Middle Island

RESOURCES LIMITED

# ANNUAL FINANCIAL REPORT 2014

For the year ended 30 June 2014

ABN 70 142 361 608

## Corporate Information

ABN 70 142 361 608

**Directors**
Peter Thomas (Non-Executive Chairman)
Richard Yeates (Managing Director)
Beau Nicholls (Non-Executive Director)
Linton Kirk (Non-Executive Director)
Dennis Wilkins (Alternate for Beau Nicholls)

**Company Secretary**
Dennis Wilkins

**Registered Office**
Ground Floor, 20 Kings Park Road
WEST PERTH WA 6005

**Principal Place of Business**
Unit 2, 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**
Security Transfer Registrars Pty Ltd
70 Canning Highway
APPLECROSS WA 6153

**Auditors**
Somes Cooke
Level 2, 35 Outram Street
WEST PERTH WA 6005

**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)

Middle Island Resources Limited
ACN 142 361 608

## 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 2014.

**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)

Mr Thomas was a practising solicitor from 1980 until June 2012 specialising in the provision of corporate and commercial advice to explorers and miners. Since the mid-1980s, he has served on the boards of various listed companies. He was the founding chairman of Sandfire Resources NL. He is non-executive director of ASX-listed Image Resources NL, Meteoric Resources NL, Emu NL and Middle Island Resources Limited. Within the last 2 years he served as a non-executive director of ASX listed Magnetic Resources NL – he resigned that position 16 July 2013.

**Richard Yeates**, (Managing Director)

Mr Yeates is a geologist whose professional career has spanned more than 30 years, initially working for major companies such as BHP, Newmont and Amax, prior to co-founding the consulting firm of Resource Service Group (subsequently RSG Global) in 1987, which was ultimately sold to ASX listed consulting firm, Coffey International, in 2006 to become Coffey Mining.

Mr Yeates has considerable international experience, having worked in some 30 countries, particularly within Africa and South America, variously undertaking project management assignments, feasibility studies and independent reviews for company listings, project finance audits and technical valuations. Mr Yeates was also responsible for developing and overseeing all marketing and promotional activities undertaken by RSG, RSG Global and Coffey Mining over a 23 year period.

Mr Yeates is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM), a Member of the Australian Institute of Geoscientists (AIG) and is a Graduate Member of the Australian Institute of Company Directors (AICD). He currently serves as a non-executive director of ASX 200 nickel producer Western Areas Limited, and is a board member of the Australia-Africa Mining Industry Group (AAMIG).

**Beau Nicholls**, (Non-Executive Director)
*(Resigned as Executive (Technical) Director and was appointed as Non-Executive Director on 1st February 2014)*

Beau Nicholls has 19 years in mining and exploration geology, ranging from grass roots exploration management through to mine production environments. He is a Member of the Australian Institute of Geoscientists (AIG) with a proven track record on four continents (Australia, Eastern Europe, Africa and the Americas) and in over 20 countries, Beau has been instrumental in the discovery and / or development of a number of world class deposits. Mr Nicholls also has over 10 year's international consulting experience with RSG, RSG Global and Coffey Mining, including 3 years as the resident Regional Manager in West Africa.

**Linton Kirk**, (Non-Executive Director)

Mr Kirk is a Fellow of the AusIMM whose career variously encompasses mining, earthmoving, contracting, management and consulting activities covering both open pit and underground operations. His operating experience mostly involved him filling the positions of Mining Manager and/or General Manager of gold, iron ore and copper projects in Australia, Zambia, Papua New Guinea, Zimbabwe and Ghana.

He has been a fulltime consultant since 1997, servicing projects in some 20 countries. In this capacity he held the position of Manager – Mining Engineering with Global Mining Services then Manager – Mining Engineering and Partner at RSG Global, then, following the sale of RSG Global to Coffey International Limited in 2006, Chief Mining Engineer with Coffey Mining. Since 1997, Mr Kirk has been involved in and/or managed major feasibility studies, technical audits, owner mining studies and mining contract tenders on projects across the globe.

**Dennis Wilkins**, B.Bus, AICD, ACIS (Alternate Director for Beau Nicholls)

Mr Dennis Wilkins is an accountant who has been a director, company secretary or acted in a corporate advisory capacity to listed resource companies for over 20 years.

Mr Wilkins previously served as the Finance Director and Company Secretary for a mid-tier gold producer and also spent five years working for a leading merchant bank in the United Kingdom. Resource postings to Indonesia, South Africa and New Zealand in managerial roles have broadened his international experience.

Mr Wilkins has extensive experience in capital raising specifically for the resources industry and is the principal of DW Corporate which provides advisory, funding and administrative management services to the resource sector. Mr Wilkins is a director of Key Petroleum Limited. Within the last 3 years Mr Wilkins has also been but no longer is a director of Enterprise Metals Limited and Minemakers Limited.

**COMPANY SECRETARY**

Dennis Wilkins

**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 shares and options of Middle Island Resources Limited were:

| | Ordinary Shares | Options over Ordinary Shares |
|---|---|---|
| Peter Thomas | 3,200,000 | 2,000,000(1) |
| Richard Yeates | 20,000,010 | 10,000,000(1) |
| Beau Nicholls | 2,900,000 | 2,500,000(1) |
| Linton Kirk | 230,000 | 300,000(2) |
| Dennis Wilkins | 500,000 | 500,000(1) |

*(1) Exercisable at 25 cents, on or before 30 June 2015.*

*(2) Exercisable at 56 cents, on or before 15 December 2014.*

**PRINCIPAL ACTIVITIES**

During the year the Group carried out exploration on its tenements, reviewed tenement opportunities and applied for or acquired additional tenements with the primary objective of identifying economic gold deposits. It is not the objective of the Group to explore for or seek to identify other economic mineral deposits albeit the Group reserves the right to follow up leads (thrown up by its gold exploration activities) for other commodities where the Board of the Company considers that doing so may add value.

**DIVIDENDS**

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

**OPERATING AND FINANCIAL REVIEW**

**Finance Review**

During the year, total exploration expenditure incurred by the Group amounted to $2,708,598 (2013: $5,485,825). In line with the Group's accounting policies, all exploration expenditure, other than acquisition costs, were written off as they were incurred. Other expenditure incurred, net of revenue, amounted to $1,567,283 (2013: $1,671,341). This resulted in an operating loss after income tax for the year ended 30 June 2014 of $4,275,881 (2013: $6,954,156).

At 30 June 2014 cash assets available totalled $1,588,439.

**Operating Results for the Year**

Summarised operating results are as follows:

| | 2014 | |
|---|---|---|
| | **Revenues** | **Results** |
| | **$** | **$** |
| Revenues and losses for the year from ordinary activities before income tax expense | 159,205 | 4,275,881 |

| **Shareholder Returns** | **2014** | **2013** |
|---|---|---|
| Basic loss per share (cents) | (3.4) | (5.6) |

**Risk Management**

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

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.

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

**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**

In August 2014, the Minister of Mines in Niger refused the applications for the extension of the Deba and Tialkam permits.

Middle Island does not accept that the Minister's decision is correct under the rule of law and has appealed the decision on the one hand and applied for substitute permits on the other.

No matters or circumstances, as from those disclosed above, 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 Group's strategy for the coming financial year, in light of market conditions, is to carefully manage exploration expenditure so that the Group has an even more focused approach towards assets that have the potential to deliver early results. There are no expected substantive changes in the entity's operations.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Group is subject to significant environmental regulation in respect to its exploration 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**

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 has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives. The board of Middle Island Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain 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. All executives receive a base salary (which is based on factors such as experience), superannuation and a package of options over shares in the Company. The board will review executive packages as and when it considers it appropriate to do so in accordance with its remuneration policy and by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to reward executives for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government of Australia, which was 9.25% for the 2014 financial year (9.25% effective 1 July 2013) but are not entitled to receive any other retirement benefits.

All remuneration paid to directors and executives is "valued" at the cost to the Group and expensed. Options are ascribed a "fair value" in accordance with Australian Accounting Standards using the Black-Scholes methodology.

The board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities, albeit that the non-executive directors are currently remunerated at the lower end of the market rate range. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought as and when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $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 are able to participate in the employee option plan.

***Performance based remuneration***

The Group utilises performance based remuneration to attract and motivate employees in the form of options. Where utlised, options are issued but do not vest until certain hurdles have been met. The hurdles are based around future events that will advance the Company towards its obectives within certain prescribed time periods.

***Company performance, shareholder wealth and key management personnel remuneration***

No relationship exists between shareholder wealth, key management personnel remuneration and Group performance.

***Use of remuneration consultants***

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2014.

***Voting and comments made at the Company's 2013 Annual General Meeting***

The Company received approximately 99% of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**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 | | Share-based Payments | Total |
|---|---|---|---|---|---|---|
| | Salary & Fees | Non-Monetary | Superannuation | Retirement benefits | | |
| **Directors** | $ | $ | $ | $ | $ | $ |
| Peter Thomas | | | | | | |
| 2014 | **56,064** | **-** | **5,186** | **-** | **-** | **61,250** |
| 2013 | 58,104 | - | 5,229 | - | - | 63,333 |
| Richard Yeates | | | | | | |
| 2014 | **258,333** | **-** | **23,896** | **-** | **-** | **282,229** |
| 2013 | 300,000 | - | 27,000 | - | - | 327,000 |
| Beau Nicholls | | | | | | |
| 2014 | **135,492** | **-** | **-** | **-** | **-** | **135,492** |
| 2013 | 199,133 | - | - | - | - | 199,133 |
| Linton Kirk(1) | | | | | | |
| 2014 | **43,661** | **-** | **4,039** | **-** | **-** | **47,700** |
| 2013 | 40,000 | - | 3,600 | - | - | 43,600 |
| Dennis Wilkins(2) | | | | | | |
| 2014 | **-** | **-** | **-** | **-** | **-** | **-** |
| 2013 | - | - | - | - | - | - |
| **Total key management personnel compensation** | | | | | | |
| 2014 | **493,550** | **-** | **33,121** | **-** | **-** | **526,671** |
| 2013 | 597,237 | - | 35,829 | - | - | 633,066 |

(1) Kirk Mining Consultants Pty Ltd, a business of which Mr Kirk is principal, provided mining consulting services to the Middle Island Group during the year. The amounts paid were on arms' length commercial terms and amounted to $154,625 (2013: $30,075) for the year to 30 June 2014.

(2) Mr Wilkins is not remunerated for his role as alternate director, however, a total of $125,504 (2013: $223,355) was paid to DW Corporate Pty Ltd, a business of which Mr Wilkins is principal. DW Corporate Pty Ltd provided company secretarial, accounting and bookkeeping services to the Group during the year. The amounts paid were at usual commercial rates with fees charged on an hourly basis.

In response to market conditions, the Board have instituted changes to key management personnel remuneration, both during the year and subsequent to 30 June 2014. The following table discloses those changing remuneration levels, for reference:

| | Salary & Fees | | |
|---|---|---|---|
| | Rate at beginning of the period | Reduced rate as from 1 February 2014 | Further reduced rate as from 1 July 2014 |
| | $ | $ | $ |
| Managing Director | 300,000 (excl. super) | 200,000 (excl. super) | 180,000 (excl. super) |
| Chairman | 70,000 (incl. super) | 49,180 (incl. super) | 40,000 (incl. super) |
| Non-executive directors | 54,500 (incl. super) | 38,180 (incl. super) | 30,000 (incl. super) |

**Service agreements**

*Peter Thomas, Non-Executive Chairman*

- Term of agreement – Commenced on 2 March 2010, no notice period of termination is required, and no monies are payable on termination.

*Richard Yeates, Managing Director:*

- Term of agreement – Commencing 2 March 2010 until terminated.
- Annual salary of $300,000 excluding superannuation was reduced to $200,000 from 1 February 2014, and subsequently $180,000 on 1 July 2014.

The agreement may be terminated by the Company giving 12 months' notice in writing, or by Mr Yeates giving 3 month's written notice, or applicable shorter periods upon breach of contract by either party. No benefits are payable on termination other than entitlements accrued to the date of termination.

*Beau Nicholls, (Technical) Director:*

- Term of agreement – Commenced on 1 May 2010 and was terminated on 31 January 2014.
- Annual salary was $205,000 from the beginning of the financial year to the 31 January 2014.
- Beau Nicholls was appointed as non-executive director on 1 February 2014 and from that date was remunerated at the rate of $38,100 per annum. His remuneration was further reduced to $30,000 on 1 July 2014.
- The agreement requires no notice period for termination, and no monies are payable on termination.

*Linton Kirk, Non-Executive Director:*

- Term of agreement – Commenced on 1 September 2011, no notice period of termination is required, and no monies are payable on termination.

*Dennis Wilkins,* Alternate Director and Company Secretary:

- Term of agreement – Commencing 17 March 2010 until terminated in writing by either party, no notice period of termination is required.

Mr Wilkins' firm, DWCorporate Pty Ltd, is engaged to provide company secretarial, accounting and bookkeeping services. Fees are charged on an hourly basis, and all amounts are included in Mr Wilkins' remuneration.

**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.

**Equity instruments held by key management personnel**

***Option holdings***

The numbers of options over ordinary shares in the Company held during the financial year by each director of Middle Island Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

| 2014 | Balance at start of the year | Granted as compensation | Exercised | Other changes | Balance at end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| ***Directors of Middle Island Resources Limited*** | | | | | | | |
| Peter Thomas | **2,000,000** | - | - | - | **2,000,000** | **2,000,000** | - |
| Richard Yeates | **10,000,000** | - | - | - | **10,000,000** | **10,000,000** | - |
| Beau Nicholls | **2,500,000** | - | - | - | **2,500,000** | **2,500,000** | - |
| Linton Kirk | **300,000** | - | - | - | **300,000** | **300,000** | - |
| Dennis Wilkins | **500,000** | - | - | - | **500,000** | **500,000** | - |

***Share holdings***

The numbers of shares in the Company held during the financial year by each director of Middle Island Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

| 2014 | Balance at start of the period | Received during the period on the exercise of options | Other changes during the period | Balance at end of the period |
|---|---|---|---|---|
| ***Directors of Middle Island Resources Limited*** | | | | |
| **Ordinary shares** | | | | |
| Peter Thomas | **3,200,000** | - | - | **3,200,000** |
| Richard Yeates | **20,000,010** | - | - | **20,000,010** |
| Beau Nicholls | **2,900,000** | - | - | **2,900,000** |
| Linton Kirk | **230,000** | - | - | **230,000** |
| Dennis Wilkins | **500,000** | - | - | **500,000** |

**Loans to key management personnel**

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

**Other transactions with key management personnel**

**Services**

DWCorporate Pty Ltd, a business of which Mr Wilkins is principal, provided company secretarial, bookkeeping and other corporate 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. At 30 June 2014 there was nil (2013: $16,761) owing to DWCorporate Pty Ltd.

Mr Nicholls is a director and 35% shareholder of PowerXplor Limited, which owns Sahara Geoservices SARL. Sahara Geoservices provided drilling services to the Middle Island Group during the year. The amounts paid were on arms' length commercial terms and amounted to $44,112 (2013: $521,109) for the year to 30 June 2014. At 30 June 2014 there was nil (2013: $43,510) owing to Sahara Geoservices.

Kirk Mining Consultants Pty Ltd, a business of which Mr Kirk is principal, provided mining consulting services to the Middle Island Group during the year. The amounts paid were on arms' length commercial terms and amounted to $154,625 (2013: $30,075) for the year to 30 June 2014. At 30 June 2014 there was nil (2013: nil) owing to Kirk Mining Consultants Pty Ltd.

**End of audited section**

**DIRECTORS' MEETINGS**

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

| | Directors Meetings | | Committee Meetings Audit | | Committee Meetings Remuneration/Risk/ Nomination | |
|---|---|---|---|---|---|---|
| | **A** | **B** | **A** | **B** | **A** | **B** |
| Peter Thomas | 8 | 8 | 2 | 2 | 1 | 1 |
| Richard Yeates | 8 | 8 | 2 | 2 | * | * |
| Beau Nicholls | 8 | 8 | * | * | 1 | 1 |
| Linton Kirk | 8 | 8 | 2 | 2 | 1 | 1 |
| Dennis Wilkins (alternate for Beau Nicholls) | 8 | 8 | 2 | 2 | 1 | 1 |

**Notes**

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**

Unissued ordinary shares of Middle Island Resources Limited under option at the date of this report are as follows:

| Date options issued | Expiry date | Exercise price (cents) | Number of options |
|---|---|---|---|
| 8 December 2010 | 31 December 2014 | 25.0 | 250,000 |
| 24 May 2010 | 30 June 2015 | 25.0 | 15,000,000 |
| 8 December 2010 | 31 December 2014 | 37.5 | 250,000 |
| 8 December 2010 | 31 December 2014 | 50.0 | 250,000 |
| 14 December 2011 | 1 November 2014 | 51.0 | 275,000 |
| 5 October 2011 | 1 December 2014 | 53.0 | 200,000 |
| 15 December 2011 | 15 December 2014 | 56.0 | 300,000 |
| **Total number of options outstanding at the date of this report** | | | **16,525,000** |

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

**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 $11,193.

**NON-AUDIT SERVICES**

The following details any non-audit services provided by the entity's auditor, Somes Cooke or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general standard of independence for auditors.

Somes Cooke received or are due to receive the following amounts for the provision of non-audit services:

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Taxation compliance services | **6,530** | 9,506 |

**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 10.

Signed in accordance with a resolution of the directors.

**Richard Yeates**
*Managing Director*
Perth, 30 September 2014

SOMES
COOKE
Profit from our Resources

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

## Auditor's Independence Declaration

To those charged with the governance of Middle Island Resources Limited

As auditor for the audit of Middle Island Resources Limited for the year ended 30 June 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 audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Somes Cooke

Somes Cooke

K Somes

Kevin Somes
Partner

Perth

30 September 2014

## CORPORATE GOVERNANCE STATEMENT

***The Board of Directors***

The Company's constitution provides that the number of directors shall not be less than three and not more than ten.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically. Otherwise reviews will be effected periodically and as circumstances demand. The optimum number of directors will be determined within the maximum and minimum limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

***Role of the Board***

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

***Appointments to Other Boards***

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

***Independent Professional Advice***

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company’s expense. The engagement of an outside adviser is subject to prior consultation with the Chairman (or another director if it is unreasonable that the Chairman is consulted).

***ASX Principles of Good Corporate Governance***

The board has reviewed its current practices in light of the revised ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the Company’s size and resources.

As the Company’s activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The board has adopted the revised Recommendations and the following table sets out the Company's present position in relation to each of the revised Principles.

| | ASX Principle | Status | Reference/comment |
|---|---|---|---|
| **Principle 1:** | **Lay solid foundations for management and oversight** | | |
| 1.1 | Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions | **A** | This information is disclosed in the Company's Board Charter, a copy of which can be viewed on the Company website. |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives | **A** | In compliance with this recommendation, the Company declares that the senior executives of the Company (other than directors) are reviewed annually by the Managing Director against specified criteria, with the results of those review tabled at the next Remuneration Committee meeting for consideration. The Board will continue to review appropriate ways of compliance as and when further senior executives are engaged. |
| 1.3 | Companies should provide the information indicated in the Guide to reporting on Principle 1 | **A** | A copy of the Company's Board Charter can be viewed on the Company website. |
| **Principle 2:** | **Structure the board to add value** | | |
| 2.1 | A majority of the board should be independent directors | **N/A** | There are four directors on the board. Linton Kirk is considered to be an independent director. The Chair, Peter Thomas, considers himself to be an independent director as he is not part of the management team and he regards himself as being free of any relationship that could materially interfere with the independent exercise of his judgement. However he acknowledges that it might well be perceived that his shareholding in the Company and his remuneration as a director compromise or materially interfere with his independent exercise of judgement and ability to act in an entirely disinterested manner in all things. |
| 2.2 | The chair should be an independent director | **A** | The Chair, Peter Thomas, considers himself to be an independent director as he is not part of the management team and he regards himself as being free of any relationship that could materially interfere with the independent exercise of his judgement. However he acknowledges that it might well be perceived that his shareholding in the Company and his remuneration as a director compromise or materially interfere with his independent exercise of judgement and ability to act in an entirely disinterested manner in all things. |
| 2.3 | The roles of chair and chief executive officer should not be exercised by the same individual | **A** | |
| 2.4 | The board should establish a nomination committee | **A** | The full board comprises the Nomination Committee. A copy of the Nomination Committee Charter can be viewed on the Company website.<br>There was no need for the Nomination Committee to meet during the year. |
| 2.5 | Companies should disclose the process for evaluating the performance of the board, its committees and individual directors | **A** | This information is disclosed in the Company's Board Charter, a copy of which can be viewed on the Company website. No formal evaluation was conducted during the year. |
| 2.6 | Companies should provide the information indicated in the Guide to reporting on Principle 2 | **A** | The skills, experience and period of office of Directors are set out in the Company's Annual Report (Directors' Report) and on its website.<br>Statements as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board and as to the Company's materiality thresholds are disclosed in the Company's Board Charter, which can be viewed on the Company website. |



*A = Adopted*
*N/A = Not adopted*

| | ASX Principle | Status | Reference/comment |
|---|---|---|---|
| **Principle 3:** | **Promote ethical and responsible decision-making** | | |
| 3.1 | Companies should establish a code of conduct and disclose the code | **A** | The Company has established a Code of Conduct which can be viewed on its website. |
| 3.2 | Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them | **N/A** | The Company has established a Diversity Policy, however, the policy does not include requirements for the board to establish measurable objectives for achieving gender diversity. Given the Company's size and stage of development as an exploration company, the board does not think it is appropriate to include measurable objectives in relation to gender. As the Company grows and requires more employees, the Company will review and amend this policy if it sees fit. |
| 3.3 | Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them | **N/A** | The Company has established a Diversity Policy, however, the policy does not include requirements for the board to establish measurable objectives for achieving gender diversity. Given the Company's size and stage of development as an exploration company, the board does not think it is appropriate to include measurable objectives in relation to gender. As the Company grows and requires more employees, the Company will review and amend this policy if it sees fit. |
| 3.4 | Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. | **A** | The proportion of women employees in the whole organisation is 32.14% (excluding directors).<br>There are currently no women in senior executive positions.<br>There are currently no women on the board. |
| 3.5 | Companies should provide the information indicated in the Guide to reporting on Principle 3 | **A** | |
| **Principle 4:** | **Safeguard integrity in financial reporting** | | |
| 4.1 | The board should establish an audit committee | **A** | The Audit Committee consists of Peter Thomas (Chairman), Linton Kirk (Independent Non-Executive Director), Rick Yeates (Managing Director) and Dennis Wilkins (Company Secretary). Mr Wilkins, Company Secretary, is chair of the Audit Committee. The composition of the Committee is considered to be appropriate given the Company's size and stage of development. The Company will review the composition of the audit committee as it develops. |
| 4.2 | The audit committee should be structured so that it: | | |
| | • consists only of non-executive directors | **N/A** | Peter Thomas and Linton Kirk are both non-executive directors of the Company. Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs out weighing potential benefits. The board believes that this is both appropriate and acceptable at this stage of the Company's development. |
| | • consists of a majority of independent directors | **N/A** | Mr Thomas and Mr Kirk are the only independent directors of the Company. Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs out weighing potential benefits. The board believes that this is both appropriate and acceptable at this stage of the Company's development. |
| | • is chaired by an independent chair, who is not chair of the board | **A** | Dennis Wilkins is the chair of the Audit Committee. |
| | • has at least three members | **A** | |
| 4.3 | The audit committee should have a formal charter | **A** | A copy of the Audit Policy can be viewed on the Company website. |
| 4.4 | Companies should provide the information indicated in the Guide to reporting on Principle 4 | **A** | The committee is to meet at least half yearly, with further meetings on an as required basis. The Audit Committee met on 26 September 2013 and 29 January 2014. |
| **Principle 5:** | **Make timely and balanced disclosure** | | |
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies | **A** | A copy of the Company's Continuous Disclosure Policy can be viewed on the Company website. |
| 5.2 | Companies should provide the information indicated in the Guide to reporting on Principle 5 | **A** | |



*A = Adopted*
*N/A = Not adopted*

| | ASX Principle | Status | Reference/comment |
|---|---|---|---|
| **Principle 6:** | **Respect the rights of shareholders** | | |
| 6.1 | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy | **A** | A copy of the Company's Shareholder Communication Policy can be viewed on the Company website. |
| 6.2 | Companies should provide the information indicated in the Guide to reporting on Principle 6 | **A** | |
| **Principle 7:** | **Recognise and manage risk** | | |
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies | **A** | A copy of the Company's Risk Management Policy can be viewed on the Company website. |
| 7.2 | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks | **N/A** | Management has not reported to the board as to the effectiveness of the Company's management of its material business risks. Whilst the board recognises the benefit of the discipline of documenting such matters, the board has deployed its scarce resources to other endeavours in priority to the preparation of a written report on the matter of risk. Given that the Company has a Risk Management Policy in place and that the board had two executive directors during most of the financial year (Beau Nicholls resigned as Technical Director on 31 January 2014) who were well versed in the day to day affairs of the Company and the internal control measures in place, the Company considers that it has managed its material business risks just as effectively as if a formal independent committee was established for the purpose recommended. The Company will review the need to require management to design and implement risk management and internal control systems as it develops. |
| 7.3 | The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks | **A** | Assurances received. |
| 7.4 | Companies should provide the information indicated in the Guide to reporting on Principle 7 | **A** | |
| **Principle 8:** | **Remunerate fairly and responsibly** | | |
| 8.1 | The board should establish a remuneration committee | **A** | A Remuneration Committee has been formed with the Charter available on the Company's website. The remuneration committee is comprised of the full board, with the exception of the Managing Director, however the composition of the Remuneration Committee can vary to accommodate the requirement that a director must not sit on the committee to consider that director's remuneration.<br>The composition of the Committee is considered to be appropriate given the Company's size and stage of development. The Company will review the structure of the Remuneration Committee as it develops.<br>The Remuneration Committee met on 29 January 2014. |
| 8.2 | The remuneration committee should be structured so that it: | | |
| | • consists of a majority of independent directors | **N/A** | Linton Kirk and Peter Thomas are independent directors of the Company. Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs out weighing potential benefits. The board believes that this is both appropriate and acceptable at this stage of the Company's development. |



*A = Adopted*
*N/A = Not adopted*

| | ASX Principle | Status | Reference/comment |
|---|---|---|---|
| | • is chaired by an independent chair | **N/A** | Peter Thomas is the Chair of the Remuneration Committee. Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs out weighing potential benefits. The board believes that this is both appropriate and acceptable at this stage of the Company's development. |
| | • has at least three members. | **A** | |
| 8.3 | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives | **A** | Refer to the Remuneration Report in the Company's Annual Report. |
| 8.4 | Companies should provide the information indicated in the Guide to reporting on Principle 8 | **A** | The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.25%, and do not receive any other retirement benefits. |



*A = Adopted*
*N/A = Not adopted*

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2014

| | | Consolidated | |
|---|---|---|---|
| | | **2014** | **2013** |
| | **Notes** | **$** | **$** |
| **REVENUE** | 4 | **159,205** | 400,593 |
| **EXPENDITURE** | | | |
| Exploration expenses | 25 | **(2,708,598)** | (5,485,825) |
| Administration expenses | 25 | **(686,486)** | (893,650) |
| Salaries and employee benefits expense | | **(651,407)** | (583,516) |
| Depreciation expense | | **(246,440)** | (249,126) |
| Share-based payments expense | 23 | **109,355** | (142,632) |
| Impairment of capitalised tenement acquisition costs | 10 | **(251,510)** | - |
| **LOSS BEFORE INCOME TAX** | | **(4,275,881)** | (6,954,156) |
| INCOME TAX BENEFIT/(EXPENSE) | 6 | **-** | - |
| **LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MIDDLE ISLAND RESOURCES LIMITED** | | **(4,275,881)** | (6,954,156) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| ***Items that may be reclassified to profit or loss*** | | | |
| Exchange differences on translation of foreign operations | | **39,251** | 363,568 |
| Other comprehensive income for the period, net of tax | | **39,251** | 363,568 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MIDDLE ISLAND RESOURCES LIMITED** | | **(4,236,630)** | (6,590,588) |
| Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share) | 22 | **(3.4)** | (5.6) |

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 2014

| | | Consolidated | |
|---|---|---|---|
| | | **2014** | **2013** |
| | **Notes** | **$** | **$** |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 7 | **1,588,439** | 5,631,116 |
| Trade and other receivables | 8 | **52,058** | 164,397 |
| **TOTAL CURRENT ASSETS** | | **1,640,497** | 5,795,513 |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 9 | **261,251** | 585,517 |
| Mining properties | 10 | **2,838,709** | 3,046,632 |
| **TOTAL NON-CURRENT ASSSETS** | | **3,099,960** | 3,632,149 |
| | | | |
| **TOTAL ASSETS** | | **4,740,457** | 6,954,156 |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 11 | **128,619** | 469,839 |
| **TOTAL CURRENT LIABILITIES** | | **128,619** | 469,839 |
| | | | |
| **TOTAL LIABILITIES** | | **128,619** | 469,839 |
| | | | |
| **NET ASSETS** | | **4,611,838** | 8,957,823 |
| | | | |
| **EQUITY** | | | |
| Contributed equity | 12 | **25,733,440** | 25,733,440 |
| Reserves | 13 | **550,310** | 620,414 |
| Accumulated losses | | **(21,671,912)** | (17,396,031) |
| **TOTAL EQUITY** | | **4,611,838** | 8,957,823 |

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 2014

| | Notes | Contributed Equity | Share-based Payments Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **BALANCE AT 1 JULY 2012** | | 25,733,440 | 216,568 | (102,354) | (10,441,875) | 15,405,779 |
| Loss for the period | | - | - | - | (6,954,156) | (6,954,156) |
| **OTHER COMPREHENSIVE INCOME** | | | | | | |
| Exchange differences on translation of foreign operations | | - | - | 363,568 | - | 363,568 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | - | - | 363,568 | (6,954,156) | (6,590,588) |
| **TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS** | | | | | | |
| Options issued/vesting to employees | | - | 142,632 | - | - | 142,632 |
| **BALANCE AT 30 JUNE 2013** | | **25,733,440** | **359,200** | **261,214** | **(17,396,031)** | **8,957,823** |
| Loss for the year | | **-** | **-** | **-** | **(4,275,881)** | **(4,275,881)** |
| **OTHER COMPREHENSIVE INCOME** | | | | | | |
| Exchange differences on translation of foreign operations | | **-** | **-** | **39,251** | **-** | **39,251** |
| **TOTAL COMPREHENSIVE INCOME** | | **-** | **-** | **39,251** | **(4,275,881)** | **(4,236,630)** |
| **TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS** | | | | | | |
| Options issued/vesting to employees | 23 | **-** | **(109,355)** | **-** | **-** | **(109,355)** |
| **BALANCE AT 30 JUNE 2014** | | **25,733,440** | **249,845** | **300,465** | **(21,671,912)** | **4,611,838** |

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 2014

| | Notes | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | **(1,312,980)** | (1,653,121) |
| Expenditure on mining interests | | **(3,005,307)** | (5,735,350) |
| Interest received | | **195,778** | 327,322 |
| Other revenue | 4 | **50,720** | 390 |
| **NET CASH OUTFLOW FROM OPERATING ACTIVITIES** | 21 | **(4,071,789)** | (7,060,759) |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for plant and equipment | | **(16,615)** | (184,089) |
| Payments for mining properties | | **-** | - |
| Proceeds from sale of plant and equipment | | **57,585** | - |
| **NET CASH OUTFLOW FROM INVESTING ACTIVITIES** | | **40,970** | (184,089) |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issues of ordinary shares | | **-** | - |
| Payments of share issue costs | | **-** | - |
| **NET CASH INFLOW FROM FINANCING ACTIVITIES** | | **-** | - |
| | | | |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | | **(4,030,819)** | (7,244,848) |
| Cash and cash equivalents at the beginning of the financial year | | **5,631,116** | 12,959,058 |
| Effects of exchange rate changes on cash and cash equivalents | | **(11,858)** | (83,094) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 7 | **1,588,439** | 5,631,116 |

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 the 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 30 September 2014. 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*

None of the new standards and amendments to standards that were mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

*(iii) Early adoption of standards*

The Group did not elect to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

*(iv) Historical cost convention and going concern basis*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which have been measured at fair value. These financial statements have been prepared on the going concern basis.

**(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 2014 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.

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

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.

*(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**

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

**(f) 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.

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's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

**(g) Leases**

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 17). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**(h) Impairment of assets**

Goodwill and 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 date.

**(i) 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.

**(j) Investments and other financial assets**

***Classification***

The Group classifies all of its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of the impairment allowance is the difference between the asset's carrying amount and the estimated future cash flows. None of the Group's loans and receivables has an applicable interest rate hence the cash flows are not discounted.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within impairment expenses. When a loan or receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

***Recognition and derecognition***

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at "fair value" (as used in this report, "fair value" bears the meaning ascribed by the AASB which can produce a result that does not reflect market or realisable value) plus transaction costs for all financial assets not carried at "fair value" through profit or loss. Financial assets carried at "fair value" through profit or loss are initially recognised at "fair value" and transaction costs are expensed to the statement of profit or loss and other comprehensive income. 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.

***Measurement***

Loans and receivables are carried at amortised cost using the effective interest method.

***Impairment***

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of profit or loss and other comprehensive income.

**(k) Plant and equipment**

All plant and equipment is 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(h)).

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.

**(l) 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 are 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 of otherwise of 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.

**(m) Trade and other payables**

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

**(n) 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.

**(o) 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 render services, or where vendors sell assets to the Group, in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 23.

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 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 equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the 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.

**(p) 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.

**(q) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit 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.

**(r) 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.

**(s) Comparative figures**

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

**(t) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

*AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* and *AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)*

AASB 9 replaces the multiple classification and measurement models in AASB 139 *Financial instruments: Recognition and measurement* with a single model that has only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A 'simple' debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other financial assets, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the income statement, except for equity investments that are not traded, which may be recorded in the income statement or in reserves.

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules that were released in December 2013 align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

Based on the financial assets and liabilities currently held, the Group does not anticipate any impact on the financial statements upon adoption of this standard. The Group does not presently engage in hedge accounting.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Group.

**(u) 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 take into account 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 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 parts 1.h) and 1.l).

## 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*

The Group operates internationally and is 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.

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 subsidiary companies is either the US dollar or the West African CFA franc. All parent entity balances are in Australian dollars and all Group balances are in either Australian or US dollars, or West African CFA francs, so the Group does not have any exposure to foreign currency risk at the reporting date (2013: Nil exposure).

*(ii) Commodity price risk*

Given the current level of operations, the Group's financial statements for the year ended 30 June 2014 are not exposed to commodity price risk.

*(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 $1,588,439 (2013: $5,631,116) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 3.5% (2013: 5.3%).

*Sensitivity analysis*

At 30 June 2014, if interest rates had changed by -/+ 100 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 $31,000 lower/higher (2013: $93,500 lower/higher) as a result of lower/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.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

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 (not market value) of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount due to their short term nature.

## 3: SEGMENT INFORMATION

For management purposes, the Group has identified only one reportable segment as exploration activities undertaken in West Africa. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, 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.

| | Consolidated | |
|---|---|---|
| | 2014 $ | 2013 $ |
| **Exploration segment** | | |
| ***Segment revenue*** | **-** | - |
| Reconciliation of segment revenue to total revenue before tax: | | |
| Interest revenue | **108,485** | 400,203 |
| Other revenue | **50,720** | 390 |
| **TOTAL REVENUE** | **159,205** | 400,593 |
| ***Segment results*** | **(3,381,382)** | (5,874,919) |
| Reconciliation of segment result to net loss before tax: | | |
| Other corporate and administration | **(894,499)** | (1,079,237) |
| **NET LOSS BEFORE TAX** | **(4,275,881)** | (6,954,156) |
| ***Segment operating assets*** | **3,133,961** | 3,726,509 |
| Reconciliation of segment operating assets to total assets: | | |
| Other corporate and administration assets | **1,606,496** | 5,701,153 |
| **TOTAL ASSETS** | **4,740,457** | 9,427,662 |
| ***Segment operating liabilities*** | **64,434** | 314,501 |
| Reconciliation of segment operating liabilities to total liabilities: | | |
| Other corporate and administration liabilities | **64,185** | 155,338 |
| **TOTAL LIABILITIES** | **128,619** | 469,839 |

| | Consolidated 2014 $ | 2013 $ |
|---|---|---|
| **4: REVENUE** | | |
| **From continuing operations** | | |
| *Other revenue* | | |
| Interest revenue | **108,485** | 400,203 |
| Dispute Settlement | **50,000[(1)]** | - |
| Other revenue | **720** | 390 |
| | **159,205** | 400,593 |

*(1) A finding was made in favour of the Company in the arbitration with Desert Star Resources Limited (formerly Island Arc Exploration Corp) in British Columbia, Canada, in relation to the Nassile permit in Niger. As a consequence Desert Star was required to dilute 100% of its interest in the permit direct to a 1% net smelter royalty. As part of a settlement agreement entered into with the Company, Desert Star also agreed to pay the Company A$50,000 as a contribution to the Company's legal costs of the arbitration. Desert Star also agreed to a reduction in the buyout price of the royalty from US$1 million to US$50,000.*

| | 2014 $ | 2013 $ |
|---|---|---|
| **5: EXPENSES** | | |
| **Loss before income tax includes the following specific expenses:** | | |
| Defined contribution superannuation expense | **48,793** | 43,142 |
| Minimum lease payments relating to operating leases | **54,338** | 47,947 |
| **6: INCOME TAX** | | |
| **(a) Income tax expense** | | |
| Current tax | **-** | - |
| Deferred tax | **-** | - |
| **(b) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Loss from continuing operations before income tax expense | **(4,275,881)** | (6,954,156) |
| Prima facie tax benefit at the Australian tax rate of 30% | **(1,282,764)** | (2,086,247) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Section 40-880 | **(68,028)** | (68,028) |
| Share-based payments | **(32,807)** | 42,790 |
| Sundry items | **266** | 1,628 |
| | **(1,383,333)** | (2,109,857) |
| Movements in unrecognised temporary differences | **35,221** | (23,748) |
| Tax effect of current year tax losses for which no deferred tax asset has been recognised | **1,354,005** | 2,133,605 |
| Income tax expense | **-** | - |
| **(c) Unrecognised deferred tax assets** | | |
| Deferred Tax Assets (at 30%) | | |
| *On Income Tax Account* | | |
| Sundry items | **12,226** | 35,274 |
| Capital raising costs | **164,309** | 164,309 |
| Carry forward tax losses | **6,658,450** | 5,304,445 |
| | **6,834,985** | 5,504,028 |
| Deferred Tax Liabilities (at 30%) | **-** | - |

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.

| | Consolidated 2014 $ | 2013 $ |
|---|---|---|
| **7: CURRENT ASSETS - CASH AND CASH EQUIVALENTS** | | |
| Cash at bank and in hand | **124,239** | 91,916 |
| Short-term deposits | **1,464,200** | 5,539,200 |
| Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows | **1,588,439** | 5,631,116 |

Cash at bank and in hand at 30 June 2014 comprises A$1,550,376 (2013: A$5,548,179), with the balance held in US dollars and 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.

## 8: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Sundry receivables | **52,058** | 164,397 |

## 9: NON-CURRENT ASSETS - PLANT AND EQUIPMENT

| | | |
|---|---|---|
| **PLANT AND EQUIPMENT** | | |
| Cost | **862,161** | 1,065,887 |
| Accumulated depreciation | **(600,910)** | (480,370) |
| Net book amount | **261,251** | 585,517 |
| **PLANT AND EQUIPMENT** | | |
| Opening net book amount | **585,517** | 576,948 |
| Exchange differences | **27,797** | 73,606 |
| Additions | **16,615** | 184,089 |
| Disposals | **(122,238)** | - |
| Depreciation charge | **(246,440)** | (249,126) |
| Closing net book amount | **261,251** | 585,517 |

## 10: NON-CURRENT ASSETS –MINING PROPERTIES

| | | |
|---|---|---|
| Tenement acquisition costs carried forward in respect of mining areas of interest | | |
| Opening net book amount | **3,046,632** | 2,674,089 |
| Exchange variances | **43,587** | 372,543 |
| Impairment of capitalised tenement acquisition costs | **(251,510)** (1) | - |
| Closing net book amount | **2,838,709** | 3,046,632 |

*(1) The ultimate recoupment of costs carried forward for tenement acquisition is dependent on the successful development and commercial exploitation or sale of the respective mining areas. The impairment recognised of A$251,510 which relates to acquisition costs of tenements located in Liberia, is due to the decision to discontinue exploration in those particular mining areas.*

## 11: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Trade payables | **2,278** | 196,656 |
| Other payables and accruals | **126,341** | 273,183 |
| | **128,619** | 469,839 |

## 12: ISSUED CAPITAL

### (a) Share capital

| | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| | Notes | Number of shares | $ | Number of shares | $ |
| Ordinary shares fully paid | 12(b), 12(d) | **124,987,349** | **25,733,440** | 124,987,349 | 25,733,440 |
| Total issued capital | | **124,987,349** | **25,733,440** | 124,987,349 | 25,733,440 |

### (b) Movements in ordinary share capital

| | | | | |
|---|---|---|---|---|
| Beginning of the financial year | **124,987,349** | **25,733,440** | 124,987,349 | 25,733,440 |
| End of the financial year | **124,987,349** | **25,733,440** | 124,987,349 | 25,733,440 |

### (c) Movements in options on issue

| | Number of options | |
|---|---|---|
| | 2014 | 2013 |
| Beginning of the financial year | **18,475,000** | 18,475,000 |
| Expired on 1 November 2013, exercisable at 37.5 cents | **(450,000)** | - |
| Cancelled, exercisable at 50 cents, on or before 16 December 2014 | **(1,500,000)** | - |
| End of the financial year | **16,525,000** | 18,475,000 |

### (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.

### (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 2014 and 30 June 2013 are as follows:

| | Consolidated | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Cash and cash equivalents | **1,588,439** | 5,631,116 |
| Trade and other receivables | **52,058** | 164,397 |
| Trade and other payables | **(128,619)** | (469,839) |
| Working capital position | **1,511,878** | 5,325,674 |

| | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|
| **13: RESERVES AND ACCUMULATED LOSSES** | | |
| **(a) Reserves** | | |
| Foreign currency translation reserve | **300,465** | 261,214 |
| Share-based payments reserve (see note 23) | **249,845** | 359,200 |
| | **550,310** | 620,414 |

**(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 is reclassified to profit or loss when the net investment is disposed of.

*(ii) Share-based payments reserve*

The share-based payments reserve is used to recognise the fair value of options issued.

## 14: DIVIDENDS

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

## 15: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

| | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|
| **(a) Audit services** | | |
| Somes Cooke – audit and review of financial reports | **27,500** | 27,500 |
| Total remuneration for audit services | **27,500** | 27,500 |
| **(b) Non-audit services** | | |
| Somes Cooke – taxation compliance services | **6,530** | 9,506 |
| Total remuneration for other services | **6,530** | 9,506 |

## 16: CONTINGENCIES

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

## 17: COMMITMENTS

**(a) 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 are as follows:

| | 2014 | 2013 |
|---|---|---|
| within one year | **700,000** | 1,135,000 |
| later than one year but not later than five years | **2,800,000** | 4,500,000 |
| | **3,500,000** | 5,635,000 |

**(b) Lease commitments: Group as lessee**

| | | |
|---|---|---|
| *Operating leases (non-cancellable):* | | |
| Minimum lease payments | | |
| within one year | **59,810** | 32,997 |
| later than one year but not later than five years | **23,835** | - |
| Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities | **83,645** | 32,997 |

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to increase in accordance with CPI movements on each annual anniversary of the commencement date. An option exists to renew the lease at the end of the three-year term for an additional term of two years. The lease allows for subletting of all lease areas.

## 18: RELATED PARTY TRANSACTIONS

**(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 19.

**(c) Key management personnel compensation**

| | Consolidated | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| Short-term benefits | **493,550** | 597,237 |
| Post-employment benefits | **33,121** | 35,829 |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payments | - | - |
| | **526,671** | 633,066 |

Detailed remuneration disclosures are provided in the remuneration report on pages 4 to 7.

**(d) Transactions and balances with other related parties**

**Services**

DWCorporate Pty Ltd, a business of which Mr Wilkins is principal, provided company secretarial, bookkeeping and other corporate services to the Middle Island Group during the year, to the value of $125,504 (2013: $223,355). The amounts paid were on arms' length commercial terms and are disclosed in the remuneration report in conjunction with Mr Wilkins' compensation. At 30 June 2014 there was nil (2013: $16,761) owing to DWCorporate Pty Ltd.

Mr Nicholls is a director and 35% shareholder of PowerXplor Limited, which owns Sahara Geoservices SARL. Sahara Geoservices provided drilling services to the Middle Island Group during the year. The amounts paid were on arms' length commercial terms and amounted to $44,112 (2013: $521,109) for the year to 30 June 2014. At 30 June 2014 there was nil (2013: $43,510) owing to Sahara Geoservices.

Kirk Mining Consultants Pty Ltd, a business of which Mr Kirk is principal, provided mining consulting services to the Middle Island Group during the year. The amounts paid were on arms' length commercial terms and amounted to $154,625 (2013: $30,075) for the year to 30 June 2014. At 30 June 2014 there was nil (2013: nil) owing to Kirk Mining Consultants Pty Ltd.

### (e) Loans to related parties

Middle Island Resources Limited has provided unsecured, interest free loans to each of its wholly owned subsidiaries totalling $19,332,454 at 30 June 2014 (2013: $17,942,213). 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.

## 19: 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)] | |
|---|---|---|---|---|
| | | | 2014 % | 2013 % |
| Middle Island Resources – Burkina Faso SARL | Burkina Faso | Ordinary | **100** | 100 |
| Middle Island Resources – Liberia Limited | Liberia | Ordinary | **100** | 100 |
| Middle Island Resources – Niger SARL[(2)] | Niger | Ordinary | **100** | 100 |

*(1) The proportion of ownership interest is equal to the proportion of voting power held.*
*(2) Middle Island Resources – Niger SARL was established 23 April 2013.*

## 20: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In August 2014, the Minister of Mines in Niger refused the applications for the extension of the Deba and Tialkam permits.

Middle Island does not accept that the Minister's decision is correct under the rule of law and has appealed the decision on the one hand and applied for substitute permits on the other.

No matters or circumstances, as from those disclosed above, 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.

## 21: STATEMENT OF CASH FLOWS

| | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|
| **Reconciliation of net loss after income tax to net cash outflow from operating activities** | | |
| Net loss for the year | **(4,275,881)** | (6,954,156) |
| **Non-cash items** | | |
| Depreciation of non-current assets | **246,440** | 249,126 |
| Share-based payments | **(109,355)** | 142,632 |
| Net exchange differences | **-** | 513 |
| **Change in operating assets and liabilities** | | |
| (Increase)/decrease in trade and other receivables | **112,339** | (65,903) |
| (Decrease)/increase in trade and other payables | **(341,220)** | (432,971) |
| Accounting loss on sale of asset | **44,378** | - |
| Impairment of capitalised tenement acquisition costs | **251,510** | - |
| Net cash outflow from operating activities | **(4,071,789)** | (7,060,759) |

## 22: LOSS PER SHARE

| | 2014 | 2013 |
|---|---|---|
| **(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 | **(4,275,881)** | (6,954,156) |

| | Number of shares | |
|---|---|---|
| **(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 | **124,987,349** | 124,987,349 |

**(c) Information on the classification of options**

As the Group has made a loss for the year ended 30 June 2014, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

## 23: SHARE-BASED PAYMENTS

**a) Options issued to employees**

The Group may provide benefits to employees (including directors) and contractors 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. The exercise prices of the options granted as at 30 June 2014 range from 10 cents to 56 cents per option and have expiry dates ranging from 1 November 2014 to 28 February 2017.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of the options granted:

| | Consolidated | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Number of options | Weighted average exercise price cents | Number of options | Weighted average exercise price cents |
| Outstanding at the beginning of the financial year | **3,475,000** | **46.5** | 3,475,000 | 46.5 |
| Granted | **1,800,000[(1)]** | **15.0** | - | - |
| Forfeited/cancelled | **-** | **-** | - | - |
| Exercised | **-** | **-** | - | - |
| Expired/lapsed | **(1,950,000)** | **47.1** | - | - |
| Outstanding at year-end | **3,325,000** | **29.0** | 3,475,000 | 46.5 |
| Exercisable at year-end | **2,125,000** | **35.6** | 1,550,000 | 41.5 |

*(1) These options were granted on 1 March 2014, but as at 30 June 2014 these options had not been issued.*

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.6 years (2013: 1.3 years), and the exercise prices range from 10 to 56 cents.

The weighted average "fair value" (not market value) of the options granted during the 2014 financial year was 0.7 cents (2013: N/A). The price was calculated in accordance with Australian Accounting Standards by using the Black-Scholes European Option Pricing Model applying the following 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:

| | 2014 | 2013 |
|---|---|---|
| Weighted average exercise price (cents) | **15.0** | - |
| Weighted average life of the option (years) | **3.0** | - |
| Weighted average underlying share price (cents) | **2.7** | - |
| Expected share price volatility | **93.8%** | - |
| Weighted average risk free interest rate | **2.8%** | - |

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

**b) Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the year were as follows:

| | Consolidated | |
|---|---|---|
| | 2014<br>$ | 2013<br>$ |
| Options granted to/vesting with employees (including directors) as part of share-based payments | **(109,355)[(1)]** | 142,632 |

*(1) Included in this amount for 2014 is share-based payments income of $116,460 in relation to options that lapsed during the year due to the failure to satisfy non-market related performance vesting conditions. A share-based payments expense amount of $7,105 has been recognised for the options granted during the year.*

## 24: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Middle Island Resources Limited, at 30 June 2014. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

| | Consolidated | |
|---|---|---|
| | 2014<br>$ | 2013<br>$ |
| Current assets | **1,598,168** | 5,688,719 |
| Non-current assets | **8,328** | 12,433 |
| **Total assets** | **1,606,496** | 5,701,152 |
| | | |
| Current liabilities | **124,581** | 155,339 |
| **Total liabilities** | **124,581** | 155,339 |
| | | |
| Contributed equity | **25,733,440** | 25,733,440 |
| Share-based payments reserve | **249,845** | 359,200 |
| Accumulated losses | **(24,501,370)** | (20,546,827) |
| **Total equity** | **1,481,915** | 5,545,813 |
| | | |
| Loss for the year | **(3,954,543)** | (19,021,453) |
| **Total comprehensive loss for the year** | **(3,954,543)** | (19,021,453) |

## 25: RECLASSIFICATIONS

Certain 2013 expenses have been reclassified to conform to the 2014 financial statement. They consist of costs incurred in West Africa which were previously considered as Administration expenses and now are classified as Exploration expenses.

| | Year Ended 30 June 2013 | | |
|---|---|---|---|
| | **Balance as previously reported** | **Reclassification** | **Balance as reclassified** |
| **EXPENDITURE** | | | |
| Exploration expenses | (5,282,815) | (203,010) | (5,485,825) |
| Administration expenses | (1,096,660) | 203,010 | (893,650) |
| Salaries and employee benefits expense | (583,516) | | (583,516) |
| Depreciation expense | (249,126) | | (249,126) |
| Share-based payments expense | (142,632) | | (142,632) |

## DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements comprising the statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and accompanying notes set out on pages 16 to 38 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 and the consolidated entity's financial position as at 30 June 2014 and of their performance for the financial year ended on that date;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
3. the remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2014, comply with Section 300A of the *Corporations Act 2001*; and
4. 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.

Richard Yeates

**Richard Yeates**
Managing Director
Perth, 30 September 2014

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

# Independent Auditor's Report
# To the members of Middle Island Resources Limited

**Report on the Financial Report**

We have audited the accompanying financial report of Middle Island Resources Limited, which comprises the consolidated statement of financial position as at 30 June 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

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

*Opinion*

In our opinion:

(a) the financial report of Middle Island Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 4 to 7 of the directors' report for the year ended 30 June 2014. 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 in accordance with Australian Auditing Standards.

*Opinion*

In our opinion, the Remuneration Report of Middle Island Resources Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Somes Cooke

Kevin Somes
30 September 2014
Perth

## ASX ADDITIONAL INFORMATION

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 15 September 2014.

### (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 | 24 | 8,010 |
| 1,001 - 5,000 | 55 | 179,069 |
| 5,001 - 10,000 | 70 | 566,624 |
| 10,001 - 100,000 | 298 | 12,522,078 |
| 100,001 and above | 122 | 111,711,568 |
| | 569 | 124,987,349 |
| The number of shareholders holding less than a marketable parcel of shares are: | 265 | 2,850,757 |

### (b) Twenty largest shareholders

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

| | | Listed ordinary shares | |
|---|---|---|---|
| | | Number of shares | Percentage of ordinary shares |
| 1 | Quenda Inv Pty Ltd <Quenda S/F A/C> | 16,000,000 | 12.80 |
| 2 | Newmont Cap Pty Ltd | 10,147,339 | 8.12 |
| 3 | Citicorp Nom Pty Ltd | 6,623,000 | 5.30 |
| 4 | ABN Amro Clearing Sydney Nominees Pty Ltd (Custodian A/C) | 6,608,891 | 5.29 |
| 5 | Diamantina Resources Pty Ltd <Yeates Fam A/C> | 4,000,000 | 3.20 |
| 6 | Lomacott Pty Ltd <Keogh S/F A/C> | 4,000,000 | 3.20 |
| 7 | JP Morgan Nom Aust Ltd <Cash Income A/C> | 3,058,017 | 2.45 |
| 8 | P S Thomas & S A Goodwin <Waterford Retirement Plan> | 3,000,000 | 2.40 |
| 9 | Amazon Consultoria Em Mineracao E Servicos | 2,900,000 | 2.32 |
| 10 | National Nominees Ltd | 2,600,000 | 2.08 |
| 11 | Newmont Cap Pty Ltd | 2,537,156 | 2.03 |
| 12 | Jetosea Pty Ltd | 2,430,166 | 1.94 |
| 13 | Montana Realty Pty Ltd | 2,367,000 | 1.89 |
| 14 | Rollason Pty Ltd <Giorgetta Super Plan> | 1,810,000 | 1.45 |
| 15 | Ross Francis Stanley | 1,750,000 | 1.40 |
| 16 | Macquarie Bank Ltd | 1,500,000 | 1.20 |
| 17 | Mr Gnanasundaram Gnananatham | 1,362,800 | 1.09 |
| 18 | Gecko Resources Pty Ltd | 1,273,200 | 1.02 |
| 19 | HSBC Custody Nominees Pty Ltd | 1,224,000 | 0.98 |
| 20 | GP Securities Pty Ltd | 1,200,000 | 0.96 |
| | | 76,391,569 | 61.12 |

**(c) Substantial shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

| | Number of Shares |
|---|---|
| Quenda Investments Pty Ltd <Quenda S/F A/C> | 16,000,000 |
| Newmont Capital Pty Ltd | 10,147,339 |
| Citicorp Nominees PL | 6,623,000 |
| ABN Amro Clearing Sydney Nominees Pty Ltd (Custodian A/C) | 6,608,891 |

**(d) Voting rights**

All ordinary shares carry one vote per share without restriction.

**(e) Schedule of interests in mining tenements**

| Location | Tenement | Percentage held / earning |
|---|---|---|
| Burkina Faso | Pouni II | 100% |
| Burkina Faso | Dassa | 100% |
| Burkina Faso | Didyr | 100% |
| Burkina Faso | Dassa Sud | 100% |
| Burkina Faso | Nebya | 100% |
| Burkina Faso | Bissou | 100% |
| Burkina Faso | Gossina | 100% |
| Niger | Dogona | earning 90% |
| Niger | Boulkagou | earning 90% |
| Niger | Nassile | 100% |
| Niger | Kakou | 100% |
| Niger | Tialkam | on reapplication |
| Niger | Deba | on reapplication |
| Niger | Boksay | earning 51% to 70% |
| Liberia | Cestos South | relinquished |
| Liberia | Cestos North | relinquished |
| Liberia | Zwedru North | 100% |
| Liberia | Zwedru | relinquished |
| Liberia | Putu | relinquished |

**(f) Unquoted Securities**

| | | | Holders of 20% or more of the class | |
|---|---|---|---|---|
| Class | Number of Securities | Number of Holders | Holder Name | Number of Securities |
| Unlisted 25 cent Options, expiry 30 Jun 2015 | 15,000,000 | 5 | Quenda Inv. Pty Ltd | 8,000,000 |
| Unlisted 25 cent Options, Expiry 31 Dec 2014 | 250,000 | 1 | Mr A Chubb | 250,000 |
| Unlisted 37.5 cent Options, Expiry 31 Dec 2014 | 250,000 | 1 | Mr A Chubb | 250,000 |
| Unlisted 50 cent Options, Expiry 31 Dec 2014 | 250,000 | 1 | Mr A Chubb | 250,000 |
| Unlisted 53 cent Options, Expiry 1 Nov 2014 | 200,000 | 1 | Mr E Sarbah | 200,000 |
| Unlisted 51 cent Options, Expiry 1 Nov 2014 | 275,000 | 2 | Mr A Razak | 250,000 |
| Unlisted 56 cent Options, Expiry 15 Dec 2014 | 300,000 | 1 | Mr L Kirk | 300,000 |

**(g) Use of Funds**

The Company has used its funds in accordance with its initial business objectives.