



Middle Island

RESOURCES LIMITED

INTERIM FINANCIAL REPORT

For the Half-Year ended 31 December 2014
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 2014 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*.

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DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity consisting of Middle Island Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

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

Linton Kirk

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:

	2014	
	Revenues	Results
	\$	\$
Consolidated entity revenues and loss	21,497	(791,241)

Your Company has continued to implement additional cost saving measures during the six months to December 2014 in order to conserve the Company's remaining cash. These initiatives include closure of the Niger office, relocation of the Burkina Faso office to smaller premises, and further redundancies in both Burkina Faso and Niger.

In the absence of positive progress on the status of the Deba & Tialkam permits in Niger, and in view of the significant deterioration in the sovereign risk profile, Middle Island has closed its Niger office, regrettably making the remaining staff redundant, and has sold or relocated the associated field and office equipment.

While equity markets showed little or no improvement during the December quarter, green shoots in the gold sector reappeared early in 2015. However, it will take more time to establish if this improvement is sustained.

Perceptions around West Africa remain challenging for junior explorers. All are being 'tarred with the Ebola brush', regardless of jurisdiction, and political issues are ever-present.

DIRECTORS' REPORT (continued)

The recent populist revolution to overthrow the President in Burkina Faso was rapid and relatively painless. While the former President has overseen a long period of political stability that has enabled the mining and service sectors to prosper, his legitimacy has long been questioned. Although the status of Burkina Faso as an investment destination should be measured more by the speedy resolution of the crisis and the mature manner in which the representative interim government was installed, international perceptions will inevitably remain sceptical and, what may ultimately prove a good outcome for Burkina Faso, may, in the near term, be viewed as another example of unacceptable political risk.

Whilst West Africa remains highly prospective for new gold discoveries, your Board is conscious of perceptions around the Ebola virus, political events, sovereign issues in Niger, and a further deterioration in the USD:AUD exchange rate. As such, domestic and other overseas project opportunities are becoming increasingly attractive. While the Company will continue to maintain a presence in West Africa, where the prospectivity and opportunity for material discoveries are considerably higher, Middle Island is now also actively reviewing advanced opportunities in a broad range of commodities and jurisdictions but with a strong preference for gold in Australia in order to accommodate changing circumstances and diversify the Company's risk profile.

In relation to the 100%-owned Reo gold project in Burkina Faso, the Company's preferred position remains a partial divestment to fund the resource definition drilling and feasibility stages of the project, and this process is continuing with 13 companies currently reviewing the data. In the interim, Middle Island is considering recommencing a more measured program toward a staged, lower cost, heap leach development scenario in its own right. The extent and duration of this campaign will, however, be dependent on progress with new project acquisitions, tenure status and further improvements in equity markets.

Your Board is continuing to seek a balance between preserving the integrity and value of your Company whilst also meeting its primary objectives.

Competent Persons' Statement

Information in this report relates to exploration results or mineral resources that are based on information compiled by Mr Richard Yeates who is a full-time employee of the company and a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Yeates consents to the inclusion in this report of the statements based on his information in the form and context in which they appear.



Middle Island Resources Limited
ACN 142 361 608

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 4.

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

Richard Yeates

Managing Director

Perth, 16 March 2015

Auditor's Independence Declaration

To those charged with the governance of Middle Island Resources Limited

As auditor for the review of Middle Island Resources Limited for the half-year ended 31 December 2014, 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.

Somes Cooke

Somes Cooke

Nicholas Hollens

* Nicholas Hollens
Partner

Perth

16 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2014

		Half-year Ended	
		31 Dec 2014	31 Dec 2013
	Note	\$	\$
REVENUE			
Profit on sale of assets		38,301	-
Other revenue		21,497	75,656
EXPENDITURE			
Exploration expenses		(441,980)	(2,171,667)
Administration expenses		(163,240)	(444,148)
Salaries and employee benefits expense		(144,981)	(341,086)
Depreciation expense		(49,015)	(129,689)
Share-based payments expense	3	1,097	116,460
Impairment of capitalised tenement acquisition cost		(13,675)	-
Impairment of receivable		(39,245)	-
LOSS BEFORE INCOME TAX		(791,241)	(2,894,474)
Income tax		-	-
LOSS FOR THE PERIOD		(791,241)	(2,894,474)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		59,027	258,197
Other comprehensive income for the period, net of tax		59,027	258,197
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
ATTRIBUTABLE TO MEMBERS OF MIDDLE ISLAND RESOURCES LIMITED		(732,214)	(2,636,277)
Basic and diluted loss per share (cents)		(0.6)	(2.3)

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 2014

		31 December	30 June
		2014	2014
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents		999,610	1,588,439
Trade and other receivables		39,551	52,058
TOTAL CURRENT ASSETS		1,039,161	1,640,497
NON-CURRENT ASSETS			
Plant and equipment		38,519	261,251
Mining properties		2,892,764	2,838,709
TOTAL NON-CURRENT ASSETS		2,931,283	3,099,960
TOTAL ASSETS		3,970,444	4,740,457
CURRENT LIABILITIES			
Trade and other payables		91,917	128,619
TOTAL CURRENT LIABILITIES		91,917	128,619
TOTAL LIABILITIES		91,917	128,619
NET ASSETS		3,878,527	4,611,838
EQUITY			
Contributed equity	3	25,733,440	25,733,440
Reserves		365,500	550,310
Accumulated losses		(22,220,413)	(21,671,912)
TOTAL EQUITY		3,878,527	4,611,838

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 2014

	Note	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
		\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2013		25,733,440	359,200	261,214	(17,396,031)	8,957,823
Loss for the period		-	-	-	(2,894,474)	(2,894,474)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	258,197	-	258,197
TOTAL COMPREHENSIVE INCOME		-	-	258,197	(2,894,474)	(2,636,277)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Director and employee options		-	(116,460)	-	-	(116,460)
BALANCE AT 31 DECEMBER 2013		<u>25,733,440</u>	<u>242,740</u>	<u>519,411</u>	<u>(20,290,505)</u>	<u>6,205,086</u>
BALANCE AT 1 JULY 2014		25,733,440	249,845	300,465	(21,671,912)	4,611,838
Loss for the period		-	-	-	(791,241)	(791,241)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	59,027	-	59,027
TOTAL COMPREHENSIVE INCOME		-	-	59,027	(791,241)	(732,214)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Director and employee options	3	-	(243,837)	-	242,740	(1,097)
BALANCE AT 31 DECEMBER 2014		<u>25,733,440</u>	<u>6,008</u>	<u>359,492</u>	<u>(22,220,413)</u>	<u>3,878,527</u>

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 2014

	Half-year Ended	
	31 Dec 2014	31 Dec 2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(361,851)	(2,537,953)
Payments to suppliers and employees	(465,642)	(728,064)
Interest received	22,386	167,136
Other income received	-	720
Net cash outflow from operating activities	(805,107)	(3,098,161)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	-	(12,396)
Proceeds from sale of plant and equipment	207,633	57,585
Net cash inflow from investing activities	207,633	45,189
Net decrease in cash and cash equivalents	(597,474)	(3,052,972)
Cash and cash equivalents at the beginning of the period	1,588,439	5,631,116
Effects of exchange rate changes on cash and cash equivalents	8,645	(5,644)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	999,610	2,572,500

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 2014 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 2014 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 2015.

Accounting Policies

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

In the half-year ended 31 December 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014. It has been determined by the Group that there is no impact, material or otherwise, of these new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

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 2014. 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.

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 \$3,878,527 at 31 December 2014, incurred a net loss after tax for the six months ended 31 December 2014 of \$791,241 (six months to 31 December 2013: loss \$2,894,474) and experienced net cash outflows of \$597,474 (six months to 31 December 2013: \$3,052,972)



Middle Island Resources Limited
ACN 142 361 608

Whilst the directors have instituted measures to preserve cash and secure additional finance, they recognised 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.

Nonetheless, the group's working capital position and other year-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 only one reportable segment, being exploration activities undertaken in West Africa. This segment includes activities associated with the determination and assessment of the existence of commercial economic deposits from the Group's mineral assets in this geographic location. 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 2014 \$	31 Dec 2013 \$
<u>Exploration Segment</u>		
Segment revenue	-	-
Reconciliation of segment revenue to total revenue before tax:		
Profit on sale of assets	38,301	-
Interest revenue	21,497	74,936
Other income	-	720
Total revenue	59,798	75,656
Segment results	(476,841)	(2,386,253)
Reconciliation of segment result to net loss before tax:		
Other corporate and administration	(314,400)	(508,221)
Net loss before tax	(791,241)	(2,894,474)
	31 Dec 2014 \$	30 Jun 2014 \$
Segment operating assets	2,950,938	3,133,961
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	1,019,506	1,606,496
Total assets	3,970,444	4,740,457
Segment operating liabilities	51,687	64,434
Reconciliation of segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	40,230	64,185
Total liabilities	91,917	128,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: EQUITY SECURITIES ISSUED

Issues of ordinary shares during the period

	Half-year Ended			
	31 Dec 2014		31 Dec 2013	
	Shares	\$	Shares	\$
Opening balance	124,987,349	25,733,440	124,987,349	25,733,440
Closing balance	124,987,349	25,733,440	124,987,349	25,733,440

Movements of options during the period

	Number of options	
	Half-year Ended	
	31 Dec 2014	31 Dec 2013
Opening Balance	16,525,000	18,475,000
Issued, exercisable at 10 cents, expiring 28 February 2017	600,000	-
Issued, exercisable at 15 cents, expiring 28 February 2017	600,000	-
Issued, exercisable at 20 cents, expiring 28 February 2017	600,000	-
Lapsed 1 November 2014, exercisable at 51 cents	(275,000)	-
Lapsed 1 November 2014, exercisable at 53 cents	(200,000)	-
Lapsed 15 December 2014, exercisable at 56 cents	(300,000)	-
Lapsed 31 December 2014, exercisable at 25 cents	(250,000)	-
Lapsed 31 December 2014, exercisable at 37.5 cents	(250,000)	-
Lapsed 31 December 2014, exercisable at 50 cents	(250,000)	-
Lapsed 1 November 2013, exercisable at 37.5 cents	-	(450,000)
Lapsed 16 December 2013, exercisable at 50 cents	-	(1,500,000)
Closing Balance	16,800,000	16,525,000

The share-based payments income of \$1,097 recognised during the half-year to 31 December 2014 is due to a net write-back of expense of \$1,571 for options that will not satisfy non-market related performance vesting conditions, and a share-based payment expense of \$474 for options vesting during the half-year. The transfer of \$242,740 from the option reserve into accumulated losses is in relation to expired options.

During the half-year to 31 December 2013, the share-based payments income of \$116,460 is in relation to options that lapsed during the half-year due to the failure to satisfy non-market related performance vesting conditions.

NOTE 4: CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at balance date.

NOTE 5: TENEMENT EXPENDITURE COMMITMENTS

The minimum statutory expenditure requirements on granted tenements for the next 12 months amount to \$612,000.

NOTE 6: SUBSEQUENT EVENTS

The closedown process in Niger is now mostly complete. All assets and premises were disposed or relocated post half-year end. No staff are employed by the group in this location since the half-year end.

No other matter or circumstance has arisen since 31 December 2014, 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 5 to 13 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 2014 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, 16 March 2015

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, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated 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 Middle Island Resources Limited 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 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 Middle Island Resources Limited's financial position as at 31 December 2014 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*.

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 Middle Island Resources Limited's financial position as at 31 December 2014 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 company to continue as a going concern is dependent on future capital raisings.

As a result there is material uncertainty related to events or conditions that may cast significant doubt on the company'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.



Somes Cooke



Nicholas Hollens

* 16 March 2015

Perth
Western Australia