Middle Island

RESOURCES LIMITED

ANNUAL FINANCIAL REPORT 2022

For the year ended 30 June 2022

ABN 70 142 361 608

Corporate Information

ABN: 70 142 361 608

Directors
Peter Thomas (Non-Executive Chairman)
Brad Marwood (Executive Director)
Bruce Stewart (Non-Executive Director)

Company Secretary
Rudolf Tieleman

Registered Office
Suite 1, 2 Richardson Street
WEST PERTH WA 6005

Principal Place of Business
Suite 1, 2 Richardson Street
WEST PERTH WA 6005

Postal Address
PO Box 1017
WEST PERTH WA 6872

Solicitors
William and Hughes
28 Richardson Street
WEST PERTH WA 6005

Share Registry
Automic Pty Ltd
Level 5, 191 St Georges Terrace
PERTH WA 6000
Telephone: 1300 288 664
Web: www.automicgroup.com.au

Auditors
Elderton Audit Pty Ltd
Level 2, 267 St Georges Terrace
PERTH WA 6000

Email
info@middleisland.com.au

Internet Address
www.middleisland.com.au

Stock Exchange Listing
Middle Island Resources Limited shares are listed on the Australian Securities Exchange (ASX code: MDI)

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) which consists of Middle Island Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2022.

DIRECTORS

The names and details of the Company's directors in office during the year and until the date of this report follow. Each Director was in the office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Peter Thomas (Non-Executive Chairman)

Comes from a legal background specialising in resources and corporate. For over 30 years, before retiring from legal practice, he specialised in the delivery of wide ranging legal, corporate, and commercial advice to listed explorers and miners. Mr Thomas is now a professional director leveraging that background whilst delivering the insight of his commercial acumen and business expertise.

For nearly 40 years he has served on the boards of various listed companies including being the founding chairman of both copper producer Sandfire Resources NL (2004) and mineral sands producer Image Resources NL. Other current ASX listed company board positions include being a non-executive director of Image Resources NL (since 19 April 2002) and non-executive chair of Emu NL (since 29 August 2007).

Bradley Marwood (Non-Executive Director during the financial year until 13 July 2021, thereafter temporary part-time Executive Director)

Mr Marwood is a mining engineer and a highly experienced resources executive with more than 30 years of experience. He was instrumental in bringing into production the copper mines at Kipoi (DRC) and Rapu (Philippines); completing development of the Svartliden gold mine (Sweden) and has managed numerous Feasibility Studies and advanced stage resource projects in Australia, Africa, North America and Asia.

He has worked in senior roles for groups such as Normandy, Dragon Mining, Lafayette, Moto Goldmines and Perseus Mining before his most recent as Managing Director of Tiger Resources Limited. Mr Marwood's involvement has seen growth in several companies with a significant increase in their market capitalisation and by protecting investments through restarting suspended mine projects. He is currently the managing director of ASX-listed Consolidated Zinc Limited.

Bruce Stewart (Non-Executive Director, appointed 13 July 2021)

Mr Stewart has been involved with global capital markets for 30 years, with an emphasis on mining and hard assets. His experience includes co-heading a global hard asset desk in New York City for Jefferies & Co, directorships on London listed mining companies, company reorganisation and sale, and various consultancy assignments from funds, investment banks and public and private companies.

Richard Yeates (Managing Director until the position was made redundant on 13 July 2021)

COMPANY SECRETARY

Dennis Wilkins (Resigned 1 November 2021)

Rudolf Tieleman (Appointed 1 November 2021)

Mr Tieleman is an accountant with over 30 years' experience in public practice. He has extensive knowledge in matters relating to the operation and administration of listed mining companies in Australia.

DIRECTORS' REPORT (CONTINUED)

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the relevant interests of the directors in the securities of Middle Island Resources Limited were:

	Ordinary Shares
Peter Thomas	1,290,327
Brad Marwood	789,477
Bruce Stewart	-

PRINCIPAL ACTIVITIES

During the year the Group successfully entered into a share sale agreement with Aurumin Limited (ASX:AUN) for the sale of its Sandstone assets. This sale was completed on 20 March 2022 for a total consideration of A$12M comprising a cash component of A$6M plus a further A$6M negotiated value of 30M fully paid shares in Aurumin.

MDI also accepted the opportunity to support the $5M partially underwritten entitlement issue in AUN and, as sub-underwriter, received and invested in an allocation of 5M AUN shares.

MDI's strategy through 2021/22 fiscal years was twofold:

- To continue to pursue opportunities to realise a return from the sandstone assets by, inter alia,

exploring the project's potential to deliver new discoveries and seeking to amalgamate proximal

holdings and resources through acquisition and corporate activity.

- Divest itself of the Sandstone assets pursuant to the agreement for the sale of MDI's subsidiary, Sandstone Operations Pty Ltd.
- To increase the value of the Barkly Copper-Gold Super Project via exploration and assessing complimentary assets to expand MDI foundation of land holding.

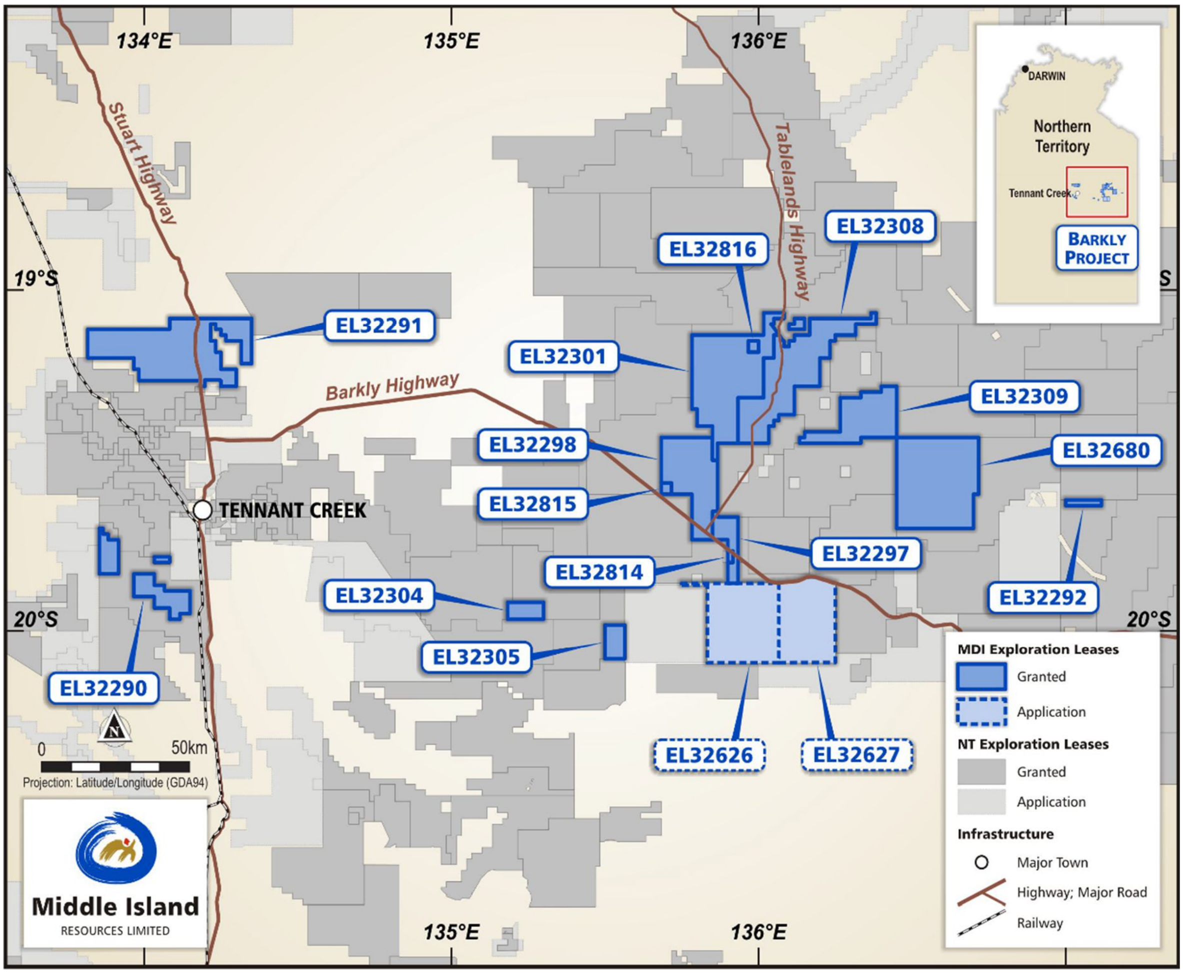
It was a busy but transformational year where MDI effectively transitioned from an explorer/developer to an explorer with sufficient funding to support a substantial exploration programme through to 2023.

At Barkly, the Company made applications for further tenure, carried out a field visit and undertook desktop studies whilst considering spinning that asset out via a demerger process but deferred the same in light of the disappointing FS result and certain negative shareholder feedback on the proposal.

During 2021/22 financial year the Barkly Copper-Gold Super project progressed with the 39,500km of airborne geophysics drilling completed with initial investigations completed, ground Induced polarity work over the Crosswinds target, ground gravity work completed over the crosswinds target, flora study was completed, fauna study was completed and multiple meeting set with the central land Council to address exploration activities south of the Barkly Highway (two concessions).

The Group reserves the right to follow up leads on a commodity agonistic basis and globally where the Board considers that doing so may add value.

DIRECTORS' REPORT (CONTINUED)



Tenement Location Map

DIVIDENDS

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

FINANCIAL REVIEW

Finance Review

During the year, the Company derived income from gold sales of $111,135 (2021: $Nil), minor sales of office equipment ($1,339), receipt of exploration grants from the Northern Territory Government ($89,404) and federal government COVID-19 cashflow boost grants of $17,765 (2021: $102,175).

During the year, total exploration expenditure incurred by the Group amounted to $745,443 (2021: $5,300,921). In line with the Group's accounting policies, all exploration expenditure were written off as they were incurred. Other expenditure incurred, net of administration related revenue, amounted to $1,988,676 (2021: $1,988,676). This resulted in an operating loss from continuing operations after income tax for the year ended 30 June 2022 of $5,191,150 (2021: $6,821,170).

At 30 June 2022, cash assets available totalled $4,894,935.

DIRECTORS' REPORT (CONTINUED)

Operating Results for the Year

Summarised operating results are as follows:

	2022	
	Revenue $	**Loss $**
Revenue and loss for the year from **ordinary activities** before income tax expense	**222,490**	**(5,191,150)**

Shareholder Returns	**2022**	2021
Basic loss per share (cents)	**(4.24)**	(5.8)

Risk Management

The board is responsible for ensuring that risks and opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified .

The Group believes that it is crucial for all board members to be a part of this process, and as such, the board has not established a separate risk management committee. Where appropriate, the board enlists the support of other suitably qualified professionals to join board committees.

The board has mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These mechanisms include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.
- A risk matrix designed to identify and quantify the various risk factors and implement mitigating strategies accordingly.
- Regular review of management's activities and the Company's circumstances.
- Continuing review of capital and resources market sentiment.
- Continuing review of economic trends and circumstances.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Barkly Copper-Gold Super Project has been progressed with completion of the 39,500km airborne magnetics assessment, the ground gravity at close spacing over and adjacent to the Crosswinds surface outcrop and the Induced polarity work completed at the Crosswinds prospect. Drilling of four holes were completed from June 2022 through to July 2022 and assays are awaited as at time of writing. The presence of haematite confirms the potential for IOCG (Iron Oxide Copper Gold) mineralisation. It could signify other forms of mineralisation as well. During the 2022/23 year MDI will develop a deeper understanding of the nature of the geological setting to better priorities targets with a plan to continue drilling in 2023. The Company will continue to review projects globally with a view to identifying potential value add mineral asset acquisitions.

DIRECTORS' REPORT (CONTINUED)

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT (Audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Middle Island Resources Limited, which in the year under review was sublimated, to significant degree, to constraints imposed by shareholder sentiment, is intended to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering, variously, short-term and long-term securities incentives. The board's policy is to design remuneration with a view to attracting and retaining suitable key management personnel to run and manage the Group.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), was developed by the board and evolves as circumstances require. All executives receive a base salary (based on factors such as experience), superannuation and, possibly, a package of equity incentives in the Company. The board reviews each executive package as and when it considers it appropriate to do so in accordance with its remuneration policy and by reference to the Group's fiscal wherewithal, performance, the executive's performance and comparable information from industry sectors and other listed companies in similar circumstances. The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is to design remunerative packages that reward executives for performance which results in long-term growth in shareholder wealth. The result can be that shareholder sentiment is tested in general meeting or, in deference to expressed and perceived shareholder sentiment, otherwise proposed and preferred remunerative emoluments are not put to shareholders and thus not provided to employees.

The executive director and any other executives receive the superannuation guarantee contribution required by the government of Australia, which was 10% for the 2022 financial year but are not entitled to receive other retirement benefits.

All remuneration paid to directors and executives is "valued" at the cost to the Group and expensed. Options, when granted, are ascribed a "fair value" in accordance with Australian Accounting Standards using a methodology such as Black-Scholes. The board does not accept that the "fair value" necessarily represents market or realisable value. Rather, the board uses a commonly accepted methodology purely for the purposes of complying with the Australian Accounting Standards.

The board's policy is to remunerate non-executive directors at market rates for comparable companies, for time, commitment and responsibilities, albeit it is thought all non-executive directors are currently remunerated below or at the lower end of the market rate range (most certainly that is the case insofar as equity remuneration is concerned with performance rights canvassed with a representative of certain shareholders reflecting an adverse result could be anticipated if shareholder approval of performance rights was sought). The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties, special exertion services and accountability. Independent external advice is sought as and when required. The maximum aggregate annual amount of fees that can be paid to non-executive directors is, subject to change with the approval of shareholders in general meeting, currently set at $300,000. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and, subject to shareholder approval in general meeting, may be offered participation in employee equity arrangements.

DIRECTORS' REPORT (CONTINUED)

Performance based remuneration

The Group policy allows the use of performance-based remuneration, to attract and motivate employees, in the form of options; more recently, share plans have been considered. Where utilised, equity remuneration may be issued but not vest until certain hurdles have been met where the hurdles are directed at advancing the Company towards its objectives potentially within prescribed periods.

Company performance, shareholder wealth and key management personnel remuneration

No direct relationship exists between key management personnel remuneration and Group performance (including shareholder wealth).

Voting and comments made at the Company's 2021 Annual General Meeting

The Company received approximately 95.5 of "yes" votes on its remuneration report for the 2021 financial year.

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table.

Key management personnel of the Group

	Short-Term		**Post-Employment**		**Special Exertion Payments** [1]	**Total**
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits		
Directors	$	$	$	$	$	$
Peter Thomas						
2022	**60,274**	**-**	**6,027**	**-**	**150,000**	**206,301**
2021	60,230	-	5,722	-	6,000	71,952
Richard Yeates						
2022	**250,000**	**-**	**-**	**-**	**-**	**250,000**
2021	250,000	-	23,750	-	-	273,750
Brad Marwood						
2022	**103,228**	**-**	**-**	**-**	**50,000**	**153,228**
2021	40,000	-	-	-	-	40,000
Bruce Stewart						
2022	**38,333**	**-**	**-**	**-**	**50,000**	**88,333**
2021	-	-	-	-	-	-
Beau Nicholls [2] (resigned 31 January 2021)						
2022	**-**	**-**	**-**	**-**	**-**	**-**
2021	21,282	-	2,022	-	-	23,304
Dennis Wilkins (resigned as director 31 January 2021)						
2021	-	-	-	-	-	-
Company Secretaries						
Dennis Wilkins [3] (resigned 1 November 2021)						
2022	**-**	**-**	**-**	**-**	**-**	**-**
2021	-	-	-	-	-	-
Rudolf Tieleman (appointed 1 November 2021)						
2022	**75,000**	**-**	**-**	**-**	-	**75,000**
2021	-	-	-	-	-	-
Total key management personnel compensation						
2022	**526,835**	**-**	**6,027**	**-**	**200,000**	**732,862**
2021	371,512	-	31,494	-	6,000	409,006

DIRECTORS' REPORT (CONTINUED)

(1) The Company's Constitution makes provision for the payment to directors who perform "extra" or "special services". It was agreed that special exertion services performed by the directors in relation to the negotiation and eventual successful settlement of the sale of the Sandstone assets to Aurumin Limited would be paid as reasonable remuneration for the purposes of Chapter 2E of the Corporations Act. In relation to Mr Thomas, this fee was to be additional to his normal director fees and for retaining his substantial services to advise on and provide specialist services (considered to be a required minimum of 250 hours at a rate of $600/hour), was agreed and capped at $150k (plus GST) with the proviso that the fee would only be paid on completion of a sale. In relation to Mr Marwood, this amount was specifically included as payable in the amount of $50k (plus GST) as itemised in, and agreed to in a contract of service with his service company when he assumed the role of temporary part time executive. In relation to Mr Stewart, the Company has entered into a contract of service with his service company which included providing corporate advice and a specific specialty skill set which created a competitive tension that contributed to successfully securing from Aurumin an acceptably priced offer by it to purchase all of the shares in Sandstone Operations Pty Ltd, with a proviso that the agreed fee of $50k (plus GST) would only be paid on a successful sale.

(2) During the previous period, Mr Nicholls was a member of KMP. In addition to his director fees, disclosed in the table above, he was paid a total of $11,200 (via Sahara Operations (Australia) Pty Ltd (**Sahara**), a business controlled or jointly controlled by Mr Nicholls). Sahara provided geological consulting services to the Group during that year. The amounts paid were at usual or below commercial rates with fees charged on an hourly basis.

(3) Mr Wilkins was not remunerated for his role as alternate director up until his resignation on 31 January 2021, however, a total of $119,015 was paid to DW Corporate Pty Ltd, a business of which Mr Wilkins is principal, during the period Mr Wilkins was an alternate director. DW Corporate Pty Ltd provided company secretarial, corporate advisory and accounting services to the Group during the year. The amounts paid were at commercial rates with fees charged on an hourly basis.

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2022.

Service agreements

Richard Yeates, Managing Director:

- Term of agreement – commenced 2 March 2010 and continued until terminated when the position of Managing Director was made redundant on 13 July 2021.
- Annual salary was initially (2010) $300,000 excluding superannuation; reduced to $200,000 from 1 February 2014, and further reduced to $180,000 on 1 July 2014; increased to $210,000 on 1 July 2018, and further increased to $250,000 from 1 May 2020.
- The agreement was terminated by mutual arrangement. No benefits were payable on termination other than the agreed termination payment, equivalent to one year's salary.

Brad Marwood, Executive Director:

- Term of agreement is effective from 1 July 2021 for an initial 12-month term and may be renewed thereafter on an annual basis until terminated.
- Mr Marwood's associated company was retained to provide his services at a rate of $1,650 per day with no entitlement to any superannuation surcharges.
- The agreement can be terminated by either the Company or Mr Marwood giving one month written notice (shorter notice periods applied in the event breach of contract by either party). No benefits are payable on termination.

Dennis Wilkins, Company Secretary until 1 November 2021:

- Term of agreement – Commenced 17 March 2010 and continued until terminated in writing by the Company during the year.
- Mr Wilkins' firm, DW Corporate Pty Ltd, was engaged to provide company secretarial, corporate advisory and accounting services up until the date of resignation of Mr Wilkins as company secretary. Fees were charged on an hourly basis, and all amounts disclosed in the remuneration table above.

DIRECTORS' REPORT (CONTINUED)

Rudolf Tieleman, Company Secretary from 1 November 2021:

- Term of agreement – Commenced 1 November 2021 and continues until terminated in writing by either party.
- A monthly retainer of $8,333.34 for two days worked per week (with any additional work performed being chargeable at $120 per hour) is payable until either the Company or Mr Tieleman gives one month's written notice (shorter notice periods apply in the event breach of contract by either party). No benefits are payable on termination other than contractual entitlements accrued to the date of termination.

None of the other directors had service agreements in place during the year.

Share-based compensation

Options may be issued to key management personnel as part of their remuneration. The Group has a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities which actively discourages key management personnel from granting mortgages over securities held in the Group.

No options were granted to and none vested in any key management personnel during the year.

No ordinary shares in the Company were issued as a result of the exercise of remuneration options during the year.

Equity instruments held by key management personnel

Direct and indirect interests in options over ordinary shares

	Balance at start of the year	Granted as compensation	Exercised	Other changes [1]	Balance at end of the year	Vested and exercisable	Unvested
Directors of Middle Island Resources Limited							
Peter Thomas	**1,151,633**	-	-	**(1,151,633)**	-	-	-
Richard Yeates	**2,444,876**	-	-	**(2,444,876)**	-	-	-

(1) All options expired as unexercised.

Direct and indirect interests in ordinary shares

	Balance at start of the period	Received during the period on the exercise of options	Other changes during the period [2]	Balance at end of the period
Directors of Middle Island Resources Limited				
Peter Thomas	**1,290,327**	-	-	**1,290,327**
Richard Yeates	**4,138,969**	-	**(4,138,969)**	-
Brad Marwood	**789,477**	-	-	**789,477**

(2) Mr Yeates was made redundant 13 July 2021.

Loans to key management personnel

There were no loans to key management personnel during the year.

Other transactions with key management personnel

DW Corporate Pty Ltd, a business of which Mr Wilkins is principal, provided company secretarial and corporate advisory services to the Middle Island Group during the year. The amounts paid were on arms' length commercial terms and are disclosed in the remuneration report in conjunction with Mr Wilkins' compensation for the period that Mr Wilkins was a member of KMP.

Quenda Investments Pty Ltd ("Quenda"), a company of which Mr Yeates is a director and shareholder, lent securities it held in Middle Island Resources Limited to the provider of a controlled placement facility during the previous reporting period for which Quenda was paid a stock borrow fee of $4,500 for the year ended 30 June 2021. The amounts paid were on arms' length commercial terms. At 30 June 2022 there was $Nil owing to Quenda Investments Pty Ltd.

DIRECTORS' REPORT (CONTINUED)

In addition to directors' fees, Messrs Thomas, Marwood and Stewart were paid the amounts detailed above in the Remuneration Report for the provision of special exertion services provided to the Group during the year. The amounts paid were less than that which would have been payable on arms' length commercial terms. At 30 June 2022 there was $Nil (2021: $Nil) owing.

In relation to Mr Nichols and in respect of the previous year ended 30 June 2021, in addition to his director fees, a total of $11,200 was paid to E2M Ltd, a business controlled or jointly controlled by Mr Nicholls. E2M Ltd provided geological consulting services to the Group during that year. The amounts paid were on terms more favourable to the Company than arms' length commercial terms and are disclosed in the remuneration report in conjunction with Mr Nicholls' compensation for the period that Mr Nicholls was a member of KMP. As previously reported, there was $Nil owed to E2M Ltd at 30 June 2021 for the provision of geological consulting services.

End of audited section

DIRECTORS' MEETINGS

During the year, the Company held five meetings of directors. The attendance of directors at meetings of the board and committees were:

			Committee Meetings			
	Directors Meetings		Audit		Remuneration	
	A	B	A	B	A	B
Peter Thomas	5	5	1	1	-	-
Richard Yeates – made redundant as an employee and resigned as a director 15 July 2021	0	0	*	*	-	-
Brad Marwood	5	5	1	1	-	-
Bruce Stewart – Appointed 13 July 2021	5	5	1	1	*	*

A – Number of meetings attended.
B – Number of meetings held during the time the director held office during the year.
* – Not a member of the relevant committee.

SHARES UNDER OPTION

There are no unissued ordinary shares of Middle Island Resources Limited under option at the date of this report.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, in accordance with each director's Deed of Indemnity, Insurance and Access with Middle Island Resources Limited, the Group has paid premiums insuring all the directors of Middle Island Resources Limited against all liabilities incurred by the director acting directly or indirectly as a director of the Company to the extent permitted by law, including legal costs incurred by the director in defending proceedings, provided that the liabilities for which the director is to be insured do not arise out of conduct involving a wilful breach of the director's duty to the Company or a contravention of sections 182 or 183 of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is $22,794.

DIRECTORS’ REPORT (CONTINUED)

NON-AUDIT SERVICES

The entity's auditor, Elderton Audit Pty Ltd or any associated entities have not been retained to provide anynon-audit services during the year

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR’S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of the directors.

Signature of Brad Marwood noted as having been affixed with approval

Brad Marwood

Executive Director

Perth, 30 September 2022

ELDERTON
AUDIT PTY LTD

Auditor's Independence Declaration

To those charged with governance of Middle Island Resources Limited

As auditor for the audit of Middle Island Resources Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the independence requirements of 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.

This declaration is in respect of Middle Island Resources Limited and the entities it controlled during the year.

Signature of Elderton Audit Pty Ltd noted as having been affixed with approval

Elderton Audit Pty Ltd

Signature of Rafay Nabeel noted as having been affixed with approval

Rafay Nabeel
Audit Director

Perth

30 September 2022

Limited liability by a scheme approved under Professional Standards Legislation
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CORPORATE GOVERNANCE STATEMENT

Middle Island Resources Limited reviews its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The 2022 Corporate Governance Statement was approved by the board on 30 September 2022. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.middleisland.com.au.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Consolidated 2022 $	2021 $
CONTINUED OPERATIONS			
REVENUE			
Other income	4	**222,490**	473,903
OPERATING EXPENDITURE			
Administrative expenses		**(604,015)**	(797,243)
Depreciation expense	5	**(4,138)**	(34,540)
Exploration expenses		**(745,443)**	(5,300,921)
Fair value (losses)/gains on financial assets		**(218,145)**	(572,814)
Finance costs		**-**	(1,003)
Loss on settlement of liability		**-**	(75,000)
Share of loss in associate	11	**(1,672,314)**	-
Impairment of investment in associate	11	**(1,302,686)**	
Salaries and employee benefits expense		**(866,900)**	(513,552)
LOSS BEFORE INCOME TAX		**(5,191,150)**	(6,821,170)
INCOME TAX BENEFIT/(EXPENSE)	6	**-**	-
NET LOSS from Continuing Operations, Net of tax		**(5,191,150)**	(6,821,170)
NET PROFIT from Discontinued Operations, Net of tax	7	**9,258,178**	-
OTHER Comprehensive Income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**3,526**	(1,986)
NET COMPREHENSIVE INCOME for the period, Net of tax		**3,526**	(1,986)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MIDDLE ISLAND RESOURCES LIMITED		**4,070,554**	(6,823,156)
Basic and diluted profit per share from continued operations (cents per share)	27	**(4.24)**	(5.8)
Basic and diluted profit per share from discontinued operations (cents per share)	27	**7.6**	-

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		Consolidated	
		2022	**2021**
	Notes	**$**	**$**
CURRENT ASSETS			
Cash and cash equivalents	8	**4,894,935**	3,247,637
Trade and other receivables	9	**214,388**	36,517
Financial assets	10	**96,903**	315,048
TOTAL CURRENT ASSETS		**5,206,226**	3,599,202
NON-CURRENT ASSETS			
Plant and equipment	12	**81,075**	2,053,539
Tenement acquisition costs	14	**-**	1,675,989
Investment in associate	11	**4,025,000**	-
TOTAL NON-CURRENT ASSSETS		**4,106,075**	3,729,528
TOTAL ASSETS		**9,312,301**	7,328,730
CURRENT LIABILITIES			
Trade and other payables	15	**96,279**	245,602
Borrowings		**13,949**	69,842
Employee benefit obligations		**35,562**	99,192
TOTAL CURRENT LIABILITIES		**145,790**	414,636
NON-CURRENT LIABILITIES			
Employee benefit obligations		**664**	101
Provisions	16	**-**	1,384,900
TOTAL NON-CURRENT LIABILITIES		**664**	1,385,001
TOTAL LIABILITIES		**146,454**	1,799,637
NET ASSETS		**9,165,847**	5,529,093
EQUITY			
Contributed equity	17	**48,611,091**	48,611,091
Reserves	18	**-**	523,800
Accumulated losses		**(39,445,244)**	(43,605,798)
TOTAL EQUITY		**9,165,847**	5,529,093

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2022

	Notes	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
		$	$	$	$	$
BALANCE AT 30 JUNE 2020		42,737,460	197,500	435,786	(36,784,628)	6,586,118
Loss for the year		-	-	-	(6,821,170)	(6,821,170)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	(1,986)	-	(1,986)
TOTAL COMPREHENSIVE INCOME		-	-	(1,986)	(6,821,170)	(6,823,156)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	17	5,873,631	(212,500)	-	-	5,661,131
Convertible securities issued during the year	17	-	105,000	-	-	105,000
BALANCE AT 30 JUNE 2021		48,611,091	90,000	433,800	(43,605,798)	5,529,093
BALANCE AT 30 JUNE 2021		**48,611,091**	**90,000**	**433,800**	**(43,605,798)**	**5,529,093**
Loss for the year from continuing operations		**-**	**-**	**-**	**(5,191,150)**	**(5,191,150)**
Profit for the year from discontinued operations		**-**	**-**	**-**	**9,258,178**	**9,258,178**
Adjustment pursuant to discontinued operations		**-**	**-**	**(433,800)**	**-**	**(433,800)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**3,526**	**3,526**
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**(433,800)**	**4,070,554**	**3,636,754**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Expiry of unexercised options	17	**-**	**(90,000)**	**-**	**90,000**	**-**
BALANCE AT 30 JUNE 2022		**48,611,091**	**-**	**-**	**(39,445,244)**	**9,165,847**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2022

	Notes	Consolidated 2022 $	Consolidated 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**4,845**	-
Government COVID-19 cashflow boost grant received		**107,169**	102,175
Payments to suppliers and employees		**(1,713,550)**	(1,272,249)
Expenditure on mining interests		**(841,391)**	(5,738,144)
Expenditure on discontinued operations		**(826,025)**	
Reimbursements of expenditure on mining interests		**-**	366,252
Interest received		**2,906**	5,607
Interest paid		**-**	(1,003)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	26	**(3,266,046)**	(6,537,362)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of fixed assets		**117**	-
Payments for tenement acquisition costs		**-**	(100,000)
Payments for financial assets at fair value through OCI		**(1,000,000)**	-
Payments for financial assets at fair value through profit or loss		**-**	(3,544,777)
Proceeds on sale of financial assets at fair value through profit or loss		**6,000,000**	3,136,659
Payments for property, plant and equipment		**(86,773)**	(1,298)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		**4,913,344**	(509,416)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**-**	5,611,131
Principal element of lease payments		**-**	(26,517)
Proceeds from borrowings		**-**	88,173
Repayments of borrowings		**-**	(88,795)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**-**	5,583,992
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**1,647,298**	(1,462,786)
Cash and cash equivalents at the beginning of the financial year		**3,247,637**	4,712,409
Effects of exchange rate changes on cash and cash equivalents		**-**	(1,986)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	**4,894,935**	3,247,637

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements are for the consolidated entity consisting of Middle Island Resources Limited and its subsidiaries. The financial statements are presented in Australian currency. Middle Island Resources Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 29 September 2022. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Middle Island Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Middle Island Resources Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is that they are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities measured at fair value.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Middle Island Resources Limited ("Company" or "parent entity") as at 30 June 2022 and the results of all subsidiaries for the year then ended. Middle Island Resources Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. A list of controlled entities is disclosed in note 24 to the financial statements.

The acquisition method of accounting is used to account for business combinations by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Middle Island Resources Limited.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the 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, has been identified as the full Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Australian dollars, which is Middle Island Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Revenue recognition

Sale of commodities

Revenue from gold concentrate sales is recognised when the Group satisfies its performance obligations under its contract by transferring such goods to the customer's control. Control is generally determined to be when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good.

Interest

Interest revenue is recognised on a time proportionate basis that considers the effective yield on the financial assets.

Other income

All other income is recognised when the right to receive other income is established.

All revenue is stated net of the amount of goods and services tax.

(f) Government grants

Grants from the government, including exploration incentives and the COVID-19 cashflow boost, are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(g) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. No deferred tax is recognised for the carried forward losses as the Group considers there will be no taxable profit available to offset such brought forward tax losses in the future.

(h) Leases

The Group leased office premises with a three-year term that expired during the year. Upon commencement of the lease the Group recognised a lease liability for this lease, measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate, being 10%.

Where the Group is lessee, the Group recognises a right-of-use asset and a corresponding liability at the date at which the lease asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group's expired office lease agreement did not contain any extension options.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date less any lease incentives received, and any initial direct costs.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Where leases have a term of less than 12 months or relate to low value assets the Group may apply exemptions in AASB 16 to not capitalise any such leases and instead recognise the lease payments on a straight-line basis as an expense in profit or loss.

(i) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

(j) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(k) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). All of the Group's financial assets are classified at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income or expenses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income or expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income or expenses and impairment losses are presented as a separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income or expenses in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in other income or expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Impairment

The Group assesses, on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology depends on whether there has been a significant increase in credit risk.

(l) Plant and equipment

All plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 25% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

(m) Exploration and evaluation costs

It is the Group's policy to capitalise the cost of acquiring rights to explore areas of interest. All other exploration expenditure is expensed to the statement of profit or loss and other comprehensive income.

The costs of acquisition are carried forward as an asset provided one of the following conditions is met:

- Such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively, by its sale; or
- Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to and unpaid at the end of the financial year. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefit obligations

The group also has liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(p) Share-based payments

The Group may provide benefits to employees (including directors) of the Group, and to vendors and suppliers, in the form of share-based payment transactions, whereby employees or service providers render services, or where vendors sell assets to the Group, in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 28.

The cost of these equity-settled transactions in the case of employees is measured by reference to the "fair value" (not market value) at the date at which they are granted. The "fair value" is determined in accordance with Australian Accounting Standards by an internal valuation using a Black-Scholes (or other industry accepted) option pricing model for options and by reference to market price for ordinary shares. The Directors do not consider the resultant value as determined by the Black-Scholes European Option Pricing Model (or any other model) is necessarily representative of the market value of the share options issued, however, in the absence of a reliable measure of the goods or services received, AASB 2 *Share Based Payments* prescribes the measurement of the fair value of the equity instruments granted. The Black-Scholes European Option Pricing Model is an industry accepted method of valuing equity instruments.

The cost of remuneration equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition.

Where an option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the option is recognised immediately. However, if a new option is substituted for the cancelled option and designated as a replacement option on the date that it is granted, the cancelled and new option are treated as a modification of the original option.

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provision for rehabilitation

The Group records the estimated cost to rehabilitate operating locations in the period in which the obligation arises on an undiscounted basis. The nature of rehabilitation activities includes the dismantling and removing of structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

Typically, the obligation arises when the asset is installed, or the ground/environment is disturbed at the production location. When the liability is initially recorded, the value of the estimated cost of eventual rehabilitation is capitalised by increasing the carrying amount of the related mining assets. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed as incurred.

(r) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(u) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Exploration and evaluation costs

The costs of acquiring rights to explore areas of interest are capitalised, all other exploration and evaluation costs are expensed as incurred.

These costs of acquisition are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which: (i) such costs are expected to be recouped through successful development and exploitation or from sale of area; or (ii) exploration and evaluation activities in the area have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any capitalised acquisition costs in respect of that area are written off in the financial year the decision is made.

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates consider both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Share-based payments

Share-based payment transactions, in the form of options to acquire ordinary shares, are valued using the Black-Scholes option pricing model. This model uses assumptions and estimates as inputs.

The Directors do not consider the resultant value as determined by the Black-Scholes European Option Pricing Model is necessarily representative of the market value of the share options issued, however, in the absence of a reliable measure of the goods or services received, AASB 2 *Share Based Payments* prescribes the measurement of the fair value of the equity instruments granted. The Black-Scholes European Option Pricing Model is an industry accepted method of valuing equity instruments, at the date of grant.

Impairments

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using the directors' best estimate of the asset's fair value, which can incorporate various key assumptions.

Any amounts in excess of the fair value are impaired, in line with accounting policy disclosures in notes 1(i), 1(k) and 1(l).

Provision for rehabilitation

The Group assesses its mine rehabilitation provision half-yearly in accordance with accounting policy note 1(q). Significant judgement is required in determining the provision primarily relating to the estimation of costs in the Mine Closure Plan that is lodged with the Department of Mines, Industry Regulation and Safety.

2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process.

(a) Market risk

(i) Foreign exchange risk

During part of this reporting period, the Group operated internationally and was exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the A$, the US dollar and the West African CFA franc. This exposure ceased when MDI Burkina Faso was divested as a subsidiary company.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The functional currency of the Group's West African based subsidiary company is the West African CFA franc. Given the current scale of the operations in West Africa, the foreign exchange exposure is not considered to be material to the Group.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as financial assets at fair value through profit or loss. Given the current level of operations, the Group's financial statements for the year ended 30 June 2022 are not exposed to commodity price risk.

To minimise the risk, the Group's investments are of high quality and are publicly traded on reputable international stock exchanges. The investments are managed on a day to day basis so as to pick up any significant adjustments to market prices.

Sensitivity analysis

At 30 June 2022, if the value of the equity instruments had increased by 15% with all other variables held constant, post-tax loss for the Group would have been $618,285 lower, with no changes to other equity balances, as a result of gains on equity securities classified as financial assets at fair value through profit or loss (2021: $47,257 lower).

At 30 June 2022, if the value of the equity instruments had decreased by 15% with all other variables held constant, post-tax loss for the Group would have been $618,285 higher, with no changes to other equity balances, as a result of losses on equity securities classified as financial assets at fair value through profit or loss (2021: $47,257 higher).

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $4,894,935 (2021: $3,247,637) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 0.08% (2021: 0.12%).

Sensitivity analysis

At 30 June 2022, if interest rates had changed by -10 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $3,608 higher (2021: -10 basis points $4,398 higher) as a result of lower or higher interest income from cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2: FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2022, if interest rates had changed by +10 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $3,608 lower (2021: +10 basis points $4,398 lower) as a result of lower or higher interest income from cash and cash equivalents.

(b) Credit risk

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

All surplus cash holdings within the Group are currently invested with AA- rated financial institutions.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The equity investments held by the Group are classified at fair value through profit or loss. The market value of all equity investments (shares in Aurumin and Tajiri Resources) represents the fair value based on quoted prices on active markets (ASX and TSX) as at the reporting date without any deduction for transaction costs. These investments are classified as level 1 financial instruments.

The carrying amounts and estimated fair values of financial assets and financial liabilities are as follows:

	Consolidated	
	2022	2021
	$	$
Financial Assets		
Cash and cash equivalents	**4,894,935**	3,247,637
Trade and other receivables	**214,388**	36,517
Financial assets*	**4,121,903**	315,048
Total Financial Assets	**9,231,226**	3,599,202
Financial Liabilities		
Trade and other payables	**96,279**	245,602
Borrowings	**13,949**	69,842
Total Financial Liabilities	**110,228**	315,444

*Including shareholding in Aurumin Ltd at fair value

The methods and assumptions used to estimate the fair value of financial instruments are outlined below:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2: FINANCIAL RISK MANAGEMENT (CONTINUED)

Receivables/Payables/Borrowings

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

Fair value measurements of financial assets

The carrying values of financial assets and liabilities of the Group approximate their fair values. Fair values of financial assets and liabilities have been determined for measurement and / or disclosure purposes.

Fair value hierarchy

The Group classifies assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The following table analyses financial instruments carried at fair value by the valuation method. The different levels in the hierarchy have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2022				
Financial assets	**4,121,903**	-	-	**4,121,903**
Total as at 30 June 2022	**4,121,903**	-	-	**4,121,903**
30 June 2021				
Financial assets	315,048	-	-	315,048
Total as at 30 June 2021	315,048	-	-	315,048

*Including shareholding in Aurumin Ltd at fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3: SEGMENT INFORMATION

For management purposes, the Group has identified two reportable segments, being exploration activities undertaken in (i) Australia and (ii) West Africa. These segments include activities associated with the determination and assessment of the existence of commercial economic reserves from the Group's mineral assets in these geographic locations.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Group's accounting policies.

	Consolidated	
	2022	2021
	$	$
Segment revenue – Australia	**112,474**	-
Segment revenue – West Africa	**-**	366,252
Segment revenue – Total	**112,474**	366,252
Reconciliation of segment revenue to total revenue and other income:		
Interest revenue	**2,848**	5,476
Other income	**107,168**	102,175
TOTAL REVENUE AND OTHER INCOME	**222,490**	473,903
Segment result – Australia	**(745,443)**	(5,134,586)
Segment result – West Africa	**-**	199,917
Segment result – Total	**(745,443)**	(4,934,669)
Reconciliation of segment result to net loss before tax:		
- Other income	**222,490**	107,651
- Fair value (losses)/gains	**(218,145)**	(572,814)
- Other corporate and administration	**(1,475,053)**	(1,421,338)
- Loss in associate	**(1,672,314)**	-
- Impairment of investment in associate	**(1,302,686)**	-
NET LOSS BEFORE TAX	**(5,191,150)**	(6,821,170)
Segment operating assets – Australia	**81,075**	3,729,427
Segment operating assets – West Africa	**-**	-
Segment operating assets – Total	**81,075**	3,729,427
Reconciliation of segment operating assets to total assets:		
Investment in associate	**4,025,000**	-
- Other corporate and administration assets	**5,206,226**	3,599,303
TOTAL ASSETS	**9,312,301**	7,328,730
Segment operating liabilities – Australia	**110,228**	1,532,759
Segment operating liabilities – West Africa	**-**	78
Segment operating liabilities – Total	**110,228**	1,532,837
Reconciliation of segment operating liabilities to total liabilities:		
- Other corporate and administration liabilities	**36,226**	266,800
TOTAL LIABILITIES	**146,454**	1,799,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Consolidated	
	2022	2021
	$	$
4: REVENUE AND OTHER INCOME		
Other income		
Interest income	**2,848**	5,476
Reimbursements of expenditure on mining interests	**-**	366,252
Government COVID-19 cashflow boost grant	**17,765**	102,175
Government exploration grants	**89,403**	-
Sale of recovered gold	**111,135**	-
Sale of minor asset	**1,339**	-
	222,490	473,903

5: EXPENSES

	2022	2021
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**22,413**	60,764
Expenses relating to short-term leases	**-**	10,320
Depreciation expenses:		
Plant and equipment	**4,138**	5,995
Right-of-use assets	**-**	28,545
	26,551	34,540

6: INCOME TAX

	2022	2021
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**-**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) including discontinued operations before income tax expense	**4,070,554**	(6,821,170)
Prima facie tax expense/(benefit) at the Australian tax rate of 25%	**1,017,639**	(2,046,351)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Foreign gains/(losses) – West Africa excluded	**-**	59,975
Loss on settlement of liability	**-**	22,500
Other	**-**	(28,478)
	1,017,639	(1,992,354)
Movements in unrecognised temporary differences	**(2,171,625)**	52,305
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**1,153,986**	1,940,049
Income tax expense	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2022 $	2021 $
6: INCOME TAX (CONTINUED)		
© Unrecognised temporary differences		
Deferred Tax Assets (at 25%)		
Capital raising costs	**72,605**	131,153
Financial assets	**868,372**	84,103
Other temporary differences	**49,753**	48,731
Carry forward foreign losses	**-**	7,814,947
Carry forward tax losses	**4,274,160**	7,356,925
Deferred Tax Liabilities (at 25%)		
Tenement acquisition costs	**-**	(502,797)
Net deferred tax assets	**5,264,891**	14,933,062

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised. The Group's ability to use losses in the future is subject to the Group satisfying the relevant tax authority's criteria for using these losses.

7: DISCONTINUED OPERATIONS

MDI Burkino Faso (MDI BFA)

During the year, the association with MDI Burkino Faso was terminated and the Company ceased to hold any interest in its' operations or ownership effective October 2021.

Loss from discontinued operation:	
Revenue	**-**
Exploration expense	**(129,764)**
Loss for year	**(129,764)**
Tax expense	**-**
Net loss for the year from discontinued operations	**(129,764)**
Loss from disposal:	
The carrying value of MDI BFA at date of disposal was as follows:	
Cash	**68,903**
Receivable	**162**
FX reserve movement	**(430,273)**
Total net liabilities	**(361,208)**
Consideration received	**-**
Gain on disposal	**361,208**
Total loss from discontinued operations	**231,444**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7: DISCONTINUED OPERATIONS (Continued)

Sandstone Operations Pty Ltd (SOPL)

Sandstone Operations Pty Ltd was a wholly owned subsidiary of the Company. During the year, MDI successfully entered into a share sale agreement with Aurumin Limited (ASX:**AUN**) for the sale of its Sandstone assets. This sale was completed on 20 March 2022 for a total consideration of A$12M comprising a cash component of A$6M plus a further A$6M negotiated value of 30M fully paid shares in Aurumin.

Loss from discontinued operation:	
Revenue	**400,000**
Exploration expense	**(530,957)**
Loss for year	**(130,957)**
Tax expense	**-**
Net loss for the year from discontinued operations – SOPL	**(130,957)**

Loss from disposal:	
The carrying value of SOPL at date of disposal was as follows:	
Cash	**410,008**
Property, plant and equipment	**2,039,576**
Capitalised exploration costs	**1,659,237**
Creditors	**(581)**
Provision for rehabilitation	**(1,384,900)**
Total net assets	**2,723,340**
Consideration received in cash	**6,000,000**
Consideration received in shares	**6,000,000**
Total consideration	**12,000,000**
Other expense on disposal	**(118,968)**
Gain on disposal	**9,157,692**
Total loss from discontinued operations - SOPL	**9,026,735**
Total gain from discontinued operations	**9,258,178**

	Consolidated	
	2022	**2021**
	$	**$**
8: CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**4,854,175**	3,206,877
Short-term deposits	**40,760**	40,760
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**4,894,935**	3,247,637

Cash and cash equivalents at 30 June 2022 are fully comprised of AUD4,894,935 (2021: A$3,045,279 with the balance held in West African CFA francs).

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

The Group has provided a cash-backed bank guarantee of $20,760 for the office property lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2022 $	2021 $
9: CURRENT ASSETS – TRADE, OTHER RECEIVABLES AND PREPAYMENTS		
Trade Debtors [(1)]	**122,168**	58,628
Prepayments	**61,624**	-
Other	**30,596**	3,965
	214,388	62,593

(1) The Group assesses, on a forward-looking basis, the expected credit losses associated with trade debtors. All amounts recorded at balance date are considered recoverable in full.

10: CURRENT ASSETS – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 $	2021 $
Canadian listed equity securities	**96,903**	315,048

Changes in fair values of financial assets are shown at 'fair value (losses)/gains on financial assets' in the statement of profit or loss and other comprehensive income. Refer to note 2 for details of the fair value measurement.

11: INVESTMENT IN ASSOCIATES

Aurumin Limited was held by Middle Island Resources Limited as to 25.14% at the end of this period and is therefore classified as an Associate.

	2022 $	2021 $
Purchase price of investment in Aurumin Limited	**7,000,000**	-
Share of loss in associate	**(1,672,314)**	-
Impairment of investment in associate	**(1,302,686)**	-
Group's carrying amount of the investment	**4,025,000**	-
Summarised financial information of Aurumin Limited		
Current assets	**2,369,804**	-
Non-current assets	**14,621,176**	-
Current liabilities	**(2,262,390)**	-
Non-current liabilities	**(5,521,674)**	-
Equity	**9,506,916**	-
Group's carrying amount of the investment	**4,025,000**	-
Revenue	**31,819**	-
Exploration expenditure	**(4,255,794)**	-
Legal and compliance costs	**(446,157)**	-
Share based payments	**(402,655)**	-
Other expenses	**(1,579,219)**	-
(Loss) before tax	**(6,652,006)**	-
Income tax expense	**-**	-
(Loss) for the period	**(6,652,006)**	-
Total comprehensive (loss) for the period	**(6,652,006)**	-
Group's share of (loss) for the period	**(1,672,314)**	-
Exploration commitments		
Payable within one year	**850,880**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11: INVESTMENT IN ASSOCIATES (Continued)

Additional information

As at the end of the reporting period, the Group had a 25.14% ownership interest in Aurumin Limited (ASX:AUN).

Accounting policy

Associates are defined as those entities over which the group is able to exert significant influence, but which are not subsidiaries.

Investments in "associates" are accounted for using the equity accounting method.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

The Board does not consider in practical terms that it is in fact able to exert significant influence over Aurumin but is required to report on the Group's interest in accordance with the Australian Accounting Standards.

Unrealised gains and losses on transactions between the group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

12: NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	Freehold Land $	Plant and Equipment $	Total $
Year ended 30 June 2021			
Opening net book amount	126,929	1,929,418	2,056,347
Additions	-	3,187	3,187
Depreciation charge	-	(5,995)	(5,995)
Closing net book amount	126,929	1,926,610	2,053,539
At 30 June 2021			
Cost	126,929	2,230,914	2,357,843
Accumulated depreciation	-	(304,304)	(304,304)
Net book amount	126,929	1,926,610	2,053,539
Year ended 30 June 2022			
Opening net book amount	**126,929**	**1,926,610**	**2,053,539**
Additions	**-**	**85,533**	**85,533**
Disposals [1]	**(126,929)**	**(1,926,930)**	**(2,053,859)**
Depreciation charge	**-**	**(4,138)**	**(4,138)**
Closing net book amount	**-**	**81,075**	**81,075**
At 30 June 2022			
Cost	**-**	**160,040**	**160,040,**
Accumulated depreciation	**-**	**(78,965)**	**(78,965)**
Net book amount		**81,075**	**81,075**

1. Plant and equipment associated with the Sandstone gold project was disposed of during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13: LEASES

	Notes	Consolidated 2022 $	Consolidated 2021 $
Amounts recognised in the statement of profit or loss and other comprehensive income			
The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:			
Depreciation charge of right-of-use assets			
Buildings		**-**	28,545
Interest expense (included in finance cost)	5	**-**	1,003

The Group's leasing activities

The Group leased office premises with the lease expiring 30 November 2021. An extension to the lease has been negotiated on a monthly basis and has been classified as a short-term lease with the lease payments recognised on a straight-line basis as an expense in profit or loss.

The total cash outflow for leases in 2022 was $81,268 (2021: $27,520).

14: NON-CURRENT ASSETS – TENEMENT ACQUISITION COSTS

	2022 $	2021 $
Tenement acquisition costs carried forward in respect of mining areas of interest		
Opening net book amount	**1,675,989**	1,525,989
Additions (1)	**-**	150,000
Decrease pursuant to sale of Sandstone Operations Pty Ltd	**(1,675,989)**	-
Closing net book amount	**-**	1,675,989

(1) In the previous year ended 30 June 2021, the Group exercised the option under the Wirraminna Option Agreement to acquire tenement P57/1395, comprising part of the Sandstone gold project. The exercise price of the option agreement was $150,000 comprising $100,000 in cash and $50,000 in fully paid ordinary shares (refer note 17(b)).

15: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2022 $	2021 $
Trade payables	**70,646**	40,107
Other payables and accruals	**25,633**	205,495
	96,279	245,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2022 $	Consolidated 2021 $
16: NON-CURRENT LIABILITIES - PROVISIONS		
Rehabilitation		
Carrying amount at start of year	**1,384,900**	1,384,900
Adjustment pursuant to disposal of Sandstone Operations Pty Ltd	**(1,384,900)**	-
Carrying amount at end of year	**-**	1,384,900

Upon the sale of the Company's Sandstone Gold Project, this provision for rehabilitation was wholly assumed by Aurumin Limited. In previous reporting periods the Group recorded the undiscounted estimated cost to rehabilitate operating locations in the period in which the obligation arises. The nature of rehabilitation activities included the dismantling and removing of structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas. The provision included rehabilitation costs associated with the Sandstone Gold Project based on the latest estimated future costs contained in the Mine Closure Plan (MCP) lodged with the Government of Western Australia Department of Mines, Industry Regulation and Safety (DMIRS).

17: ISSUED CAPITAL

(a) Share capital

	Notes	2022 Number of shares	2022 $	2021 Number of shares	2021 $
Ordinary shares fully paid	17(b), 17(d)	**122,418,222**	**48,611,091**	122,418,222	48,611,091
Total issued capital		**122,418,222**	**48,611,091**	122,418,222	48,611,091

(b) Movements in ordinary share capital

	2022 Number of shares	2022 $	2021 Number of shares	2021 $
Beginning of the financial year	**122,418,222**	**48,611,091**	2,139,809,372	42,737,460
Issued for cash at 0.4 cents per share	-	-	6,250,000	25,000
Issued for cash at 0.77 cents per share upon exercise of options(1)	-	-	367,740,413	2,820,789
Issued for cash at 0.79 cents per share upon exercise of options(1)	-	-	225,682,326	1,751,132
Issued as consideration for director fees(2)	-	-	7,500,000	105,000
Issued as consideration for tenement acquisition at 1.5 cents per share	-	-	3,270,533	50,000
Issued for cash at 2.1 cents per share	-	-	38,095,000	800,000
Adjustment for 1:23 share consolidation(3)	-	-	(2,667,113,935)	-
Issued for cash at 17.71 cents per share upon exercise of options	-	-	220,874	39,117
Issued for cash at 18.17 cents per share upon exercise of options	-	-	963,639	175,093
Transfer from Share-based Payments Reserve upon exercise of consultant options	-	-	-	107,500
End of the financial year	**122,418,222**	**48,611,091**	122,418,222	48,611,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17: ISSUED CAPITAL (CONTINUED)

(1) A total of $42,763 had been received prior to 30 June 2020 for option exercises for which the shares were not issued until July 2020.

(2) A resolution was approved by shareholders at the 2020 AGM to issue 7,500,000 Redeemable Converting Shares (**RC Shares**) to Mr Brad Marwood, a Director of the Company, in lieu of directors' fees for the period 2 December 2019 to 1 December 2020 to the value of $30,000 (calculated by reference to the market value of the Company's ordinary fully paid securities as at the date Mr Marwood's entitlement to the shares was established subject to shareholder approval). The issue price of the RC Shares was set at $0.004 being the price at which the Company's shares were trading when Mr Marwood joined the Board. The RC Shares were issued to Mr Marwood on 27 November 2020. On 2 December 2020, the RC Shares converted into fully paid ordinary shares. The closing price of ordinary fully paid shares in the Company on the date of the Annual General Meeting was $0.014. For accounting purposes, that date was the grant date of the RC Shares, and the fair value at that date of each RC Share was $0.014 for a total fair value of $105,000. The fair value on grant of the RC Shares was initially recorded in the Share-based Payments Reserve and then transferred to Contributed Equity upon conversion into fully paid ordinary shares. The settlement of this liability by the issue of the RC Shares has resulted in a net loss, for accounting purposes, resulting from the increase in the value of the Company's shares between the time of Mr Marwood's appointment (being the date he became conditionally entitled to) and the grant date of the RC Shares. This net loss is recognised in the profit or loss for the year of $75,000.

(3) A resolution was approved by shareholders at the 2020 AGM to convert every 23 shares into 1 share. The effective date for the consolidation was 7 December 2020.

(c) Movements in options on issue

	Number of options	
	2022	**2021**
Beginning of the financial year	**21,611,663**	1,111,482,023
Issued, exercisable at 0.77 cents, on or before 31 January 2022		6,250,000
Exercised at 0.79 cents, expiring on 31 January 2022		(225,682,326)
Exercised at 0.77 cents, expiring on 31 January 2022		(367,740,413)
Adjustment for 1:23 share consolidation		(501,513,108)
Exercised at 18.17 cents, expiring on 31 January 2022		(963,639)
Exercised at 17.71 cents, expiring on 31 January 2022		(220,874)
Exercisable at $0.6877 (2020: $0.0299), expired 8 November 2021	**(1,304,349)**	
Exercisable at $0.1817 (2020: $0.0079), expired 31 January 2022	**(9,989,324)**	
Exercisable at $0.1771 (2020: $0.0077), expired 31 January 2022	**(10,317,990)**	
End of the financial year	-	21,611,663
Options on issue are comprised of:		
Exercisable at $0.6877 (2020: $0.0299), expiring 8 November 2021	-	1,304,349
Exercisable at $0.1817 (2020: $0.0079), expiring 31 January 2022	-	9,989,324
Exercisable at $0.1771 (2020: $0.0077), expiring 31 January 2022	-	10,317,990
	-	21,611,663

(d) Ordinary shares

Ordinary fully paid shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of the shares held.

On a show of hands every holder of ordinary fully paid shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll is entitled to one vote for each share held.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

17: ISSUED CAPITAL (CONTINUED)

(e) Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may strive to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2022 and 30 June 2021 are as follows:

	Consolidated	
	2022	2021
	$	$
Cash and cash equivalents	**4,894,935**	3,247,637
Trade and other receivables	**214,388**	36,517
Financial assets	**4,121,903**	315,048
Trade and other payables	**(96,279)**	(245,602)
Borrowings	**(13,949)**	(69,842)
Employee benefits obligations - current	**(35,562)**	(99,192)
Working capital position	**9,085,436**	3,184,566

18: RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	2022	2021
Foreign currency translation reserve	**-**	433,800
Share-based payments reserve (see note 28)	**-**	90,000
	-	523,800

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated within a separate reserve within equity. The cumulative amount was reclassified to profit or loss on disposal of the net investment during the year.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued. No options were on issue at the end of the year.

19: DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company and their related practices:

	Consolidated 2022 $	Consolidated 2021 $
Audit services		
Elderton Audit Pty Ltd – audit and review of financial reports	**33,174**	34,208
Total remuneration for audit services	**33,174**	34,208

21: CONTINGENCIES

Other than disclosed elsewhere in this Report, the Company does not have any other contingencies.

22: COMMITMENTS

Exploration commitments

The Group has certain (contingent) commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments, which the Group has the right to vary by such methods as applying for exemptions, surrendering tenements, relinquishing portions of tenements or entering farm-out arrangements, are as follows:

	Consolidated 2022 $	Consolidated 2021 $
within one year	**285,500**	458,960
later than one year but not later than five years	**1,242,000**	1,910,000
later than five years	**46,000**	1,344,750
	1,573,500	3,713,710

23: RELATED PARTY TRANSACTIONS

	Consolidated	
	2022	2021
	$	$

(a) Parent entity

The ultimate parent entity within the Group is Middle Island Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

(c) Key management personnel compensation

	2022 $	2021 $
Short-term benefits	**526,835**	371,512
Post-employment benefits	**6,027**	31,494
Special exertion fees	**200,000**	6,000
	732,862	409,006

Detailed remuneration disclosures are provided in the remuneration report on pages 8 to 12.

(d) Transactions and balances with other related parties

DW Corporate Pty Ltd, a business of which Mr Wilkins is principal, provided company secretarial and corporate advisory services to the Middle Island Group during the year. The amounts paid were on arms' length commercial terms and are disclosed in the remuneration report in conjunction with Mr Wilkins' compensation for the period that Mr Wilkins was a member of KMP.

In the previous reporting year, Quenda Investments Pty Ltd ("**Quenda**"), a company of which Mr Yeates is a director and shareholder, lent securities held in Middle Island Resources Limited to the provider of a controlled placement facility during the current reporting period for which Quenda was paid a stock borrow fee of $4,500. The amounts paid were on arms' length commercial terms. No comparative amounts were paid during the year ended 30 June 2022 and there are no amounts owing to Quenda.

In addition to his director fees, Mr Thomas was paid $150,000 (2021: $6,000) for the provision of special exertion services he provided to the Group during the year. The amounts paid were less that arms' length commercial terms and are disclosed in the remuneration report in conjunction with Mr Thomas' compensation. At 30 June 2022 no amount was owing (2021: $Nil) to Mr Thomas for the provision of further special exertion services as no invoice for the same was then submitted to the Group.

In addition to his director fees, Mr Marwood was paid $50,000 (2021: $Nil) for the provision of special exertion services he provided to the Group during the year. The amounts paid were less that arms' length commercial terms and are disclosed in the remuneration report in conjunction with Mr Marwood's compensation. At 30 June 2022 no amount was owing (2021: $Nil) to Mr Marwood for the provision of further special exertion services as no invoice for the same was then submitted to the Group.

In addition to his director fees, Mr Stewart was paid $50,000 (2021: $Nil) for the provision of special exertion services he provided to the Group during the year. The amounts paid were less that arms' length commercial terms and are disclosed in the remuneration report in conjunction with Mr Stewart's compensation. At 30 June 2022 no amount was owing (2021: $Nil) to Mr Stewart for the provision of further special exertion services as no invoice for the same was then submitted to the Group.

In the previous reporting year, in addition to his director fees, a total of $11,200 was paid to E2M Ltd, a business controlled or jointly controlled by Mr Nicholls. E2M Ltd provided geological consulting services to the Group during that year. The amounts paid were on terms more favourable to the Company than arms' length commercial terms and are disclosed in the remuneration report in conjunction with Mr Nicholls' compensation for that prior period when Mr Nicholls was a member of KMP. As previously reported, there was $Nil owed to E2M Ltd at 30 June 2021 for the provision of geological consulting services.

(e) Loans to related parties

Middle Island Resources Limited has provided unsecured, interest free loans to its' only remaining wholly owned subsidiary, Barkly Operations Pty Ltd, totalling $903,315 at 30 June 2022 (2021: Comprised all wholly owned subsidiaries $28,722,053). An impairment assessment is undertaken each financial year by examining the financial position of the subsidiary and the market in which the subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss. Total provision for impairment against this loan is $101,391 at 30 June 2022 (2021: Comprised all wholly owned subsidiaries $26,504,621) for a net balance of $801,924 at 30 June 2022 (2021: $2,217,432).

24: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding [1]	
			2022 %	2021 %
Middle Island Resources Limited – Burkina Faso SARL – divested October 20211	Burkina Faso	Ordinary	**Nil**	100
Sandstone Operations Pty Ltd – 100% of issued share capital sold pursuant to a Binding Share Purchase Agreement effected on 20 March 2022	Australia	Ordinary	**Nil**	100
Barkly Operations Pty Ltd	Australia	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

25: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26: STATEMENT OF CASH FLOWS

	Consolidated 2022 $	Consolidated 2021 $
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(5,191,150)**	(6,821,170)
Non-cash items		
Depreciation of non-current assets	**4,138**	34,540
Loss on settlement of liability	**-**	75,000
Director fees settled through the issue of securities	**-**	30,000
Net exchange differences	**-**	(1,888)
Share of loss in associate, impairment and fair value adjustment	**3,194,175**	-
Expenditure on discontinued operations	**(826,391)**	-
Change in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	**(177,872)**	26,076
Decrease/(increase) in financial assets at fair value through profit or loss	**-**	572,814
(Decrease)/increase in trade and other payables	**(268,946)**	(472,063)
Increase in employee benefit obligations		19,329
Net cash outflow from operating activities	**(3,266,046)**	(6,537,362)

27: LOSS PER SHARE

	Consolidated 2022 $	Consolidated 2021 $
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(5,191,150)**	(6,821,170)

	Number of shares 2022	Number of shares 2021
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**122,418,222**	118,480,918

(c) Information on the classification of options

There are no options on issue which could have a dilutive effect in the calculation of diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28: SHARE-BASED PAYMENTS

a) Options issued to employees, contractors and suppliers

The Group may provide benefits to employees (including directors), contractors and suppliers of the Group in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence.

No such options were issued during the year.

Set out below are summaries of the options granted (as 30 June in the stated years):

	Consolidated			
	2022		2021	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the financial year	**1,304,349**	**68.8**	55,000,000	2.0
Exercised	**-**	**-**	(25,000,000)	0.8
Adjustment for 1:23 share consolidation	**-**	**-**	(28,695,651	68.8
Expired/lapsed	**(1,304,349)**	**-**	-	-
Outstanding at year-end	**-**	**-**	1,304,349	68.8
Exercisable at year-end	**-**	**-**	1,304,349	68.8

Fair value of options granted
No options were granted during the year.

b) Expenses arising from share-based payment transactions

No expenses arising from share-based payment transactions were required to be recognised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Middle Island Resources Limited, at 30 June 2022. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2022 $	2021 $
Current assets	**5,067,919**	3,362,163
Non-current assets	**4,828,139**	2,234,285
Total assets	**9,896,058**	5,596,448
Current liabilities	**(111,515)**	(266,283)
Non-current liabilities	**(663)**	(101)
Total liabilities	**(112,178)**	266,384
Contributed equity	**48,611,091**	48,611,091
Share-based payments reserve	**-**	90,000
Accumulated losses	**(38,827,211)**	(43,371,027)
Total equity	**9,783,880**	5,330,064
Profit/(Loss) for the year	**4,453,813**	(7,018,758)
Total comprehensive loss for the year	**4,453,813**	(7,018,758)

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 16 to 48 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
3. a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Signature of Brad Marwood noted as having been affixed with approval

Brad Marwood

Executive Director

Perth, 30 September 2022

ELDERTON

AUDIT PTY LTD

Independent Audit Report to the members of Middle Island Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Middle Island Resources Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group'), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) 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 then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as 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 auditor independence requirements of 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* (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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.

Discontinued Operations

Refer to Note 7, Gain from Discontinued Operations ($9,258,178).

Key Audit Matter	How our audit addressed the matter
As disclosed in note 7 to the financial statements, during the year following approval by shareholders at a general meeting, the Company completed the sale of its WA Sandstone project and Rep Gold project in Burkina Faso Western Africa. Discontinued operations are a key audit matter due to the significance of the transaction to the Consolidated Entity's financial position and performance during the year.	Our audit work included, but was not restricted to, the following: • Evaluation of the terms and conditions with respect to the business sale and related agreements. • Ensuring that shareholder's approval was obtained and cross referred to ASX announcements. • Verifying receipt of sale consideration with bank and shareholding statements. • Reviewing tax advice regarding sale of Sandstone Operations Pty Ltd ("SOPL") obtained by entity from its tax consultant. • Evaluation of the disposal date balances and assessing the gain on disposal; and • Assessing the adequacy of the disclosures in note 7 to the financial statements in accordance with the requirements of AASB 5 Non-current Assets Held for Sale and Discontinued Operations.

Investment in Associate

Refer to Note 11, Investment in Associate ($4,025,000)

Key Audit Matter	How our audit addressed the matter
During the year Company acquired 25.14% shares in Aurumin Limited as sale consideration for its Sandstone project as disclosed in note 7 to the financial statements. This investment has been recorded using equity method under AASB 128 Investments in Associates and Joint Ventures. Subsequent to acquisition, Aurumin Limited's share price has dropped significantly therefore an impairment of $1,302,686 was recorded in the income statement for the year ended 30 June 2022. We considered it as a key audit matter due to its significance and use of judgement in assessing impairment.	Our audit work included, but was not restricted to, the following: • Reviewing SOPL sale agreement to verify sale consideration. • Verifying Middle Island Resources' percentage holding in Aurumin Limited with share registry report. • Ensuring loss in associate has been recorded correctly using Aurumin Limited's financial statements for the year ended 30th June 2022. • Analysing changes in shares price Aurumin Limited since acquisition. • Obtaining management's impairment assessment and assessed its reasonableness; and • Reviewing the adequacy of the disclosure in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Review of Operations and Directors Report and other information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 and 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used in the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on page 8 to page 12 in the directors' report for the year ended 30 June 2022.

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

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

Signature of Elderton Audit Pty Ltd noted as having been affixed with approval

Elderton Audit Pty Ltd

Signature of Rafay Nabeel noted as having been affixed with approval

Rafay Nabeel
Audit Director

30 September 2022

Perth

ASX ADDITIONAL INFORMATION

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 23 September 2022.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary shares	
			Number of holders	**Number of shares**
1	-	1,000	**222**	**100,320**
1,001	-	5,000	**602**	**1,638,764**
5,001	-	10,000	**254**	**1,867,463**
10,001	-	100,000	**603**	**20,532,989**
100,001		and over	**171**	**98,278,686**
			1,852	**122,418,222**

The number of shareholders holding less than a marketable parcel of shares are:	**965**

(b) Twenty largest shareholders of quoted ordinary fully paid ordinary shares

The names of the twenty largest holders of quoted ordinary fully paid shares are:

		Listed ordinary fully paid shares	
		Number of shares	**% of ordinary shares**
1	Merrill Lynch (Australia) Nominees Pty Limited	8,365,958	6.83%
2	McCusker Holdings Pty Ltd	7,150,000	5.84%
3	Argonaut Securities (Nominees) Pty Ltd <ASPL Client No 12 A/C>	5,200,000	4.25%
4	Eyeon No 2 Pty Ltd	5,018,250	4.10%
5	Supermax Pty Ltd <Supermax Super Fund A/C>	4,278,951	3.50%
6	Equity Trustees Limited <Lowell Resources Fund A/C>	3,980,850	3.25%
7	Quenda Investments Pty Ltd <Quenda Super Fund A/C>	3,380,436	2.76%
8	BNP Paribas Nominees Pty Ltd <IB Au Noms Retail client DRP>	2,914,002	2.38%
9	HSBC Custody Nominees (Australia) Limited <ST A/C>	2,830,344	2.31%
10	HSBC Custody Nominees (Australia) Limited <CW A/C>	2,646,034	2.16%
11	Zero Nominees Pty Ltd	2,400,000	1.96%
12	Jetosea Pty Ltd	1,525,000	1.25%
13	Mr Jason Tang	1,450,000	1.18%
14	Bi Fund Pty Ltd <B And I Hunter S/F A/C>	1,396,169	1.14%
15	Silvanicholls Pty Ltd <Silvanicholls Family A/C>	1,188,045	0.97%
16	Northern Griffin Pty Ltd	1,115,218	0.91%
17	Citywest Corp Pty Ltd <Copulos Sunshine Unit A/C>	965,351	0.79%
18	Arc Resources Pty Ltd <Ak Growth A/C>	950,000	0.78%
19	Gecko Resources Pty Ltd	904,788	0.74%
20	Mr Steven Douglas Downes & Mrs Ilona Downes <Subsea Super Fund A/C>	900,000	0.74%
		58,559,396	**47.84%**

(c) Substantial shareholders

ASX ADDITIONAL INFORMATION

The names of the substantial shareholders listed in the Group's register as at 23 September 2022 as required to be notified in accordance with section 671B of the *Corporations Act 2001, are:*

	Number of shares	% of ordinary shares
Merrill Lynch (Australia) Nominees Pty Ltd	8,365,958	6.83
McCusker Holdings Pty Ltd	7,150,000	5.84
Total	**15,515,958**	**12.67%**

(d) Summary of Issued Securities:

There are 122,418,222 quoted fully paid ordinary shares (ASX:MDI).

(e) Buy-Back Plans

The Group does not have any current on-market buy-back plans.

(f) Voting rights

All fully ordinary shares carry one vote per share.

(g) Schedule of interests in mining tenements

Location	Tenement	Percentage held and status
Northern Territory:		
EL32290	Barkly	100% - Granted
EL32291	Barkly	100% - Granted
EL32292	Barkly	100% - Granted
EL32297	Barkly	100% - Granted
EL32298	Barkly	100% - Granted
EL32301	Barkly	100% - Granted
EL32304	Barkly	100% - Granted
EL32305	Barkly	100% - Granted
EL32308	Barkly	100% - Granted
EL32309	Barkly	100% - Granted
EL32680	Barkly	100% - Granted
EL32814	Barkly	100% - Granted
EL32815	Barkly	100% - Granted
EL32816	Barkly	100% - Granted
EL32626	Barkly	100% - Application
EL32627	Barkly	100% - Application

(h) ASX Listing Rule 3.13.1

The Company advises, in accordance with ASX Listing Rule 3.13.1, that its Annual General Meeting (**AGM**; an item of business which will include the election of directors) is proposed to be held on 30 November 2022, and based on this proposed AGM date, in accordance with the Company's constitution, the closing date for receipt of valid nominations from persons wishing to be considered for election as a director at the AGM will be 19 October 2022.