% of target KPI [Maximum STI]	% of target KPI [Minimum STI]
EBITDA CEO	120% [max. $66,000]	100%[1]
EBITDA CFO	120% [max. $38,280]	100%[1]
LTIFR CEO	200% [max. $49,500]	100%[1]
LTIFR CFO	200% [max. $28,710]	100%[1]

1 No incentive will be paid if the minimum % of the KPI target is not met

FY2022 Short Term Incentive outcomes

The following is a breakdown of the short term incentive outcomes achieved by key management personnel at the end of the 2022 financial year:

KMP	Maximum STI	% of Maximum STI Achieved
CEO	165,000	11%
CFO	95,700[1]	10%

[1] Based on the remuneration structure as at 1 July 2022.

Remuneration Report (Audited)

2022 Executive Remuneration (continued)

Long Term Incentive Plan

Objective

The Company has established and adopted a Long Term Incentive Plan (**LTIP**), which is intended to assist in the motivation, retention and reward of certain executives. The LTIP is designed to align the interests of executives more closely with the interests of shareholders by providing an opportunity for senior executives to receive an equity interest in Midway through the granting of awards including shares, options and performance rights, subject to satisfaction of certain conditions.

In FY2022, the Group issued performance rights to the Chief Executive Officer and Senior Executive Team. In total, 840,593 rights and 721,436 options were issued based on the conditions set out in sections (a) and (c).

Structure

The key terms of the LTIP are summarised below.

Term	Description
Administration	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).
Eligibility	The awards (Awards) that may be issued under the LTIP currently include: - shares; - options; and - performance rights.
Awards	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.
Vesting conditions	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.
Vesting date	Shares allocated on vesting of an Award carry the same rights and entitlements as other issued Shares, including dividend and voting rights.
Shares as an Award, or on vesting of an Award	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.
Dividend and voting entitlements	Awards, other than Shares, are not entitled to dividend or voting rights.
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	Without the prior approval of the Board or as expressly provided in the LTIP: - 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.

Remuneration Report (Audited)

2022 Executive Remuneration (continued)

2022 Long Term Incentives

The LTIP offered to Midway's Executive KMP and other senior executives, is summarised below:

(a) Performance Rights

In FY2022, the Board granted the Chief Executive Officer and members of the Senior Executive Team 840,593 performance rights, subject to vesting conditions (see below). Following satisfaction of the vesting conditions the rights will automatically vest and the underlying shares will be issued. The performance period is until 30 June 2024.

Term	Description
Eligibility	Chief Executive Officer, Chief Financial Officer and members of the Senior Executive Team.
Consideration for grant	Nil
Instrument	**2022 plan:** Performance rights issued on 1 December 2021 and 24th January 2022 (CEO only) respectively **2021 plan:** Performance rights issued on 18th December 2020
Number of rights granted[1]	**2022 plan**: CEO 89,227; Other Senior Executives 471,659 **2021 plan**: CEO 281,920; Other Senior Executives 489,363
Service conditions	Participant must maintain continuous employment over the performance period
Performance period	**2021 plan:** 1 July 2020 to 30 June 2023 **2022 plan:** 1 July 2021 to 30 June 2024
Performance measure	The percentage of performance rights that will vest will depend on the Midway's total shareholder return (TSR) over the performance period, relative to the comparator Company (companies in the S&P/ASX 300 Index excluding mining and energy companies). Performance rights will only vest on the following conditions: - less than median of the comparator Company, no performance rights will vest; - at median of the comparator Company, 50% of the performance rights will vest; - between median and the 75th percentile of the comparator Company, a straight-line pro rata vesting between 50% and 100% of the performance rights will occur; and - greater than 75th percentile of the comparator Company, 100% of the performance rights will vest.
Entitlement	Each Performance Right entitles the participant, on vesting of the performance right, to receive (at the discretion of the Board, other than as provided in the Plan Rules) by issue or transfer, one fully paid ordinary share in the capital of the Company (Share).
Restrictions	Performance rights are subject to the restrictions set out in the Plan Rules. In particular the participants must not: - Dispose of any performance rights without the prior consent of the Board or otherwise in connections with the Plan Rules; or - Enter into any arrangement for the purpose of hedging, or otherwise affecting the participants economic exposure to the Performance Rights.
Fair value at grant date[2]	**2022 plan:** Rights issued 1st December 2021 ($0.89 cents); Rights issued 24th January 2022 ($0.74 cents) **2021 plan:** Rights issued 18th December 2020 ($0.53 cents)

[1] Under the 2022 plan, 279,707 performance rights were issued to Tony Price.

[2] Represents the fair value as calculated using a Monte Carlo Simulation model which incorporates the TSR performance conditions

(b) FY2020 LTI plan

The performance period ended on 30 June 2022 was subject to the performance measures outlined in the LTI plan described in section (a) performance rights. Midway's total shareholder return over the performance period between 1 July 2019 and 30 June 2022 was less than median of the comparator Company's and as a result 170,357 performance rights issues will not vest.

Remuneration Report (Audited)

2022 Executive Remuneration (continued)

(c) Managing Director options (in lieu of sign-on bonus)

The Board and Managing Director agreed to the one off issue of options as a special case in lieu of any cash sign-on bonus. The options serve as an incentive for Tony McKenna to increase the Company's earnings (which ultimately determine the share price) and to remain with the Company until at least 30 June 2024.

Term	Description
Eligibility	Chief Executive Officer
Instrument	Options to acquire ordinary shares in Midway Limited
Number of options granted	721,436 options granted; 50% will vest on 30 June 2023 and 50% will vest on 30 June 2024
Service conditions	Participant must maintain continuous employment over the period
Exercise price	$0.9339, being the 30 day VWAP prior to 30 June 2021
Exercise period	24 months after vesting of the relevant Options. All Options (vested or otherwise) which are not exercised within the applicable Exercise Period will lapse upon the expiration of that period.
Entitlement	Options will not carry rights to dividends or voting rights prior to vesting.
Restrictions	Options will be subject to the rights and restrictions set out in the Invitation and the Plan Rules. In Particular, the participant may not: ▪ dispose of any Options without the prior consent of the Board or otherwise in accordance with the Plan Rules; or ▪ enter into any arrangement for the purpose of hedging, or otherwise affecting your economic exposure to Options
Fair value at grant date	Options vesting 30 June 2023: $0.360 Options vesting 30 June 2024: $0.386
Clawback	The Board has discretion to reduce or cancel the Options or may require you to repay to the Company the market value of Shares post-vesting and exercise in circumstances such as fraud, dishonesty, misconduct, and financial misstatement such that the Options should not have vested or been exercised. The Board may restrict transfer of any Shares post-vesting and transfer or issue while it investigates any such circumstances.
Other terms and conditions	Unvested Options do not entitle the participant to receive notice of, or to attend or vote at, meeting of members of the Company or to receive any dividends on Shares. Options will not be listed on ASX. For all other terms and conditions of the grant, refer to the Plan Rules. Upon a Change of Control, and without limiting clause 9 of the Plan Rules (Change of Control) the Options will vest immediately.

(d) Previous Managing Director (Anthony Price) and Chief Financial Officer (Ashley Merrett) - lapse of performance rights

The outstanding performance rights carried forward by Anthony Price post termination are below. The number of performance rights carried forward reflect the pro rata service period that Anthony was employed in each performance period.

Plan	Number held	Number lapsed	Number to continue
2021 Plan	281,920	134,395	147,525
2022 Plan	279,707	226,624	53,083

There was no lapse in any performance rights held by Ashley Merrett during the year. A decision to pro rata remaining performance rights over Ashley's service period was taken post year end.

Remuneration Report (Audited)

2022 Executive Remuneration (continued)

Relationships between Company Remuneration Policy and Company Performance

The relationship between remuneration policy and Company performance is assessed for the current financial year and the prior four comparative periods. Measures set out below are not necessarily consistent with the measures used in determining variable amounts of remuneration to be awarded to KMP's. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

Key performance indicator	FY2022 Actual $'000	FY2021 Actual $'000	FY2020 Actual $'000	FY2019 Actual $'000	FY2018 Actual $'000
Net profit/(loss) after tax	(12,878)	(5,178)	(11,733)	26,158	18,397
EBITDA	3,533	10,933	752	50,669	31,308
Underlying EBITDA-S[1]	(1,762)	14,632	13,836	37,075	28,693
Dividend paid (cents per share)	-	-	-	18	18

1 Underlying figures have not been audited.

Other non financial measures such as Lost Time Injury Frequency Rate (LTIFR) Actual vs Previous Year are also taken into account when assessing the variable remuneration awarded.

Remuneration Report (Audited)

Key Management Personnel Remuneration

The statutory remuneration disclosures for the year ended 30 June 2022 are detailed below and are prepared in accordance with Australian Accounting Standards (AASBs).

		Short term benefits			Post employment	Long Term Benefits	Share based payments	Total
		Salary and Fees	STI	Non-monetary[1]	Superannuation	Other[2]		
Directors								
Gordon Davis	2022	142,691	-	-	-	-	-	142,691
	2021	126,432	-	-	2,614	-	-	129,046
Gregory McCormack	2022	183,022	-	-	18,367	-	-	201,389
	2021	197,915	-	-	18,802	-	-	216,717
Nils Gunnersen	2022	107,984	-	-	10,838	-	-	118,822
	2021	107,954	-	-	10,256	-	-	118,210
Tom Gunnersen	2022	107,984	-	-	10,838	-	-	118,822
	2021	107,954	-	-	10,256	-	-	118,210
Leanne Heywood	2022	123,058	-	-	12,345	-	-	135,403
	2021	117,850	-	-	11,196	-	-	129,046
Thomas Keene	2022	107,984	-	-	10,838	-	-	118,822
	2021	107,954	-	-	10,256	-	-	118,210
Anthony Bennett	2022	-	-	-	-	-	-	-
	2021	44,526	-	-	4,230	-	-	48,756
Current Executives								
Anthony McKenna[3]	2022	229,481	18,000	-	12,058	6,902	75,348	341,789
	2021	-	-	-	-	-	-	-
Michael McKenzie	2022	54,837	10,000	-	5,775	6,566	-	77,178
	2021	-	-	-	-	-	-	-
Former Executives								
Anthony Price[5]	2022	287,094	-	31,045	16,192	-	41,194	375,525
	2021	428,420	64,024	52,704	25,010	425	42,253	612,836
Ashley Merrett[4]	2022	230.585	-	17,896	21,410	11,255	45,334	326,480
	2021	289,082	28,170	23,000	25,010	20,551	14,475	400,288

[1] Relates to vehicle allowance paid by the Group
[2] Includes the movement in annual leave and long service leave provisions
[3] Anthony McKenna was appointed as Managing Director and CEO from 24 January 2022
[4] Ashley Merrett was on personal leave from 11 April 2022. Michael McKenzie was appointed as Acting CFO from 11 April 2022 and appointed as CFO on 1 July 2022.
[5] Anthony Price was Managing Director and CEO until 24 January 2022

In FY22 the Group performed a benchmarking process of Directors' remuneration against the market, leading to a reduction in Directors' fees, applicable from 1 July 2022. Refer to page 19 for details.

Remuneration Report (Audited)

Key Management Personnel Remuneration (continued)

Equity Instruments

KMP	Held at 1 July 2021	Shares acquired	Shares Sold	Other changes	Held at 30 June 2022
Gregory McCormack	9,604,599	-	-	-	9,604,599
Nils Gunnersen	9,829	-	-	-	9,829
Tom Gunnersen	-	-	-	-	-
Gordon Davis	90,000	-	-	-	90,000
Leanne Heywood	5,000	-	-	-	5,000
Thomas Keene	229,378	-	-	-	229,378
Anthony McKenna	-	-	-	-	-
Anthony Price[1]	190,329	-	-	(190,329)	-
Michael McKenzie	-	-	-	-	-
Ashley Merrett[2]	19,000	-	-	(19,000)	-

[1] Held at resignation date

[2] Ceased to be a KMP on 11 April 2022

Details of Equity Incentives Affecting Current and Future Remuneration

The table below outlines each KMP's unvested performance rights at the end of the reporting period. Details of vesting profiles of the performance rights held by each KMP are detailed below:

	Instrument	Number	Grant Date	% Vested in year	% Forfeited in Year	Financial Year in Which Grant Vests
Anthony McKenna	Performance Rights	89,227	24/01/2022	0%	-	2024
Anthony McKenna	Options	360,718	24/01/2022	0%	-	2023
Anthony McKenna	Options	360,718	24/01/2022	0%	-	2024
Ashley Merrett	Performance Rights	112,765	18/12/2020	0%	-	2023
Ashley Merrett	Performance Rights	111,880	01/12/2021	0%	-	2024
Anthony Price	Performance Rights	281,920	18/12/2020	0%	48%	2023
Anthony Price	Performance Rights	279,707	01/12/2021	0%	81%	2024

Michael McKenzie held no performance rights or options as at 30 June 2022.

Other Transactions with KMP

There are no other transactions between any of the KMP with any of the companies which are related to or provide services to Company unless disclosed in this Remuneration Report.

Financial Report

Introduction

This is the Financial Report of Midway Limited (the Company) and its subsidiaries (the Group). The Company is a for-profit entity for the purposes of preparing a Financial Report.

Accounting policies and critical accounting judgements applied to the preparation of the Financial Report are included throughout the Financial Report with the related accounting balance or financial statement matters to allow them to be easily understood by the users of this Report.

Contents

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	Notes	2022 $'000	2021 $'000
Revenue and other income			
Sales revenue	1.1	198,480	280,197
Other income	4.8	4,789	4,169
		203,269	284,366
Less: expenses			
Changes in inventories of finished goods and work in progress		5,353	(12,654)
Materials, consumables and other procurement expenses		(133,563)	(179,675)
Depreciation and amortisation expense	2.1|2.7	(8,544)	(11,271)
Employee benefits expense		(19,158)	(19,369)
Biological assets net fair value increment / (decrease)		6,490	(2,261)
Plantation management expenses		(80)	(199)
Freight and shipping expense		(40,945)	(40,161)
Repairs and maintenance expense		(7,680)	(6,438)
Impairment loss on non-current assets		(98)	(2,269)
Other expenses		(11,091)	(8,932)
		(209,316)	(283,229)
Finance expense	3.1	(13,846)	(5,123)
Finance income		(8)	410
Net finance expense		(13,854)	(4,713)
Share of net profit / (loss) from equity accounted investments	4.2	1,036	(1,475)
Profit / (loss) before income tax expense		(18,865)	(5,051)
Income tax expense benefit / (expense)	1.3	5,987	(127)
Profit / (loss) for the period		(12,878)	(5,178)
Items that will not be reclassified to profit and loss			
Revaluation of land fair value adjustment, net of tax	2.1	9,832	11,707
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges - effective portion of changes in fair value, net of tax		(4,749)	(3,487)
Foreign operations – foreign currency translation differences		-	(90)
Equity accounted investees - share of OCI		95	(95)
Other comprehensive income for the period		5,178	8,035
Total comprehensive income for the period		(7,700)	2,857
Profit / (loss) is attributable to:			
- Owners of Midway Limited		(12,973)	(5,363)
- Non-controlling interests		95	185
		(12,878)	(5,178)
Total comprehensive income is attributable to:			
- Owners of Midway Limited		(7,801)	2,678
- Non-controlling interests		101	179
		(7,700)	2,857
Earnings per share for profit attributable to equity holders:			
Basic earnings per share		($0.15)	($0.06)
Diluted earnings per share		($0.15)	($0.06)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Midway

Consolidated Balance Sheet

As at 30 June

	Notes	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	3.1	2,969	12,956
Receivables	2.6	10,774	17,329
Inventories	2.6	20,772	15,645
Biological assets	2.3	2,697	2,501
Current tax receivable		-	1,301
Other assets		8,583	6,561
Assets held for sale	2.2	314	2,997
Total current assets		46,109	59,290
Non-current assets			
Biological assets	2.3	45,238	41,589
Other Receivables		7,395	5,873
Investments accounted for using the equity method	4.2	11,019	9,978
Intangible assets	2.7	1,971	1,971
Loan receivables		604	3,127
Property, plant and equipment	2.1	144,839	141,067
Total non-current assets		211,066	203,605
Total assets		257,175	262,895
Current liabilities			
Trade and other payables	2.6	20,653	22,354
Current tax payable		1,698	-
Borrowings	3.1	21,029	9,552
Strategy financial liability		6,908	8,202
Derivative financial liability		8,940	2,165
Provisions		3,702	4,094
Total current liabilities		62,930	46,367
Non-current liabilities			
Borrowings	3.1	25,862	34,882
Strategy financial liability		32,717	31,850
Provisions		151	176
Deferred tax liabilities	1.3	10,717	17,379
Total non-current liabilities		69,447	84,287
Total liabilities		132,377	130,654
Net assets		124,798	132,241
Contributed Equity			
Share capital	3.3	64,888	64,888
Reserves	3.3	87,368	81,939
Accumulated losses		(28,741)	(15,768)
Equity attributable to owners of Midway Limited		123,515	131,059
Equity attributable to non-controlling interests		1,283	1,182
Total equity		124,798	132,241

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

$'000	Share capital	Reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 July 2020	64,888	73,793	(10,405)	1,843	130,119
Profit/(loss) for the year	-	-	(5,363)	185	(5,178)
Revaluation of land, net of tax	-	11,707	-	-	11,707
Cash flow hedges - effective portion of changes in fair value, net of tax	-	(3,576)	-	(6)	(3,582)
Foreign operations – foreign currency translation differences	-	(90)	-	-	(90)
Total comprehensive income for the year	-	8,041	(5,363)	179	2,857
Other Transactions:					
Issuance of ordinary shares, net of transaction costs	-	-	-	-	-
Issuance of performance rights	-	-	-	-	-
Share based payments expense	-	105	-	-	105
Transfers to profits reserve	-	-		-	-
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	(840)	(840)
Total other transactions	-	105	-	(840)	(735)
Balance as at 30 June 2021	64,888	81,939	(15,768)	1,182	132,241
Balance as at 1 July 2021	64,888	81,939	(15,768)	1,182	132,241
Profit/(loss) for the year	-	-	(12,973)	95	(12,878)
Revaluation of land, net of tax	-	9,832	-	-	9,832
Cash flow hedges - effective portion of changes in fair value, net of tax	-	(4,660)	-	6	(4,654)
Foreign operations – foreign currency translation differences	-	-	-	-	-
Total comprehensive income for the year	-	5,172	(12,973)	101	(7,700)
Other Transactions:					
Issuance of ordinary shares, net of transaction costs	-	-	-	-	-
Issuance of performance rights	-	-	-	-	-
Share based payments expense	-	257	-	-	257
Transfer from asset revaluation reserve	-	(11,238)	-	-	(11,238)
Transfers to profits reserve	-	11,238	-	-	11,238
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	-	-
Total other transactions	-	257	-	-	257
Balance as at 30 June 2022	64,888	87,368	(28,741)	1,283	124,798

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cashflows

For the Year Ended 30 June

	Notes	2022 $'000	2021 $'000
Cash flow from operating activities			
Receipts from customers		206,289	268,764
Payments to suppliers and employees		(212,585)	(247,511)
Interest paid		(1,977)	(1,777)
Income tax received		1,810	440
JobKeeper		-	2,354
Net cash provided by operating activities	3.1	(6,463)	22,270
Cash flow from investing activities			
Payment for property, plant and equipment		(9,375)	(3,427)
Proceeds from sale of fixed assets		20,175	332
Payment for non current biological assets		(1,922)	(2,122)
Acquisition of equity accounted investees		448	-
Net cash used in investing activities		9,326	(5,217)
Cash flow from financing activities			
Repayment of Strategy financial liability		(11,833)	(6,081)
Principal repayment of lease liabilities		(5,399)	(5,255)
Dividends paid		-	(840)
Proceeds from bank borrowings		14,734	-
Repayment of bank borrowings		(10,975)	(3,465)
Proceeds from loan receivable		2,623	495
Investment in term deposit		(2,000)	-
Net cash used in financing activities		(12,850)	(15,146)
Reconciliation of cash			
Cash at beginning of the financial period		12,956	11,049
Net increase/(decrease) in cash held		(9,987)	1,907
Cash at end of financial period (net of overdrafts)		2,969	12,956

The above Consolidated Statement of Cashflows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Section 1: Our Performance

This section provides an insight into the performance of Midway and its subsidiaries including :

- **The Woodfibre segment was impacted in 1H22 by COVID 19 and power cuts in China. In the second half harvest and haul disruption from COVID-19 and higher fuel costs and inflationary impacts had a negative impact on margins which cannot be passed onto customers until the price is renegotiated for 2H23.**
- **The Group achieved an underlying EBITDA of -$1.8M (2021: $14.6M).**
- **The Board has elected to not declare a dividend in light of the current performance.**

1.1 Segment Reporting

(a) Description of segments

The Group 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.

Reportable Segments	Products / Services
Woodfibre	Includes primary operations whereby the Group purchases and sells both own and third party wood. SWF is also proportionally consolidated at 51% for segment reporting which reflects how management views and makes decisions of its operations. In the current year income earned from marketing third party woodfibre has been reallocated to this category , as this is how the chief operating decision maker reviews the financial information.
Forestry Logistics	Forestry logistics provides support services to third parties engaged in growing woodfibre including harvest, infield chipping and haulage.
Plantation Management	Plantation management is the provision of silviculture services including on group owned trees. The segment also holds any group owned plantation land and trees
Ancillary	Represents any one off, transactional and other non recurring costs

The Group evaluates the performance of its operating segments based on net sales (net of insurance and freight costs). Net sales for geographic segments are generally based on the location of customers. 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.

Key adjustment items relate to the gross up of revenue and cost of goods sold transactions relating to chip trading activities performed within the woodfibre segment. Management accounts are prepared on a segment basis with 51% share of SWF joint venture included in Woodfibre processing. For statutory accounts SWF is equity accounted with revenue and expenses of SWF eliminated.

Prior period comparative information has been restated to reflect the revised structure.

Notes to the Consolidated Financial Statements

Section 1: Our Performance

1.1 Segment Reporting (continued)

(b) Segment information provided to senior management

2022

($'000)	Woodfibre	Forestry Logistics	Plantation Management	Ancillary	Eliminations	Total
Sales revenue	186,185	4,883	2	-	7,410	198,480
Inter segment sales	-	-	10,632	-	(10,632)	-
Other income	4,363	660	2,008	-	(2,242)	4,789
Total revenue and other income	190,548	5,543	12,642	-	(5,464)	203,269
Share of equity accounted profits	-	-	-	-	1,036	1,036
EBITDA – S[1]	6,080	(2,851)	(2,406)	(52)	(2,533)	(1,762)
Significant items	(98)	(714)	1,943	(2,326)	-	(1,195)
Fair value gain/(loss) on biological assets	-	-	6,490	-	-	6,490
EBITDA	5,982	(3,565)	6,027	(2,378)	(2,533)	3,533
Depreciation and amortisation	(7,170)	(1,742)	(1,544)	(17)	1,929	(8,544)
EBIT	(1,188)	(5,307)	4,483	(2,395)	(604)	(5,011)
Net finance expense	(2,389)	(115)	(11,510)	-	160	(13,854)
Net profit/(loss) before tax	(3,577)	(5,422)	(7,027)	(2,395)	(444)	(18,865)
Income tax benefit/(expense)	1,819	1,613	2,091	20	444	5,987
Net profit/(loss) after tax	(1,758)	(3,809)	(4,936)	(2,375)	-	(12,878)
Segment assets	171,685	2,864	151,069	6,254	(74,697)	257,175
Equity accounted investees	11,019	-	-	-	-	11,019
Capital expenditure	(10,254)	(1,870)	(541)	-	428	(12,237)
Segment liabilities	(76,701)	(13,753)	(84,427)	(3,741)	46,245	(132,377)

2021

($'000)	Woodfibre	Forestry Logistics	Plantation Management	Ancillary	Eliminations	Total
Sales revenue	198,084	4,823	476	-	76,814	280,197
Inter segment sales	174	-	11,577	-	(11,751)	-
Other income	8,190	355	320	-	(4,696)	4,169
Total revenue and other income	206,448	5,178	12,373	-	60,367	284,366
Share of equity accounted profits	-	23	-	-	(1,498)	(1,475)
EBITDA – S[1]	21,488	(2,705)	(2,226)	(50)	(1,875)	14,632
Significant items	1,363	(1,768)	-	(1,033)	-	(1,438)
Fair value gain/(loss) on biological assets	-	-	(2,261)	-	-	(2,261)
EBITDA	22,851	(4,473)	(4,487)	(1,083)	(1,875)	10,933
Depreciation and amortisation	(9,855)	(2,228)	(1,486)	(17)	2,315	(11,271)
EBIT	12,996	(6,701)	(5,973)	(1,100)	440	(338)
Net finance expense	(2,205)	(51)	(2,646)	-	189	(4,713)
Net profit/(loss) before tax	10,791	(6,752)	(8,619)	(1,100)	629	(5,051)
Income tax benefit/(expense)	(3,412)	1,359	2,548	20	(642)	(127)
Net profit/(loss) after tax	7,379	(5,393)	(6,071)	(1,080)	(13)	(5,178)
Segment assets	187,165	2,980	154,372	4,864	(86,486)	262,895
Equity accounted investees	9,938	40	-	-	-	9,978
Capital expenditure	(2,591)	(489)	(615)	-	-	(3,695)
Segment liabilities	(74,090)	(9,929)	(88,611)	(3,268)	45,244	(130,654)

[1] EBITDA – S: Earnings before interest, tax, depreciation and amortisation, significant items and net fair value gain / (loss) on biological assets.

Midway

Notes to the Consolidated Financial Statements

Section 1: Our Performance

1.1 Segment Reporting (continued)

(c) Revenue by geographic region

The presentation of geographical revenue is based on the geographical location of customers.

2022

Revenue by geographic region	Woodfibre	Forestry Logistics	Plantation Management	Ancillary	Eliminations	Total
Australia	2,204	4,883	10,634	-	(10,632)	7,089
China	98,203	-	-	-	39,988	138,191
Japan	85,778	-	-	-	(32,578)	53,200
South East Asia	-	-	-	-	-	-
	186,185	4,883	10,634	-	(3,222)	198,480

2021

Revenue by geographic region	Woodfibre	Forestry Logistics	Plantation Management	Ancillary	Eliminations	Total
Australia	2,079	4,823	12,038	-	(11,751)	7,189
China	115,424	-	-	-	95,435	210,859
Japan	78,891	-	-	-	(18,621)	60,270
South East Asia	1,864	-	15	-	-	1,879
	198,258	4,823	12,053	-	65,063	280,197

For the financial year ending 30 June 2022 there were three (2021: three) customers in China and Japan that individually made up 10% or above total sales for the Group.

Policy

Revenue

Sales revenue is recognised on settlement of each performance obligation. Export woodfibre sales are generally on CIF or FOB shipping terms, with revenue recognised when last goods are loaded on board at the point when the performance obligation is settled under the shipping terms. All other sales are generally recognised as revenue at the time of delivery of the goods to the customer.

The Group also arranges the insurance and freight for CIF vessels which is deemed a separate performance obligation. The performance obligation is satisfied over time until the shipment arrives at the destination port. Therefore, the component of revenue relating to freight and insurance should also be recognised over time (i.e. as performance obligation settled).

Revenue from the rendering of services is recognised over time as the performance obligations within each contract are settled.

1.2 Individually significant items

Individually significant items before tax	Notes	2022 $'000	2021 $'000
Job Keeper		-	2,014
Profit on sale of assets (Plantation Land)		1,943	-
Impairment loss on Non-current Assets		(98)	(2,269)
Midway Logistics wind-down costs		(714)	-
Restructuring cost		-	(149)
Transactions costs[1]		(2,326)	(1,034)
Impact of individually significant items		(1,195)	(1,438)

[1] Transaction costs of $2.3m were incurred in 2022 relating to the planned sale of the Victorian plantation estate, the sale being contingent upon approval from the Foreign Investment Review Board (FIRB).

Notes to the Consolidated Financial Statements

Section 1: Our Performance

1.3 Income Tax

(a) Current tax reconciliation	2022 $'000	2021 $'000
Current tax	(5,238)	1,644
Deferred tax	(729)	(1,543)
Over provision in prior years	(20)	26
	(5,987)	127

(b) Prima facie tax payable

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

	2022 $'000	2021 $'000
Prima facie income tax receivable on profit before income tax at 30.0% (2021: 30.0%)	(5,660)	(1,515)
-Effect of taxes in foreign jurisdictions	-	25
Add tax effect of:	-	-
- Unfranked dividend	-	839
- Impairment on non current assets (Bio Growth Partners)	30	165
- Under provision of income tax in prior years	-	26
- Other non-allowable items	-	144
	(5,630)	(316)
Less tax effect of:		
- Over provision for income tax in prior years	(20)	-
- Share of (profits)/losses from joint ventures	(311)	443
- Other	(26)	-
	(357)	443
Income tax expense / (benefit) attributable to profit	(5,987)	127

(c) Deferred tax

	2022 $'000	2021 $'000
Deferred tax assets		
Payables	664	884
Biological assets	1,432	642
Blackhole expenditure	788	385
Capital losses carried forward	-	2,046
Hedge Reserve	2,682	623
Tax losses carried forward	5,934	-
Other	-	521
	11,500	5,101
Deferred tax liabilities		
Property, plant and equipment	22,217	22,480
	22,217	22,480
Net deferred tax liabilities	10,717	17,379

(e) Deferred income tax (revenue)/expense included in income tax expense comprises

	2022 $'000	2021 $'000
Decrease / (increase) in deferred tax assets	(465)	(1,618)
(Decrease) / increase in deferred tax liabilities	(264)	75
	(729)	(1,543)

(f) Deferred income tax related to items charged or credited directly to equity

	2022 $'000	2021 $'000
Increase in deferred tax liabilities	(3,514)	3,520

Notes to the Consolidated Financial Statements

Section 1: Our Performance

1.3 Income Tax (continued)

Policy

Current income tax expense or benefit 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.

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.

Key estimates and judgements

From time to time the Group takes tax positions that require consideration, including an assessment of the recoverability of Deferred Tax Assets (DTA). The Group only recognises DTA to the extent it is probable they will be realised in the foreseeable future.

Notes to the Consolidated Financial Statements

Section 1: Our Performance

1.4 Earnings Per Share

(a) Earnings per share

	2022	2021
Earnings per share	($0.15)	($0.06)
Diluted earnings per share*	($0.15)	($0.06)

	2022 number	2021 number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	87,336,222	87,336,222
Adjustments for calculation of diluted earnings per share:		
Performance rights[1]	-	-
	87,336,222	87,336,222

*Diluted earnings per share is basic earnings per share adjusted for the effects of all dilutive potential ordinary shares.

1: As at 30 June 2022 1,902,347 performance rights (2021: 970,286) were excluded from the diluted weighed average number of ordinary shares calculation because their effect would have been anti-dilutive.

Basic earnings per share is calculated on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

1.5 Dividends

	2022 $'000	2021 $'000
Fully franked at 30% (2021: 30%)	-	-

The balance of the franking account at 30 June 2022 is $5,125,895 (2021: $6,781,369).

Notes to the Consolidated Financial Statements

Section 1: Our Performance

1.6 Impairment of non financial assets

Impairment tests for all assets are performed when there is an indicator of impairment, although goodwill is tested at each reporting date. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the income statement.

The Group's CGUs consist of individual business units at the lowest level at which cash inflows are made including:

- Midway Geelong
- Queensland Commodity Exports
- Midway Logistics
- Midway Tasmania
- Plantation Management Partners
- South West Fibre
- BioGrowth Partners

Key assumptions and estimates
Key assumptions and estimates used in the impairment analysis consist of:

Projected cash flows
The recoverable amount of a CGU is based on value in use calculations that are based on detailed management prepared forecasts for five years through to FY 2027, unless the timing of tree crop rotation profiles justifies a longer period. In the case of Plantation Management Partners, the timeframes were modelled out to 2057, reflecting the likely timeframes for the next two rotations. In the case of Midway Logistics and BioGrowth Partners, the recoverable amounts of these CGUs was considered with reference to the fair value less costs to sell of the identifiable assets within each CGU. Refer below for further commentary.

Long-term average growth rate
A terminal growth rate of 2.2% has been used and only applied to CGUs whereby it is likely they will exceed into perpetuity and there is a reasonable chance of sourcing woodfibre in each catchment whereby a CGU resides.

Discount rate
The Group used a pre-tax discount rate of between 12.8% and 14.4% for all CGUs (2021: 11.0% - 13.5%).

Sensitivity analysis
The Group believes any reasonable possible change in the key assumptions would not cause the carrying value of the CGUs to exceed their recoverable amount.

Other assumptions
The impact of COVID-19 and global supply chain challenges on global markets is an area of uncertainty, along with future potential impacts from climate change.

Midway Logistics and BioGrowth Partners
The Midway Logistics and BioGrowth Partners CGUs are in the process of being wound-down. The assessment of recoverable amount led to one right of use lease asset within Midway Logistics being impaired by $0.07M following this exercise. No other indicators of impairment were identified.

FY2021
Impairment of Bio Growth Partners (40% equity accounted investee)
The Group has taken a writedown on carrying value in its investment in Bio Growth Partners for $2.2M. The Group suffered from timber supply constraints and unplanned customer shut-downs in Western Australia as a result of the COVID-19 pandemic which resulted in reduced domestic business that impacted our equity accounted investee Bio Growth Partners (BGP). Subsequent to year end, the Group purchased the remaining 60% share in BGP for $1 per share.

Notes to the Consolidated Financial Statements

Section 2: Our asset base

This section provides an insight into the asset base the Group requires to operate a forestry business.

- **The Group sources wood supply from owned and third party plantation land, which is used to grow hardwood trees;**
- **The Group's plantation land portfolio increased in value by $10.3M (before tax) in the current year, primarily due to increased prices for forestry land;**
- **The Group holds biological assets for harvest of which $6.6M relates to seedlings and $41.3M is plantation hardwood;**
- **The Group has low credit risk due to the nature and size of customers and use of letters of credit in the majority of cases; and**
- **Plantation Land ($91.6M) and Biological Assets ($47.9M) are held on the balance sheet at fair value. As a result, any impacts from COVID-19 and current global supply chain challenges have been reflected in the independent valuations performed of these assets.**

2.1 Property, plant and equipment

Each class of property, plant and equipment is set out below:

	Plantation land $'000	Freehold Land $'000	Leased Land $'000	Buildings $'000	Plant and Equipment $'000	Roading $'000	Total $'000
Depreciation policy				2.5-27%	3-25%	5-15%	
Year ended 30 June 2021							
Opening net book amount	81,943	12,670	4,516	2,753	24,364	6,891	133,137
Additions	-	-	978	723	3,554	563	5,818
Disposals	-	-	(59)	(12)	(273)		(344)
Depreciation	-	-	(1,653)	(411)	(8,303)	(904)	(11,271)
Reclassification to asset held for sale	(2,997)	-	-	-	-	-	(2,997)
Revaluation	16,724	-	-	-	-	-	16,724
Closing carrying amount	95,670	12,670	3,782	3,053	19,342	6,550	141,067
Year ended 30 June 2022							
Opening net book amount	95,670	12,670	3,782	3,053	19,342	6,550	141,067
Additions	-	-	1,950	4,961	7,405	236	14,552
Disposals	(14,362)	-	(84)	-	(1,522)	-	(15,968)
Depreciation	-	-	(1,502)	(496)	(5,682)	(864)	(8,544)
Reclassification to asset held for sale	-	-	-	-	(314)	-	(314)
Revaluation	10,316	3,730	-	-	-	-	14,046
Closing carrying amount	91,624	16,400	4,146	7,518	19,229	5,922	144,839

Right of use assets are included within each category of property, plant and equipment above. Refer to note 2.5 for a full breakdown of right of use assets.

Notes to the Consolidated Financial Statements

Section 2: Our asset base

2.1 Property, plant and equipment (continued)

(a) Key estimates and judgements – fair value

	2022 Fair Value $'000	Valuation Technique	Description of valuation technique
Freehold land	16,400	Market approach[1]	The Company's freehold land is stated at fair value. The fair value measurements of the Company's land as at 30 June 2022 were performed by an independent valuer. The valuation was performed using a direct market comparison approach. A change to inputs to the market approach assessment would result in differing valuation results.
Plantation land	91,624	Market Approach / Net present value approach[1]	The Company's plantation land is stated at revalued amounts, being the fair value for its highest and best use at the date of revaluation. The highest and best use is subjective and judgemental given potential alternate uses. It requires careful analysis and detailed knowledge of the local market conditions and recent sales trends. The Group engaged an independent valuer to provide an independent valuation on an unencumbered basis as at 30 June 2022. The independent valuation is adjusted by the Directors using a discounted cash flow (DCF) methodology to estimate the fair value on an encumbered basis. Assumptions about clear fall period and reversion costs have been included where/as appropriate. In some instances, the valuations highest and best use is Lifestyle differing from actual use, Forestry. A change to inputs to the valuer's and/or the Directors assessment would result in differing valuation results.

[1]: The same valuation technique was used in 2021

Freehold and forest plantation land have been classified as level three on the fair value hierarchy. Level three represents inputs that are not based on observable market data. No transfers in and out of level three occurred during the period.

The potential future impacts of COVID-19 and current global supply chain challenges remain uncertain and could impact the key estimates and judgments noted above.

2022 plantation land measurement

The unencumbered value of the plantation land is $91.6M (2021: $113.0M). The Directors have subsequently valued the land on an encumbered basis (i.e. in recognition of the existing tree crops being grown on the land which are legally owned by third parties), taking into account where appropriate reversionary costs and utilising a discounted cash flow analysis from the highest and best use determined by the independent valuation expert.

The key assumptions used in determining the encumbered land valuation are:

Assumption	Variable
Discount Rate	6.75% (2021: 6.75%)
Growth Rate	2.25% to 4.75%
Reversionary Costs	$0-$1,550 per hectare
Clearfall period	2023 – 2028

Notes to the Consolidated Financial Statements

Section 2: Our asset base

2.1 Property, plant and equipment (continued)

(b) Sensitivity analysis

As at the balance date, the impact of a change of certain assumptions on the plantation land of the Group (all other things being equal) would have resulted in the following impacts on Other Comprehensive Income (OCI):

	2022		2021	
	Increase	Decrease	Increase	Decrease
Plantation land at fair value	$'000	$'000	$'000	$'000
Discount rate +/- 1%	(2,554)	2,693	(3,397)	3,606
Growth rate +/- 1%	2,757	(2,662)	3,651	(3,499)
Reversionary costs +/- 10%	(176)	176	(173)	173

A change in assumptions for the following variables may have a significant impact on the value of the portfolio dependant on the assumptions utilised, as there is significant judgement involved:

- Highest and best use classification of each block within the portfolio
- Clearfall period of when trees harvested
- Rate per hectare applied to each individual block based on individual characteristics of that block

Freehold land

A 1% change in assumptions to the $ rate per ha applied will increase the value by $0.2M (2021: $0.1M), or decrease by $0.2M (2021: $0.1M). Based on current and prior valuations of the land a 1% rate change is considered reasonable.

(c) Policy

Freehold and plantation land

Freehold and plantation land is 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.

Increases in the carrying amounts arising on revaluation of land is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve. 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 with a corresponding decrease to the asset revaluation reserve; all other decreases are charged to the statement of profit or loss.

Other items of property, plant and equipment

Other items of property, plant and equipment are measured on a cost basis and are a separate asset class to land assets.

Where roading is capitalised on third party or leased blocks, it is classified as an other asset if it is expected to be utilised within 12 months or an item of property, plant and equipment if it will be used for a period greater than 12 months.

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.

Roading which has been built on land owned by Midway is amortised on a straight-line basis over the period of one harvest. Roading which is built on third party properties is amortised using the unit production method at the earliest of the lease agreement with the supplier or the wood supply running out for a particular operation to which the roading relates.

Notes to the Consolidated Financial Statements

Section 2: Our asset base

2.2 Asset Held-for-sale

	2022 $'000	2021 $'000
Opening balance	2,997	-
Plantation Land at Fair Value	(2,997)	2,997
Fixed assets	314	
Closing balance	314	2,997

Policy

Assets held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

2.3 Biological assets

	2022 $'000	2021 $'000
Current		
Plantation hardwood at fair value	2,697	2,501
Non Current		
Plantation hardwood at fair value	38,573	33,501
Plantation hardwood at fair value (new plantings)	6,665	8,088
	47,935	44,090

(a) Reconciliation of carrying amount

	Biological assets $'000
at 1 July 2021	44,090
Harvested timber	(4,645)
New plantings	1,897
Purchase of standing timber	104
Change in fair value less estimated point of sale costs - due to:	
Change in discount rate	1,020
Change in volumes and prices	5,469
Balance at 30 June 2022	47,935

Policy

Biological assets are held at fair value, with exception of new plantings (see below).

Biological assets are classified as current if it is anticipated they will be harvested within twelve months from balance date.

The fair value net increase or decrease to the carrying value of the standing timber revaluation is recognised in the statement of profit or loss and other comprehensive income.

Biological assets are classified as level three on the fair value hierarchy. There were no transfers between level 1, 2 or 3 on the fair value hierarchy.

New plantings

Fair value is unable to be reliably measured until year three, however cost is considered to approximate fair value up until this point. Once the trees are three years old they are measured at fair value and remeasured each year after via an independent valuation if the carrying amount is significant.

Site preparation costs are capitalised into the cost of the asset. Where there are no plantings, these costs are expensed.

Notes to the Consolidated Financial Statements

Section 2: Our asset base

2.3 Biological assets (continued)

(b) Key estimates and judgements – fair value (level three)

Valuation Technique	Description of valuation technique	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Net present value approach	An independent market valuation is performed based on a net present value calculation (NPV) calculation. NPV is calculated as the net of the future cash inflows and outflows associated with forest production activities discounted back to current values at the appropriate discount rate. Key assumptions underpinning the NPV calculation include: • Forest valuations are based on the expected volumes of merchantable timber that will be realised from existing stands, given current management strategies and forecast timber recovery rates; • Only the current crop (standing timber) is valued. The cash flow analysis is based on the optimised timing of the harvest of existing stands, which has been developed in the context of sustained yield management; • Volume increments/decrements are determined both by periodic re-measurement of forest samples and by modelling growth from the date of the most recent measurement to date of harvest; and • Ancillary income earned from activities such as the leasing of land for grazing and other occupancy rights is added to the net harvest revenues.	• Estimated future timber market prices per tonne (weighed average USD / BDMT $212.9 [2021: $205.3]) • Estimated yields per hectare (weighed average gmt/ha 216 [2021: 209]) • Estimated harvest and transportation costs (weighted average $52.1/gmt [2021: $45.7/gmt]) • Risk-adjusted discount rate 7.0% (2021: 7.5%)	The estimated fair value would increase/(decrease) if the: • estimated timber prices per tonne were higher /(lower). • estimated yield per hectare or estimated timber projections were higher/(lower). • estimated average direct and indirect costs were lower/(higher). • discount rate was lower/(higher). The potential future impacts of COVID-19 and climate change remain uncertain and could impact the key estimates and judgments noted above

(c) Sensitivity analysis

As at the balance date, the impact of key assumptions on the biological assets of the Group (all other things being equal) would have resulted in the following impacts in income statement:

	2022		2021	
	Increase	Decrease	Increase	Decrease
Biological assets	$'000	$'000	$'000	$'000
Discount rate +/- 1%	(2,017)	2,172	(1,728)	1,839
Expected future sales prices +/- 10%	12,905	(12,905)	11,070	(11,070)
Expected future harvest and transportation costs +/- 10%	(7,827)	7,827	(6,560)	6,560
Expected future changes in volume +/- 10%	5,567	(5,567)	5,100	(5,100)

Notes to the Consolidated Financial Statements

Section 2: Our asset base

2.3 Biological assets (continued)

(d) Sale of plantation estate

In May 2022 Midway has signed contracts for the sale of 17,000 hectares of its existing plantation estate in the central and south-west regions of Victoria to a special purpose vehicle (SPV) owned by clients of MEAG, Munich Re's asset manager, for an estimated $154.1M

- Settlement of the last tranche is due to occur in September 2024, with the largest tranche upfront representing the unencumbered land
- Settlement of the first stage of the transaction is expected to occur in October following necessary regulatory approvals, including the Foreign Investment Review Board (FIRB)
- The SPV has also committed to invest A$200 million in land acquisition for new hardwood 'greenfield' plantations in south-west Victoria over the next five years
- The sale of the plantation estate will not be recognised as a sale until all the necessary regulatory approvals are received.
- Contingent on successful FIRB approval, the remaining treecrop currently owned by Strategy[1] will be repurchased at the earliest possible point in the contract which can occur within a five year window, with the last tranche expected to be repurchased in September 2024.

Risk management strategy in relation to biological assets

Midway manages its own plantation estate and estates of third parties using well equipped, trained forestry staff to achieve production wood-flow consistent with the business plan and to mitigate against the risk of damage (including holding insurance against catastrophic events such as fire).

The Group is progressing its plans to complete the sale of the Victorian plantation estate, which is subject to approval by the Foreign Investment Review Board. The sale will help the Group position for long-term growth, secure a $200m greenfield investment in Victoria, and provide the Group with security of wood supply into the future.

[1] During a prior period, Strategy Timber Pty Ltd sold its investment in the treecrop to another third party, Hancock Natural Resource Group (HNRG, who acquired the Strategy hardwood plantation trees in Victoria on behalf of its investment clients. In the current period, HNRG changed its name to Manulife. The existing arrangements in place concerning Midway's commitment to repurchase the hardwood treecrop have been novated as a part of the sales process and as such the sale does not have any ramifications for the Group.

2.4 Commitments

	2022 $'000	2021 $'000
- not later than one year	27,993	18,884
- later than one year and not later than five years	64,383	68,431
- later than five years	54,463	59,584
	146,839	146,899

Commitments relate to the minimum charges under the Port of Geelong bulk loader agreement and various supply agreements for the supply of timber to be used in production for which the Group is required to purchase minimum quantities. In addition, the Group has also secured a significant proportion of its long term supply of woodfibre through a number of executory contracts which allow for the Group to purchase woodfibre at market prices. Commitments are entered into by Midway Limited, parent entity.

Notes to the Consolidated Financial Statements

Section 2: Our asset base

2.5 Leases

(a) Right of use Assets

Right of use assets by category	Leased Land	Leased Building	Leased Property, plant and equipment	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2020	4,516	77	9,948	14,541
Additions	978	633	780	2,391
Disposal	(59)	(12)	(226)	(297)
Depreciation	(1,653)	(199)	(3,446)	(5,298)
Closing carrying amount	3,782	499	7,056	11,337
Balance at 1 July 2021	3,782	499	7,056	11,337
Additions	1,950	1	2,601	4,552
Disposal	(84)	-	(1,068)	(1,152)
Depreciation	(1,502)	(284)	(2,893)	(4,679)
Closing carrying amount	4,146	216	5,696	10,058

(b) Amounts recognised in Profit or loss

	2022	2021
	$'000	$'000
Interest on lease liabilities	168	210
Expenses relating to short-term leases	74	88

(c) Amounts recognised in the Statement of Cashflows

	2022	2021
	$'000	$'000
Total cash outflows for leases	5,399	5,255

Extension Options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Policy

The Group recognises a right to use asset for a lease whereby there is right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date, a right to use asset is measured at cost and a corresponding lease liability is created to reflect the present value of the lease payments that are not paid at that date, discounted using the incremental borrowing rate specific to that lease.

Subsequently, the right to use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the asset's lease term. Lease liability is measured at amortised cost using the effective interest method.

The Group will not recognise a right to use asset for any short term or insignificant leases.

Notes to the Consolidated Financial Statements

Section 2: Our asset base

2.6 Working Capital

Working capital	Section	2022 $'000	2021 $'000
Cash and cash equivalents		2,969	12,956
Inventories	a	20,772	15,645
Trade and other receivables	b	10,774	17,329
Trade and other payables	c	(20,653)	(22,353)
Provisions		(3,853)	(4,270)
		10,009	19,307

(a) Inventories

	2022 $'000	2021 $'000
At cost		
Finished goods	20,772	15,645
Work in progress	-	-
	20,772	15,645

Policy

Inventories are measured at the lower of cost and net realisable value. The cost of woodfibre includes direct material, direct labour and a proportion of manufacturing overheads based on normal operating capacity.

COVID-19 impacted USD FOB and CIF sale prices for woodfibre during the period. At each balance date, the Group measures inventory to ensure it is held at the lower of cost and net realisable value. No write-downs occurred as a result of this test, albeit lower prices than the previous corresponding period were used.

Key estimates and judgements

Woodfibre is purchased in Green Metric Tonnes (GMTs), (fibre inclusive of moisture) and is sold in Bone Dry Metric Tonnes (BDMTs), being fibre exclusive of moisture. Cost is determined on an actual cost basis. Moisture content and production losses are applied to the GMT values. Factors vary depending on the timber species and variations in moisture content.

Volumetric chip stack surveys are used in determining inventory volumes at year end. Conversion from M^3 to GMT ranges from 2.15 to 2.60 – the range depends upon factors such as timber species type and seasonal factors.

(b) Trade and other receivables

	2022 $'000	2021 $'000
Trade debtors	1,118	9,755
Accrued income[1]	7,676	5,105
GST receivable	1,980	2,469
	10,774	17,329

[1] Accrued income refers to vessel shipped in late June but not invoiced.

Policy

Trade and other receivables are measured at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

Section 2: Our asset base

2.6 Working capital (continued)

(c) Trade and other payables

	2022 $'000	2021 $'000
Unsecured liabilities		
Trade creditors	9,788	9,553
Sundry creditors and accruals	10,865	12,800
	20,653	22,353

Policy

Financial liabilities include trade payables, other creditors and loans from third parties.

Non-derivative financial liabilities are subsequently measured 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 twelve months after the reporting period.

2.7 Intangible assets

The reconciliation of the carrying amount is set out below:

	Goodwill $'000	Total $'000
Year ended 30 June 2021		
Opening net book amount	1,971	1,971
Amortisation	-	-
Closing carrying amount	1,971	1,971
Year ended 30 June 2022		
Opening net book amount	1,971	1,971
Amortisation	-	-
Closing carrying amount	1,971	1,971

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Notes to the Consolidated Financial Statements

Section 3: Funding structures

The Group has a disciplined approach applying key principles in capital management and maximising shareholder returns. This includes:

- **Forward cover taken out against the USD currency fluctuations on USD denominated sales in accordance with the Group's hedging policy to safeguard against volatility and maximise profits (see section 3.2).**
- **Maintaining a gearing ratio which allows flexibility in the balance sheet (<0.3)**

3.1 Net Debt

	2022 $'000	2021 $'000
Bank loans - current	16,950	4,725
Bank loans - non current	20,675	29,175
Hire purchase liabilities - current	2,354	3,327
Hire purchase liabilities - non current	1,922	2,848
Other finance arrangements	-	-
AASB 16 Lease liabilities	4,990	4,359
Cash and cash equivalents	(2,969)	(12,956)
Term deposit	(2,000)	-
	41,922	31,478

i. Assets pledged as 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; and the property situated at 1A The Esplanade, North Shore VIC, granted by Midway Limited; and
- A number of plantation blocks in South West Victoria.

ii. Refinancing

The following amounts represent the Group's outstanding liabilities with external financiers:

Type	Utilised $'000	Total $'000	Maturity
Term debt	19,175	19,175	30-Sep-24
Working capital, asset finance (NAB)	17,223	34,000	30-Jun-23[1]
Asset finance (ANZ)	2,253	10,000	31-Dec-22
Acquisition debt facility - tranche 2	250	250	3-Aug-22
Acquisition debt facility – Bell Bay	3,000	3,000	30-Sep-24[2]

[1] The working capital facility held by Midway Limited with NAB will reduce from $25.0M to $15.0M on 31 December 2022, with $0.2M being due on that date. The remainder of the facility matures on 30 June 2023.

[2] The Bell Bay acquisition debt facility matures in stages; $1.5m matures on 30 September 2023; $1.5m matures on 30 September 2024.

The Group has the ability to enter into purchase arrangements under the asset finance facilities until expiration on 30 June 2023 (NAB) and 31 Dec 2022 (ANZ). Each outstanding finance arrangement will then be repaid within a five year period.

Policy

Borrowings are initially recognised at fair value, net of transactions costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months following the reporting period.

Notes to the Consolidated Financial Statements

Section 3: Funding structures

3.1 Net Debt (continued)

(a) Cash and cash equivalents

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated balance sheet as follows:

	2022 $'000	2021 $'000
Cash on hand	1	1
Cash at bank	2,968	12,955
	2,969	12,956
Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	(12,878)	(5,178)
Adjustments and non-cash items		
Depreciation & amortisation	8,544	11,271
Net (gain) on disposal of property, plant and equipment	(2,413)	(59)
Sundry movements	326	132
Share of equity accounted investees profit	(1,036)	1,475
Fair value (increment)/decrement on revaluation of biological assets	(6,490)	2,261
Impairment of non current assets	98	2,269
Non-cash interest expense	11,580	2,734
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	7,259	(8,810)
(Increase) in other assets	(1,341)	(5,852)
(Increase) / decrease in inventories	(5,127)	13,565
Increase in biological assets (net of revaluation increment/decrement)	4,566	5,576
Increase / (decrease) in payables	(3,288)	2,325
(Decrease) in deferred taxes	(8,844)	(1,569)
Increase in tax provision	2,999	2,136
(Decrease) in provisions	(418)	(6)
Cash flows provided from operating activities	(6,463)	22,270

Policy

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 consolidated balance sheet.

(b) Finance Expense

	2022 $'000	2021 $'000
Interest expenses	1,770	1,503
Strategy finance expenses	11,406	2,935
Bank charges	298	176
Interest expense on lease liabilities	372	509
	13,846	5,123

Notes to the Consolidated Financial Statements

Section 3: Funding structures

3.1 Net Debt (continued)

(c) Reconciliation of liabilities arising from financing activities

	Borrowings - current $'000	Borrowings - non current $'000	Strategy financial liability current $'000	Strategy financial liability - non current $'000
Balance at 1 July 2021	9,552	34,882	8,202	31,850
Cash changes				
Proceeds from borrowings	13,234	1,500	-	-
Repayment of borrowings	(6,374)	(10,000)	(8,202)	(3,631)
Total cash flows	6,860	(8,500)	(8,202)	(3.631)
Non cash changes				
Lease Additions	2,275	1,666	-	-
Interest	156	-	-	11,406
Transfer	2,186	(2,186)	6,908	(6,908)
Balance at 30 June 2022	21,029	25,862	6,908	32,717

Notes to the Consolidated Financial Statements

Section 3: Funding structures

3.2 Financial Risk Management

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital, so that it can provide returns to the shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

As part of their FY23 capital management strategy, the Group intends to execute initiatives to reduce both the Strategy Liability and corporate debt. This will be funded through the sale of the Company's plantation assets which was announced to the Australian Security Exchange (ASX) on 12 May 2022 and remains subject to approval by the Foreign Investment Review Board (FIRB).

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Audit & Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors have overall responsibility for identifying and managing operational and financial risks.

The Group is exposed to a variety of financial risks comprising:

(a) Market risk

(b) Credit risk

(c) Liquidity risk

The Group holds the following financial instruments:

	2022 $'000	2021 $'000
Financial assets		
Cash and cash equivalents	2,969	12,956
Receivables	7,988	15,628
Other receivables	2,786	7,574
Term deposit	2,000	-
	15,743	36,158
Financial liabilities		
Bank and other loans	37,625	33,900
Creditors	9,788	9,553
AASB 16 lease liabilities	4,990	4,359
Finance lease liability	4,276	6,175
Other payables	10,865	12,800
Derivatives	8,940	2,165
	76,484	68,952

Notes to the Consolidated Financial Statements

Section 3: Funding structures

3.2 Financial Risk Management (continued)

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bills, leases and derivatives. The objective of market risk management is to maintain and control market risk exposures within acceptable parameters, while optimising the return.

i. Currency risk

The Group has an Australian Dollar (AUD) presentation currency, which is also the functional currency of its Australian entities. The Group is exposed to currency risk as below:

What is the risk?	How does Midway manage the risk?	Impact at 30 June 2022
If transactions are denominated in currencies other than AUD. There is a risk of an unfavourable financial impact if there is an adverse movement in foreign currency. Export sales are denominated in U.S Dollars (USD), with one of the Group's bank accounts being in USD.	The Group mitigates currency risk by entering into forward exchange/swap contracts and FX options to sell specified amounts of USD usually within 12 months at stipulated exchange rates in accordance with the Group's hedging policy. The objective in entering the contracts is to protect the Group against unfavourable exchange rate movements for contracted and anticipated future sales undertaken in USD.	At balance date the notional amount of outstanding forward exchange contracts was $122.2M (2021: $157.8M), and USD options was $0M (2021: $0.0M). Sensitivity analysis has been performed below.

Derivative assets/(liabilities) held on the balance sheet representing the fair value of cash flow hedges at balance date are as follows:

	2022 $'000	2021 $'000
Derivative assets	-	-
Derivative financial liability	(8,940)	(2,165)

During the period there was no (2021: $0) hedge ineffectiveness resulting in a transfer to the income statement (no transactions were over-hedged in the year).

Policy

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 Group documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The Group 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. The Group determines the existence of an economic relationship between the hedging instrument and hedge items based on the currency, amount of timing of their respective cashflows.

The Group designates the spot element of forward exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1.

The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. The Group does not speculate in the trading of derivative instruments.

In these hedge relationships the main sources of ineffectiveness are:

- The effect of the counterparties and the Groups own credit risk on the fair value of the forward exchange contracts, which is not reflected in the change in the fair value of the hedged cashflows attributable to the change in exchange rates; and
- Changes in timing of the hedged transactions.

Notes to the Consolidated Financial Statements

Section 3: Funding structures

3.2 Financial Risk Management (continued)

i. Currency risk (continued)

All exchange differences arising on settlement or revaluation are recognised as income or expenses for the financial year.

	2022 USD $'000	2021 USD $'000
Cash	392	85
Trade receivables	52	36

The forward exchange and swap contracts in place are to hedge cash flows associated with the above mentioned trade receivables and highly probable future sales.

Sensitivity

If foreign exchange rates were to change by 10% from USD rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, including effective hedging, then the impact on profit for the year and equity is as follows:

	2022		2021	
USD movement impact [+/- 10%]	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Impact on profit after tax	(28)	31	(10)	11
Impact on equity	2,089	(15,433)	8,663	(12,711)

A 10% change is deemed reasonable given recent historical trends in the AUD/USD.

i. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

What is the risk?	How does Midway manage the risk?	Impact at 30 June 2022
The Group has variable interest rate debt, and therefore if interest rates increase, the amount of interest the Group is required to pay will also increase.	Monitoring of announcements from the central banking authority and other sources which may impact movements in the variable rate. Effective interest rate monitored by Audit and Risk Management Committee. No swaps are currently taken out.	If interest rates were to increase/decrease by 100 basis points from rates applicable at the reporting date, assuming all other variables that might impact on fair value remain constant, the impact on profit for the year and equity is not significant.

The Group's exposure to interest rate risk in relation to future cashflows and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

Notes to the Consolidated Financial Statements

Section 3: Funding structures

3.2 Financial Risk Management (continued)

ii. Interest rate risk (continued)

2021	Interest bearing $'000	Non-interest bearing $'000	Total carrying amount $'000	Weighted average effective interest rate	
Financial assets					
Cash	12,955	1	12,956	0.00%	Floating
Trade receivables	-	9,755	9,755		
Other receivables	-	7,574	7,574		
	12,955	17,330	30,285		
Financial liabilities					
Bank and other loans	33,900	-	33,900	2.61%	Floating
Creditors	-	9,553	9,553		
AASB 16 lease liability	4,359	-	4,359	3.98%	Fixed
Finance lease liability	6,175	-	6,175	3.78%	Fixed
Sundry creditors and accruals	-	12,800	12,800		
Derivatives	-	2,165	2,165		
	44,434	24,518	68,952		
2022					
Financial assets					
Cash	2,968	1	2,969	0.00%	Floating
Trade receivables	-	7,988	1,118		
Other receivables	-	2,786	9,656		
Term deposit	2,000	-	2,000	0.1%	Fixed
Derivatives	-	-	-		
	4,968	10,775	15,743		
Financial liabilities					
Bank and other loans	37,625	-	37,625	2.64%	Floating
Creditors	-	9,788	9,788		
AASB 16 lease liability	4,990	-	4,990	3.81%	Fixed
Finance lease liability	4,276	-	4,276	3.83%	Fixed
Sundry creditors and accruals	-	10,865	10,865		
Derivatives	-	8,940	8,940		
	46,891	29,593	76,484		

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

Midway

Notes to the Consolidated Financial Statements

Section 3: Funding structures

3.2 Financial Risk Management (continued)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in the Consolidated Balance Sheet and notes to financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure of forward exchange and swap contracts is the net fair value of these contracts.

What is the risk?	How does Midway manage the risk?	Impact at 30 June 2022
The Group has significant exposure to export customers in China, as they represent a significant portion of the Group's annual sales.	Letters of credit with reputable financial institutions are used to mitigate credit risk with all Chinese customers which comprises the majority of the Group's annual woodfibre sales. The balance of woodfibre sales are made to long standing Japanese customers with the short trading terms applicable to these customers, being payment within 7 business days of invoicing.	As at 30 June 2022 there are only receivables for one vessel outstanding, of which the cash was subsequently collected within 10 days as expected. Based on Management's assessment of its exposure, the Group has low credit risk.
The Group is exposed to credit risk on plantation management activities in addition to the sale of woodfibre to customers in China.	The Group produces and markets woodfibre on the Tiwi Islands on behalf of the wood owners. Receiving outstanding receivables is contingent on the Group performing its obligations successfully in terms of producing and marketing woodfibre. This limits the Group's credit risk to a certain extent given receipt of the debt is linked to the Group's performance in producing and marketing the woodfibre.	$7.4M is outstanding over 90 days relating to trade receivables from the wood owners, in addition to $0.4m of other non-current loan receivables. The Group has begun market woodfibre from the Tiwi islands once again and therefore no expected credit loss provision has been recorded, as the Group will be able to recover it directly from the proceeds of woodfibre sales, of which the group is responsible for marketing the wood. Recovery is contingent on stronger forecast USD FOB woodfibre prices and a return to longer term average fuel prices.

As at 30 June 2022, the ageing of trade and other receivables that were not impaired was as follows:

	2022 $'000	2021 $'000
Neither past due nor impaired	9,767	9,119
Past due 1–30 days	543	7,913
Past due 31–60 days	5	3
Past due 61–90 days	126	179
Over 90 days	7,728	5,988
	18,169	23,202

Notes to the Consolidated Financial Statements

Section 3: Funding structures

3.2 Financial Risk Management (continued)

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.
The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial assets and liabilities and management's expectation for settlement of undiscounted maturities.

2022	< 6 months $'000	6-12 months $'000	1-5 years $'000	>5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Cash and cash equivalents	2,969	-	-	-	2,969	2,969
Loan receivables	145	145	761	-	1,051	874
Receivables	10,774	-	7,395	-	18,169	18,169
Derivatives	-	-	-	-	-	-
Payables	(20,653)	-	-	-	(20,653)	(20,653)
Strategy financial liability[1]	(3,758)	(3,758)	(44,975)	(17,050)	(69,541)	(39,625)
Finance Lease	(3,569)	(2,277)	(6,970)	(2,109)	(14,925)	(9,267)
Borrowings	(1,071)	(15,685)	(20,753)	-	(37,509)	(37,625)
Net maturities	(15,163)	(21,575)	(64,542)	(19,159)	(120,439)	(85,158)
2021						
Cash and cash equivalents	12,956	-	-	-	12,956	12,956
Loan receivables	209	209	3,376	-	3,794	3,514
Receivables	17,329	-	5,873	-	23,202	23,202
Derivatives	(2,165)	-	-	-	(2,165)	(2,165)
Payables	(22,353)	-	-	-	(22,353)	(22,353)
Strategy financial liability	(4,462)	(4,462)	(51,225)	(13,950)	(74,099)	(40,052)
Finance Lease	(3,971)	(2,634)	(7,288)	(2,198)	(16,091)	(10,534)
Borrowings	(795)	(4,220)	(29,194)	-	(34,209)	(33,900)
Net maturities	(3,252)	(11,107)	(78,458)	(16,148)	(108,965)	(69,332)

[1]: The face value of the Strategy financial liability is assumed to be paid out broadly in accordance with the expected year of harvest under the treecrop valuation. If FIRB approves the sale of the plantation estate then the Strategy financial liability will be paid out at the earliest possible point under the contract which at this stage is expected to be completed by Sep-24 and will therefore reduce the face value of the liability significantly.

Notes to the Consolidated Financial Statements

Section 3: Funding structures

3.3 Contributed Equity

(a) Ordinary share capital

	Number of shares		Company	
	2022	2021	2022	2021
Share Capital			$'000	$'000
Ordinary Shares				
Opening balance – 1 July	87,336,222	87,336,222	64,888	64,888
Performance rights vested	-	-	-	-
Issued during the year	-	-	-	-
Capital raising costs incurred net of recognised tax benefit	-	-	-	-
Closing balance 30 June	87,336,222	87,336,222	64,888	64,888

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Notes to the Consolidated Financial Statements

Section 3: Funding structures

3.3 Contributed Equity (continued)

(b) Reserves

Reserves	2022 $'000	2021 $'000
Movements:		
Cash flow hedge reserve[(1)]		
Opening balance	(1,599)	1,977
Cash flow hedges - effective portion	(6,657)	(5,109)
Deferred tax	1,997	1,533
Balance 30 June	(6,259)	(1,599)
Share based payments reserve[(2)]		
Opening balance	117	12
Share rights granted	257	105
Share rights issued / vested	-	-
Balance 30 June	374	117
Asset revaluation reserve[(3)]		
Opening balance	48,626	36,919
Revaluation of land	14,046	16,724
Asset disposals	(11,238)	-
Deferred tax	(4,214)	(5,017)
Balance 30 June	47,220	48,626
Profit reserve[(4)]		
Opening balance	34,875	34,875
Transfers of current year profits	-	-
Transfer of profit on disposal of land	11,238	-
Dividends Paid	-	-
Balance 30 June	46,113	34,875
Foreign currency translation reserve		
Opening balance	(80)	10
Foreign currency translation differences	-	(90)
Balance 30 June	(80)	(80)

1. **Cash flow hedge reserve**
   The hedging reserve is used to record the effective portion of gains and losses on cash flow hedges that are recognised in other comprehensive income as described in section 3.2. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.
2. **Share based payment reserve**
   The shared based payment reserve is used to recognise the expense over the vesting period.
3. **Asset revaluation reserve**
   The asset revaluation reserve is used to record increments and decrements on the revaluation of land and reclassified to retained earnings on disposal. Movements in the year relate to revaluation of plantation land.
4. **Profit reserve**
   The profits reserve is used to record transfers of profits that would otherwise be offset against accumulated losses. The balance of the profits reserve is available for distribution as a dividend in future periods. Movements in the current year relate to transfers to retained earnings for dividend payments and transfers in of current year profits.

Notes to the Consolidated Financial Statements

Section 4: Other disclosures

This section includes additional financial information that is required by the accounting standards and the Corporations Act 2001.

4.1 Subsidiaries

	Ownership interest held by the Company		Ownership interest held by NCI	
	2022	2021	2022	2021
	%	%	%	%
Subsidiaries of Midway Limited and controlled entities:				
Queensland Commodity Exports Pty Ltd	90	90	10	10
Midway Plantations Pty Ltd	100	100	-	-
Midway Properties Pty Ltd	100	100	-	-
Midway Tasmania Pty Ltd	100	100	-	-
Plantation Management Partners Pty Ltd	100	100	-	-
Resource Management Partners Pty Ltd	100	100	-	-
Plantation Management Partners Pte Ltd(1)	100	100	-	-
Midway Logistics Pty Ltd	100	100	-	-
Midway Logistics Unit Trust	100	100	-	-
Bio Growth Partners (BGP)(2)	100	40	-	-

1. 50% held in Trust by an independent party, however all risks and benefits of ownership of the share are held by the Group. Continued the process of liquidation during the period.
2. In July 2021, the Group acquired the remaining 60% of shares in Bio Growth Partners and classified the entity as a subsidiary from that date.

Policy

The consolidated financial statements are those of the Company, comprising the financial statements of the parent entity and all of the entities the parent controls. The Company 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.

4.2 Interest in Joint Ventures

(a) Carrying amount

	Nature of relationship	Ownership interest		Carrying amount	
		2022	2021	2022	2021
		%	%	$'000	$'000
South West Fibre Pty Ltd	Ordinary shares	51	51	11,019	9,888
				11,019	9,888

Policy

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 Company's interest in joint ventures are bought 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 Company's profit or loss and the Company's share of the joint venture's other comprehensive income is recognised in the Company's other comprehensive income.

Notes to the Consolidated Financial Statements

Section 4: Other disclosures

4.2 Interest in Joint Ventures (continued)

Key estimates and judgements

1. South West Fibre Pty Ltd

South West Fibre Pty Ltd (SWF) is a joint venture in which the Company has a 51% ownership interest. Voting rights are proportionately in line with share ownership. The Company has joint but not ultimate control over the venture as the shareholder agreement requires a special resolution when making key decisions.

SWF is structured as a separate vehicle and the Company has a residual interest in the net assets of SWF. Accordingly, the Company has classified the interest in SWF as a joint venture as the Company does not have control over the entity.

(b) South West Fibre Pty Ltd Financial Information

	2022 $'000	2021 $'000
Cash and cash equivalents	7,025	3,215
Other current assets	11,718	12,798
Total current assets	18,743	16,013
Property, plant and equipment	17,378	16,978
Total non-current assets	17,393	18,236
Total current liabilities	(8,401)	(6,929)
Total non-current liabilities	(6,130)	(7,931)
Net assets	21,605	19,389
Revenue	75,807	38,875
Interest Income	-	-
Depreciation & Amortisation	3,778	(4,537)
Income tax benefit/(expense)	871	1,259
Total Comprehensive Income	2,216	(3,123)
Reconciliation to carrying amount of interest in Joint Venture:		
Opening net assets	19,389	22,512
Add: Current year profit/(loss)	2,031	(2,937)
Less: Dividends paid	-	-
Hedge revaluation reserve	185	(186)
Closing net assets	21,605	19,389
Company's 51% share of net assets	11,019	9,888
Carrying amount of investment	11,019	9,888

Notes to the Consolidated Financial Statements

Section 4: Other disclosures

4.3 Midway Limited – Parent Entity

Summarised balance sheet	2022 $'000	2021 $'000
Assets		
Current assets[1]	74,638	94,966
Non-current assets[1]	76,702	75,336
Total assets	151,340	170,302
Liabilities		
Current liabilities	40,526	23,054
Non-current liabilities	11,033	27,569
Total liabilities	51,559	50,623
Net assets	99,781	119,679
Equity		
Share capital	64,888	64,888
Retained earnings	1,614	1,614
Reserves	33,279	53,177
Total equity	99,781	119,679

Summarised statement of profit or loss and other comprehensive income		
Profit for the year after income tax	(17,085)	9,672
Total comprehensive income	(19,898)	6,146

[1] During the year, the parent entity fully impaired its holding in Midway Logistics by $1.5m and the loan receivable from the same entity of $12.1m as recoverability of the balances was not considered likely given Midway Logistics is currently in wind-down.

Notes to the Consolidated Financial Statements

Section 4: Other disclosures

4.4 Share Based Payments

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) Long Term Incentive Rights (equity settled)

In FY2022, the Board granted the Chief Executive Officer and members of the Senior Executive Team 751,366 performance rights, subject to vesting conditions (see below). Following satisfaction of the vesting conditions the rights will automatically vest and the underlying shares will be issued. The performance period is until 30 June 2024.

2022 Plan

Assumption	
No. of shares	751,366
Fair value at grant date[1]	$0.89
Share price	$1.22
Risk free rate	0.77%
Dividend yield	3.0%
Volatility	50.0%
Initial TSR	34.3%

Vesting conditions

- Participant must maintain continuous employment over the performance period, which ends 30 June 2024.
- 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.

Additionally in FY2022, the Board granted the Chief Executive Officer 89,227 performance rights and 721,436 options, subject to vesting conditions (see below). Following satisfaction of the vesting conditions the rights will automatically vest and the underlying shares will be issued, with a performance period to 30 June 2024. The options will be exercisable for 24 months after the relevant vesting date.

2022 Plan – CEO

Assumption	Options Vesting 30 June 2023	Options Vesting 30 June 2024	Performance rights
No. of shares	360,718	360,718	89,227
Fair value at grant date[1,2]	$0.36	$0.39	$0.74
Share price	$1.06	$1.06	$1.06
Exercise price	$0.94	$0.94	N/A
Risk free rate	0.99%	0.99%	0.99%
Dividend yield	3.0%	3.0%	3.0%
Volatility	50.0%	50.0%	50.0%
Initial TSR	16.6%	16.6%	16.6%

Vesting conditions

- Participant must maintain continuous employment over the performance period, which ends 30 June 2023 (for the initial options granted) and 30 June 2024 (for performance rights and remaining options).
- 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.

The Group recorded a share based payments expense of $0.2M in 2022 (2021: $0.1M).

[1] The fair value of performance rights at grant date was derived using the Monte Carlo Simulation model which incorporates the total shareholder return (TSR) performance conditions.

[2] The options have no market-based performance hurdle and therefore they have been valued using the Binomial method.

Notes to the Consolidated Financial Statements

Section 4: Other disclosures

4.4 Share Based Payments (continued)

2021 plan

Assumption		Vesting conditions
No. of shares	771,283	• Participant must maintain continuous employment over the performance period, which ends 30 June 2023.
Fair value at grant date[1]	$0.53	• 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.
Share price	$0.90	
Risk free rate	0.11%	
Dividend yield	3.0%	
Volatility	46.0%	
Initial TSR	8.4%	

[1] The fair value at grant date was derived using the Monte Carlo Simulation model which incorporates the total shareholder return (TSR) performance conditions.

4.5 Related parties

KMP of the Group represent the Directors, CEO and CFO in line with their ability to influence strategy and decision making.

(a) Remuneration of Key Management Personnel

	2022 $'000	2021 $'000
Short term employee benefits	1,652	1,696
Post-employment benefits	125	118
Share based payments	162	-
Other long term incentives	25	21
Total KMP remuneration expense	1,964	1,835

Transactions between related parties are on normal commercial terms no more favourable than those available to other parties unless otherwise stated. An accrual for Directors fees was recorded for two days to year end to 30 June 2022.

The aggregate shareholdings of KMP at 30 June 2022 are 9,938,806 (2021: 10,148,135).

(b) Transactions with South West Fibre Pty Ltd

Nature	2022 $'000	2021 $'000
Operator fee income	1,145	548
Reimbursement of costs	1,042	291
Dividends received	-	-
Sale of wood products (at cost)	9,737	5,225
	11,924	6,064

The outstanding receivable balance from South West Fibre Pty Ltd at 30 June 2022 is $0.4M (2021: $0.06M receivable).

Notes to the Consolidated Financial Statements

Section 4: Other disclosures

4.6 Contingent Liabilities

(a) Outstanding matters

As 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.

As part of the wind-down of Midway Logistics and BioGrowth Partners, the Group is currently in negotiations with various parties to reassign or exit existing contracts. At this stage, it is not possible to provide a reasonable or accurate assessment of the Group's potential exposure as a result of this process, if any.

(b) Bank guarantees

	2022 $'000	2021 $'000
Consolidated group		
Limit	6,200	5,200
Amount Utilised	2,286	2,276
Parent entity		
Limit	5,250	4,250
Amount Utilised	2,061	2,051

4.7 Remuneration of Auditors

KPMG Australia	2022 $	2021 $
Audit and assurance services		
- Statutory audit fees	228,000	210,000
Other services		
- Non- assurance services – other advisory services	88,717	20,420

4.8 Other income

	2022 $'000	2021 $'000
Plantation management fees	127	48
SWF operating fee	1,145	548
JobKeeper	-	2,014
Other	3,517	1,559
	4,789	4,169

Policy

Dividend income

Dividend income is recognised when the right to receive a dividend has been established. Dividends received from joint venture entities are accounted for in accordance with the equity method of accounting.

Notes to the Consolidated Financial Statements

Section 4: Other disclosures

4.8 Other income (continued)

Policy (continued)

Other income

Rental income is recognised on a straight-line basis over the rental term.

If the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commissions made by the Group.

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreement when it is probable that the royalty will be received, which is normally when the event has occurred.

All income is measured net of the amount of goods and services tax (GST).

4.9 Deed of Cross Guarantee

The parent entity, Midway Limited, and certain subsidiaries (Midway Plantations Pty Ltd, Resource Management Partners Pty Ltd, Plantation Management Partners Pty Ltd, Midway Tasmania Pty Ltd and Midway Properties Pty Ltd) are subject to a Deed of Cross Guarantee (Deed) under which each company guarantees the debts of the others.

By entering into the Deed, the wholly owned subsidiaries have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

A summarised consolidated statement of comprehensive income, retained earnings reconciliation and a consolidated balance sheet, comprising the Company and those controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2022 are set out below:

Summarised consolidated statement of comprehensive income	2022 $'000	2021 $'000
Sales revenue	162,662	243,679
Other income	4,178	11,364
	166,840	255,043
Expenses	(195,811)	(248,432)
Share of net profits from equity accounted investments	1,036	(1,475)
Profit before income tax expense	(27,935)	5,136
Income tax expense	4,787	(694)
Profit for the period	(23,148)	4,442
Other comprehensive income for the period	5,172	8,131
Total comprehensive income for the period	(17,976)	12,573
Retained earnings at the beginning of the financial year	(5,233)	1,614
Profit/(Loss) for the year	(23,148)	4,442
Transfers to /(from) reserves	-	-
Retained profits at the end of the financial year	(28,381)	(5,233)

Notes to the Consolidated Financial Statements

Section 4: Other disclosures

4.9 Deed of Cross Guarantee (continued)

Consolidated balance sheet	2022 $'000	2021 $'000
Current assets		
Cash and cash equivalents	1,991	11,823
Receivables[1]	9,953	16,406
Inventories	15,467	10,475
Biological assets	2,697	2,500
Other assets	8,222	14,585
Asset held for sale	314	2,997
Current tax receivable	-	2,027
Total current assets	38,644	60,813
Non-current assets		
Biological assets	45,238	41,589
Other Receivables	7,395	5,873
Investments[1]	17,251	17,753
Property, plant and equipment	140,810	135,934
Loan receivables – NC	604	3,127
Total non-current assets	211,299	204,276
Total assets	249,942	265,089
Current liabilities		
Trade and other payables	17,805	19,407
Borrowings	20,576	8,664
Provisions	3,547	3,770
Strategy financial liability	6,908	8,202
Current tax liability	1,867	-
Derivative financial liability	8,940	2,076
Total current liabilities	59,643	42,119
Non-current liabilities		
Borrowings	25,478	34,128
Provisions	131	159
Deferred tax liabilities	9,820	16,427
Other financial liabilities	32,717	31,850
Total non-current liabilities	68,146	82,564
Total liabilities	127,789	124,683
Net assets	122,153	140,406
Contributed Equity		
Share capital	64,888	64,888
Reserves	51,209	85,193
Retained earnings	6,056	(9,675)
Total equity	122,153	140,406

[1] During the year, the Midway Limited fully impaired its holding in Midway Logistics by $1.5m and the loan receivable from the same entity of $12.1m as recoverability of the balances was not considered likely given Midway Logistics is currently in wind-down.

Notes to the Consolidated Financial Statements

Section 4: Other disclosures

4.10 Subsequent Events

There have been no other matters or circumstances, which have arisen since 30 June 2022 that have significantly affected or may significantly affect:

(a) The operations, in financial years subsequent to 30 June 2022, of the Group, or
(b) The results of those operations, or
(c) The state of affairs, in financial years subsequent to 30 June 2022 of the Group.

4.11 Basis of Preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report was approved by the Board of Directors as at the date of the Directors' Report.

The financial report is for Midway Limited and its consolidated entities. Midway Limited is a company limited by shares, incorporated and domiciled in Australia. Midway Limited is a for-profit entity for the purpose of preparing financial statements.

Unless explicitly highlighted in the financial report, cost approximates fair value for the carrying amounts of assets and liabilities held on the balance sheet.

The financial statements have been prepared on a going concern basis and the Directors consider that there are reasonable grounds to believe the Group will be able to pay its debts as and when they fall due based on forecast operating cash flows, their debt funding position and capital management strategy. The Directors have considered forecast cash flow scenarios (including adverse downside scenarios if FIRB approval not being received for the sale of plantation assets) for at least the twelve month period from the date of approval of these financial statements. As a result, the Directors consider that the Group is able to pay its debts as and when they are due and these financial statements can be prepared on a going concern basis.

Further details of the Group's capital risk management strategy has been outlined in note 3.2.

Compliance with IFRS

The consolidated financial statements of the Company also comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the Company's accounting policies. Those estimates and judgements significant to the financial report are disclosed throughout the financial report.

Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Accounting policies for subsidiaries are consistently applied. 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 Company and are de-recognised from the date that control ceases.

Notes to the Consolidated Financial Statements

Section 4: Other disclosures

4.11 Basis of Preparation (continued)

Equity interests in a subsidiary not attributable, directly or indirectly, to the Company 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 statement of financial position respectively.

Functional and presentation currency

The financial statements of each entity within the Group 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 (AUD) which is the parent entity's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of entities within the Group 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.

Impairment of non-financial assets

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it 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 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.

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, 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.

New standards not yet effective

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Directors Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 29 to 70 are in accordance with the Corporations Act 2001 including;

   (a) comply with Accounting Standards in Australia and the Corporations Regulations 2001; and

   (b) as stated in Section 4.11, the consolidated financial statements also comply with International Financial Reporting Standards; and

   give a true and fair view of the financial position of the Company and the Group as at 30 June 2022 and its performance for the year ended on that date.

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 4.9 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by S 295A of the Corporations Act 2001.

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

Chairman: ______________________

G Davis

29 August 2022

Independent Auditor's Report

To the shareholders of Midway Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Midway Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Balance Sheet as at 30 June 2022
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of Plantation Land; and
- Valuation of Biological assets.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Plantation Land ($91.6m)

Refer to Note 2.1 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group's plantation land is measured at fair value. This was a key audit matter given the size of the balance (being 36% of total assets) and judgment required by us in assessing the Group's fair value of plantation land. The Group engaged an external expert to perform a valuation of the unencumbered market value of the Group's plantation land assets. The Group adjust this valuation using a discounted cashflow model to determine the encumbered land valuation as at balance date. We spent considerable time and effort assessing the Group's external expert's work and their discounted cashflow model. We focused our procedures on the following significant assumptions impacting the valuation: • comparability of the Group's land valuation rates to observable market transactions; • highest and best use of the land; • forecast growth rates; and • discount rate. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Working with our valuation specialists, our procedures included: • assessing the appropriateness of the Group's accounting policies against the requirements of the accounting standards; • reading the external expert's report and making inquiries of the Group and the external expert; • assessing the objectivity, competence and scope of work of the external expert; • considering the appropriateness of the discounted cashflow methodology applied by the Group to determine the encumbered valuation against the requirements of the accounting standards; • assessing the integrity of the discounted cashflow model used, including the accuracy of the underlying calculation formulas; • considering the sensitivity of the discounted cashflow model by varying key assumptions, such as discount rate and forecast growth rates, within a reasonably possible range to focus our further procedures; • using our industry knowledge and experience to assess the data and significant assumptions in the external expert report and their discounted cashflow model; and • assessing the disclosure in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

KPMG

Valuation of Biological Assets ($47.9m)

Refer to Note 2.3 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Biological assets consist of unharvested plantation trees and are recorded at their fair value. This was a key audit matter given the size of the balance (19% of total assets) and judgment required by us in assessing in the Group's fair value of biological assets. The Group engaged an external expert to perform an assessment of the fair value of the biological assets. We spent considerable time and effort assessing the work performed by the external expert and underlying biological assets valuation model inputs. We focused out procedures on the following significant assumptions impacting the valuation: • expected yields and volumes (yield tables), and harvest profile, • discount rates, forecast harvesting costs and expectations of future market pricing for woodfibre. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our audit procedures included: • assessing the appropriateness of the Group's accounting policies against the requirements of the accounting standards; • reading the external expert's report and making inquiries of the Group and their external expert; • assessing the objectivity, competence and scope of the external expert; • considering the sensitivity of the model by varying key assumptions such as discount rate and harvest profile, within a reasonably possible range, to focus our further procedures; • using our industry knowledge and experience to assess the inputs and significant assumptions in the biological asset valuation, including yield tables, harvest profiles, forecasting harvesting costs, and woodfibre prices; • working with our valuation specialists, we analysed the Group's discount rate against comparable companies and biological assets; and • assessing the disclosure in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Midway Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report including the Operating and Financial Review and the Remuneration Report. The Letter from the Chairman, Managing Director's Review, Midway Operational Review, Sustainability Report, Shareholder Information and Corporate Directory are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf.This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Midway Limited for the year ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 17 to 28 of the Directors' report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Simon Dubois

Partner

Melbourne

29 August 2022