Middle Island

RESOURCES LIMITED

INTERIM FINANCIAL REPORT

For the Half-Year ended 31 December 2019

ABN 70 142 361 608

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Middle Island Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Middle Island Resources Limited
ACN 142 361 608

DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity (referred to hereafter as the Group) consisting of Middle Island Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

DIRECTORS

The names of the directors who held office during or since the end of the half-year, to the date of this report, are:

Peter Thomas

Richard Yeates

Beau Nicholls

Brad Marwood, appointed 2 December 2019

Dennis Wilkins (alternate for Beau Nicholls)

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year is set out below:

	2019	
	Revenues	**Profit/(Loss)**
	$	**$**
Group revenues and loss	63,170	(840,057)

Corporate

Middle Island Resources Limited (**ASX: MDI, Middle Island or the Company**), held cash and liquid investments of A$764,056 as at 31 December 2019, comprising A$462,298 in cash and A$301,758 in Tajiri Resources Corporation (TSXV: TAJ) ordinary shares.

Subsequent to 31 December 2019, Middle Island raised a further A$2.35 million via a fully-underwritten non-renounceable Rights Issue via the issue of 588,426,078 fully-paid ordinary shares at 0.4cps and the issue of 588,426,078 free, unlisted options, with a 3 year expiry and an exercise price of 0.77cps.

DIRECTORS' REPORT

Strategy & Operations

Sandstone Gold Project (Western Australia)

The Company's activities during the first half of CY20 will continue to focus on the over-riding strategy to recommission its 100%-owned Sandstone gold processing plant at the earliest opportunity. This will involve a dual approach as follows:

- Exploring already permitted, close proximity, brownfields and greenfields targets within MDI's existing Sandstone tenure in order to identify higher grade, low strip ratio, open pit deposits to enhance the front end of the proposed production re-start schedule; and
- Progressing one or more of several possible consolidations of proximal third-party gold deposits within the broader Sandstone district in central WA.

Success with either or both of these approaches would likely serve to underpin a recommissioning decision.

Given higher and more sustained Australian dollar gold prices, early in the December quarter 2019 the Company completed a high level, internal, review of the economics of a standalone recommissioning of its mill to augment the above strategy (refer ASX Release dated 25 October 2019). Following the positive outcome of this work, an update of the 2017 Sandstone pre-feasibility study (PFS) was commenced.

However, the opportunity to access significant additional exploration funding (A$2.8m in aggregate) via a Placement and fully-underwritten Entitlement Issue, resulted in the PFS update being deferred in favour of a major exploration and resource definition drilling campaign, focussed exclusively on open pit deposits and targets, to be undertaken during the March quarter 2020. The PFS update will be recommenced in the June quarter 2020, capturing additional Mineral Resources generated by the current drilling campaign.

Despite the outcome of MDI's Takeover Offer for Alto Metals Limited in 2019, Middle Island is continuing discussions with Alto and two other parties with gold deposits within a 100km radius of the Company's Sandstone processing plant, variously on the basis of toll milling, production sharing, and asset or corporate-level consolidations. The impetus for this has been recently boosted by local M&A activity, including Ramelius Resources recommended takeover offer for Spectrum Metals at a massive value-per-resource-ounce premium, and Goldsea Australia Mining Pty Ltd cash takeover offer for Middle Island's immediate neighbours, Alto, at a 103% premium to the pre-bid trading price.

Exploration and development activities planned at the Sandstone Project during the remainder of FY20 variously comprise:

- ~1,800m aircore drilling program on four targets (completed and results being compiled);
- ~12,300m Phase 1 RC drilling program to assess 14 deposits and targets (circa 10,000m completed; all assays pending);
- Notional ~3,000m Phase 2 RC drilling program to upgrade newly defined Inferred Mineral Resources to an Indicated classification;
- Notional ~800m HQ3 diamond drilling program to derive additional oxide bulk densities and confirm metallurgical, geotechnical and waste characterisation parameters;

DIRECTORS' REPORT

- Resource estimation and open pit optimisation studies on additional deposits and deposit extensions;
- Complete updated PFS;
- Refine and finalise recommissioning funding options;
- Revisit recommissioning decision; and
- If positive, obtain necessary permits, recommission project and commence gold production.

Barkly Copper-Gold Super-Project (Northern Territory)

During the 2019 December quarter, Middle Island applied for 10 exploration licences covering an aggregate area of 3,912 square kilometres within the East Tennant region of the Northern Territory (NT). The applications semi-continuously extend for more than 350km along the axis of the recently identified East Tennant Ridge (ETR), from Tennant Creek eastwards across the Barkly Tableland towards the Queensland border (refer ASX Release dated 15 November 2019).

Six of these applications, covering some 1,890 square kilometres, have been accepted. An additional four applications, representing a further 2,022 square kilometres, were lodged by Middle Island as part of a competitive process following the lifting of an Exploration Licence application moratorium over the East Tennant (Barkly) area. These applications were the subject of partially or wholly competing applications made by several companies, including Newcrest Mining, the outcome of which was advised in February 2020. Middle Island ultimately secured some 60% of the four competing applications, leaving the Company with an aggregate accepted area of 3,253km^2 comprising the Barkly super-project (refer ASX Release dated 18 February 2020).

The ETR has been identified by collaborative Federal (Geoscience Australia) and State (Northern Territory Geological Survey), pre-competitive research under the A$103m, 4-year 'Exploring for the Future' (EFTF) initiative across northern Australia. The multi-faceted research programs have resulted in definition of the ETR as being highly prospective for Tier 1 iron oxide-copper-gold (IOCG) deposits (examples include Olympic Dam, Oak Dam, Carrapateena and Prominent Hill in South Australia) beneath shallow to moderate Georgina Basin sedimentary cover. Courtesy of the EFTF initiative, the ETR now represents one of the most intensely researched sections of lithosphere on the planet, modelled via airborne magnetic surveys, the world's largest airborne electro-magnetic survey, deep seismic traverses and magneto-telluric surveys of mantle heat flow. Stratigraphic basement drilling and further deep seismic traverses are planned for 2020.

Pending grant of the applications (anticipated in June/July 2020), Middle Island will be the largest tenement holder along the ETR and has a clear first-mover advantage. Initial costs of exploration are anticipated to be low, focussed on refining existing targets via more detailed geophysical surveys, prior to basement drilling. Drilling beneath the Georgina Basin sedimentary cover will be deep (but variable) and expensive. As such, it is intended to attract one or more major/mid-tier mining companies to farm into the tenure and fund the basement drilling. However, the Government drilling and seismic traverses planned for 2020 will provide considerable additional information on the basement potential to assist in targeting any subsequent public company drilling. In essence, Middle Island's strategy for the Barkly super-project is consistent with a 'project incubator' model.

DIRECTORS' REPORT

<u>Reo Gold Project (Burkina Faso)</u>

Divestment of the Reo gold project in Burkina Faso, West Africa, to Tajiri Resources Corp (TSXV: TAJ, Tajiri) was completed during the 2019 September quarter, with Tajiri paying the final option extension and exercise fees, aggregating US$150,000.

In addition to 5 million Tajiri shares, Middle Island retains a 2% net smelter return royalty on any production from the Reo project, which royalty Tajiri may acquire at any time for US$5 million in cash.

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 5.

This report is made in accordance with a resolution of directors.

Richard Yeates
Managing Director
Perth, 13 March 2020

ELDERTON

AUDIT PTY LTD

Auditor's Independence Declaration

To those charged with governance of Middle Island Resources Limited

As auditor for the review of Middle Island Resources Limited for the half-year ended 31 December 2019, 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 review; and

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

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Rafay Nabeel

Audit Director

13 March 2020

Perth

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2019

		Half-year Ended	
		31 Dec 2019	**31 Dec 2018**
	Note	**$**	**$**
REVENUE			
Sale of commodities		**11,271**	4,251
Other income		**51,899**	334,004
EXPENDITURE			
Administration expenses		**(268,371)**	(253,787)
Depreciation expense		**(23,902)**	(3,160)
Exploration and evaluation expenses		**(329,471)**	(945,356)
Fair value losses on financial assets		**(77,993)**	(431,442)
Finance costs		**(2,789)**	-
Salaries and employee benefits expense		**(200,701)**	(179,873)
Share-based payments expense	6	**-**	(90,000)
LOSS BEFORE INCOME TAX		**(840,057)**	(1,565,363)
Income tax		**-**	-
LOSS FOR THE PERIOD		**(840,057)**	(1,565,363)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**9,889**	5,929
Other comprehensive income for the period, net of tax		**9,889**	5,929
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MIDDLE ISLAND RESOURCES LIMITED		**(830,168)**	(1,559,434)
Basic and diluted loss per share (cents)		**(0.1)**	(0.2)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	31 December 2019 $	30 June 2019 $
CURRENT ASSETS			
Cash and cash equivalents		**462,298**	564,618
Trade and other receivables		**29,288**	56,268
Financial assets	3	**301,758**	379,750
Non-current asset held for sale	4	**-**	213,386
TOTAL CURRENT ASSETS		**793,344**	1,214,022
NON-CURRENT ASSETS			
Property, plant and equipment		**2,108,301**	2,065,632
Tenement acquisition costs		**1,525,989**	1,327,754
TOTAL NON-CURRENT ASSETS		**3,634,290**	3,393,386
TOTAL ASSETS		**4,427,634**	4,607,408
CURRENT LIABILITIES			
Trade and other payables		**61,447**	104,426
Lease liabilities		**45,280**	-
Borrowings		**8,026**	32,104
Employee benefit obligations		**61,974**	55,905
TOTAL CURRENT LIABILITIES		**176,727**	192,435
NON-CURRENT LIABILITIES			
Rehabilitation provisions	5	**1,384,900**	1,203,417
TOTAL NON-CURRENT LIABILITIES		**1,384,900**	1,203,417
TOTAL LIABILITIES		**1,561,627**	1,395,852
NET ASSETS		**2,866,007**	3,211,556
EQUITY			
Contributed equity	6	**36,790,415**	36,305,796
Reserves		**525,540**	515,651
Accumulated losses		**(34,449,948)**	(33,609,891)
TOTAL EQUITY		**2,866,007**	3,211,556

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2019

	Note	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
		$	$	$	$	$
BALANCE AT 1 JULY 2018		34,954,474	729,000	419,988	(31,684,858)	4,418,604
Loss for the period		-	-	-	(1,565,363)	(1,565,363)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	5,929	-	5,929
TOTAL COMPREHENSIVE INCOME		-	-	5,929	(1,565,363)	(1,559,434)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Share issue transaction costs		(6,941)	-	-	-	(6,941)
Issue of options to employees		-	90,000	-	-	90,000
Employee options expired during the period	6	-	(729,000)	-	729,000	-
BALANCE AT 31 DECEMBER 2018		34,947,533	90,000	425,917	(32,521,221)	2,942,229
BALANCE AT 1 JULY 2019		**36,305,796**	**90,000**	**425,651**	**(33,609,891)**	**3,211,556**
Loss for the period		**-**	**-**	**-**	**(840,057)**	**(840,057)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		**-**	**-**	**9,889**	**-**	**9,889**
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**9,889**	**(840,057)**	**(830,168)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issue during the period		**520,000**	**-**	**-**	**-**	**520,000**
Share issue transaction costs		**(35,381)**	**-**	**-**	**-**	**(35,381)**
BALANCE AT 31 DECEMBER 2019		**36,790,415**	**90,000**	**435,540**	**(34,449,948)**	**2,866,007**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2019

	Half-year Ended	
	31 Dec 2019 $	31 Dec 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**11,271**	4,251
Expenditure on mining interests	**(326,093)**	(1,255,865)
Reimbursements of expenditure on mining interests	**46,894**	331,272
Payments to suppliers and employees	**(485,821)**	(417,678)
Interest received	**666**	1,814
interest paid	**(2,789)**	-
Other income received	**-**	6,859
Net cash outflow from operating activities	**(755,872)**	(1,329,347)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	**-**	(25,266)
Payments for tenement acquisition costs	**(16,752)**	-
Proceeds from sale of mining properties	**221,490**	-
Net cash inflow/(outflow) from investing activities	**204,738**	(25,266)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	**520,000**	-
Payment of share issue transaction costs	**(35,381)**	-
Principle elements of lease payments	**(17,851)**	-
Repayment of borrowings	**(24,078)**	-
Net cash inflow from financing activities	**442,690**	-
Net decrease in cash and cash equivalents	**(108,444)**	(1,354,613)
Cash and cash equivalents at the beginning of the period	**564,618**	1,552,529
Effects of exchange rate changes on cash and cash equivalents	**6,124**	35
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**462,298**	197,951

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Middle Island Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated interim financial report has been prepared on an accruals and historical cost basis.

This consolidated interim financial report has been prepared on the going concern basis that contemplates normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

This consolidated interim financial report was approved by the Board of Directors on 13 March 2020.

Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policy and make retrospective adjustments as a result of adopting AASB 16 *Leases*.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of these new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

AASB 16 Leases

Change in accounting policy

The Group has adopted AASB 16 Leases from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (lease payments) and removes the former distinction between 'operating' and 'finance' leases. The exceptions are short-term leases and leases of low value assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and adjustments arising from the new leasing rules are recognised in the opening statement of financial position on 1 July 2019. There is no initial impact on accumulated losses under this approach and comparatives have not been restated.

From 1 July 2019, 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
- 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 current lease agreement does 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impact on adoption of AASB 16

The Group leases office premises with a two year term. Prior to 1 July 2019 the lease was classified as an operating lease with payments charged to profit or loss on a straight-line basis over the period of the lease. Upon adoption of AASB 16 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 as of 1 July 2019, being 10%.

On initial application the associated right-of-use asset was measured at the amount equal to the lease liability, adjusted for prepaid lease payments recognised in the statement of financial position as at 30 June 2019.

In the statement of cash flows the Group has recognised cash payments for the principal portion of the lease liability within financing activities and cash payments for the interest portion of the lease liability as interest paid within operating activities.

The adoption of AASB 16 resulted in the recognition of a right-of-use asset of $66,571 and lease liability of $63,131 in respect of the office lease. There was no impact on accumulated losses at 1 July 2019.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the Group has elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered before the transition date the Group relied on its assessment made applying AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*; and
- reliance on previous assessments on whether leases are onerous.

Reconciliation of operating lease commitments to lease liability

Below is a reconciliation of total operating lease commitments as at 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liability recognised on 1 July 2019:

	31 Dec 2019
	$
Operating lease commitments disclosed as at 30 June 2019	**72,240**
Adjustment for prepayment at 30 June 2019	**(3,440)**
	68,800
Discounted using the lessee's incremental borrowing rate at the date of initial application and lease liability recognised as at 1 July 2019	**63,131**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Going concern

The interim financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity, the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity had net assets of $2,866,007 at 31 December 2019 (30 June 2019: $3,211,556), incurred a net loss after tax for the six months ended 31 December 2019 of $840,057 (six months to 31 December 2018: $1,565,363) and experienced net cash outflows of $108,444 (six months to 31 December 2018: $1,354,613).

Whilst the directors have instituted measures to preserve cash and secure additional finance, they recognise that the Group's ability to continue as a going concern is dependent on its ability to raise additional capital to fund its business plans.

The Company expects to be able to raise additional capital from the capital market, and on that basis, the directors believe that the going concern basis of the presentation is appropriate. Refer to note 7, subsequent to the end of the reporting period Middle Island completed a fully underwritten entitlement offer. A total of 588,426,078 fully paid ordinary shares and 588,426,078 unlisted options ($0.0077 exercise price, expiring 31 January 2022) were issued to raise $2,353,704 before costs.

Nonetheless, the group's working capital position and other period-end financial indicators show a significant uncertainty whether the Group will be able to continue as a going concern.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SEGMENT INFORMATION

For management purposes, the Group has identified two reportable segments, being exploration activities undertaken in Australia and in 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.

	Half-year Ended	
	31 Dec 2019	**31 Dec 2018**
Exploration Segment	**$**	**$**
Segment revenue - Australia	**11,271**	4,251
Segment revenue - Africa	**46,894**	-
Segment revenue - Total	**58,165**	4,251
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	**665**	1,827
Other income	**4,340**	905
Total revenue	**63,170**	6,983
Segment results - Australia	**(267,468)**	(609,643)
Segment results - Africa	**(3,838)**	(190)
Segment results - Total	**(271,306)**	(609,833)
Reconciliation of segment result to net loss before tax:		
Other income	**5,005**	-
Other corporate and administration	**(573,756)**	(955,530)
Net loss before tax	**(840,057)**	(1,565,363)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SEGMENT INFORMATION (cont'd)

	31 Dec 2019 $	30 Jun 2019 $
Segment operating assets - Australia	**3,583,187**	3,386,491
Segment operating assets - Africa	**-**	213,386
Segment operating assets - Total	**3,583,187**	3,599,877
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	**844,447**	1,007,531
Total assets	**4,427,634**	4,607,408
Segment operating liabilities - Australia	**1,401,141**	1,229,822
Segment operating liabilities - Africa	**79**	80
Segment operating liabilities - Total	**1,401,220**	1,229,902
Reconciliation of segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	**160,405**	165,950
Total liabilities	**1,561,625**	1,395,852

NOTE 3: FINANCIAL ASSETS

	31 Dec 2019 $	30 Jun 2019 $
Canadian listed equity securities	**301,758**	379,750

The fair value of the equity investments has been calculated by reference to the most recent quoted market closing price on the TSX at the respective reporting dates.

NOTE 4: NON-CURRENT ASSET HELD FOR SALE

	31 Dec 2019 $	30 Jun 2019 $
Reo gold project tenement acquisition costs	**-**	213,386

Divestment of the Reo gold project in Burkina Faso, West Africa, to Tajiri Resources Corp (TSXV: TAJ, Tajiri) was completed during the 2019 September quarter, with Tajiri paying the final option extension and exercise fees, aggregating US$150,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: NON-CURRENT LIABILITIES - PROVISIONS

	31 Dec 2019 $	30 Jun 2019 $
Rehabilitation	**1,384,900**	1,203,417
Opening Balance	**1,203,417**	1,203,417
Increase during the period	**181,483**	-
Closing Balance	**1,384,900**	1,203,417

The Group records the undiscounted estimated cost to rehabilitate operating locations in the period in which the obligation arises. 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. The provision includes rehabilitation costs associated with the Sandstone Gold Project based on the latest estimated future costs contained in the Mine Closure Plan lodged with the Government of Western Australia Department of Mines, Industry Regulation and Safety (DMIRS). An updated Mine Closure Plan was lodged with DMIRS during November 2019 containing an updated estimate of the closure costs, resulting in an increase to the provision during the period.

NOTE 6: EQUITY SECURITIES ISSUED

Issues of ordinary shares during the period

	Half-year Ended			
	31 Dec 2019		31 Dec 2018	
	Shares	$	Shares	$
Opening balance	**1,046,852,156**	**36,305,796**	697,901,437	34,954,474
Issued for cash at 0.4 cents per share	**130,000,000**	**520,000**	-	-
Cost of capital raise	**-**	**(35,381)**	-	(6,941)
Closing balance	**1,176,852,156**	**36,790,415**	697,901,437	34,947,533

Movements of options during the period

	Number of Options	
	31 Dec 2019	31 Dec 2018
Opening Balance	**378,950,719**	30,000,000
$0.10c options expired 18 November 2018	**-**	(30,000,000)
Issue of $0.03 options expiring 8 November 2021	**-**	30,000,000
Issue of $0.008 options expiring 31 January 2022	**27,000,000**	-
Closing Balance	**405,950,719**	30,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: CONTINGENCIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 8: TENEMENT EXPENDITURE COMMITMENTS

The minimum statutory expenditure requirements on granted tenements for the next 12 months amounts to $235,360.

NOTE 9: SUBSEQUENT EVENTS

Middle Island completed a fully underwritten entitlement offer during February 2020. A total of 588,426,078 fully paid ordinary shares and 588,426,078 unlisted options ($0.0077 exercise price, expiring 31 January 2022) were issued to raise $2,353,704 before costs.

No other matter or circumstance has arisen since 31 December 2019 which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 17 are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (b) giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

2. there are reasonable grounds to believe that Middle Island Resources Limited will be able to pay its debts as and when they become due and payable.

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

Richard Yeates
Managing Director
Perth, 13 March 2020

ELDERTON
AUDIT PTY LTD

Independent Auditor's Review Report

To the members of Middle Island Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Middle Island Resources Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated condensed statement of financial position as at 31 December 2019, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Middle Island Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Middle Island Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Middle Island Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Emphasis of matter – Inherent uncertainty regarding continuation as a going concern

Without modifying our conclusion, we draw attention to Note 1 to the financial report, which describes that the ability of the group to continue as a going concern is dependent on its ability to raise additional capital to fund its business plans.

As a result, there is material uncertainty related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Rafay Nabeel
Audit Director
13 March 2020
Perth