



Middle Island

RESOURCES LIMITED

INTERIM FINANCIAL REPORT

For the Half-Year ended 31 December 2021
ABN 70 142 361 608

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2021 and any public announcements made by Middle Island Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

For personal use only

Directors' Report	3
Auditor's Independence Declaration	11
Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
Consolidated Statement of Financial Position	13
Consolidated Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15
Notes to the Consolidated Financial Statements	16
Directors' Declaration	24
Independent Auditor's Review Report	25

For personal use only

DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity (referred to hereafter as the Group) consisting of Middle Island Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

DIRECTORS

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

Peter Thomas

Brad Marwood

Bruce Stewart, appointed 13 July 2021

Richard Yeates, resigned 13 July 2021

REVIEW AND RESULTS OF OPERATIONS

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

	2021	
	Revenues	Profit/(Loss)
	\$	\$
Group revenues and loss	19,715	(1,144,904)

Corporate

Middle Island Resources Limited (**ASX: MDI, Middle Island or the Company**), held cash and liquid investments of A\$1,705,411 as at 31 December 2021, comprising A\$1,480,190 in cash and A\$225,221 in listed equity investments.

During the second half of 2021 MDI underwent significant corporate restructuring. The Managing Director, Rick Yeates' position became redundant in July 2021 and Rick moved on to other business. Brad Marwood stepped in as a temporary, part-time Executive Director of MDI.

Bruce Stewart was appointed as a Non-Executive Director and shareholders approved this appointment at the Annual General Meeting. Bruce has been the co-head of a global asset desk in New York City for Jefferies & Co. and brings a wealth of experience to company reorganisation, sales, positioning, and corporate governance. (ASX Announcement - 20 July 2021)

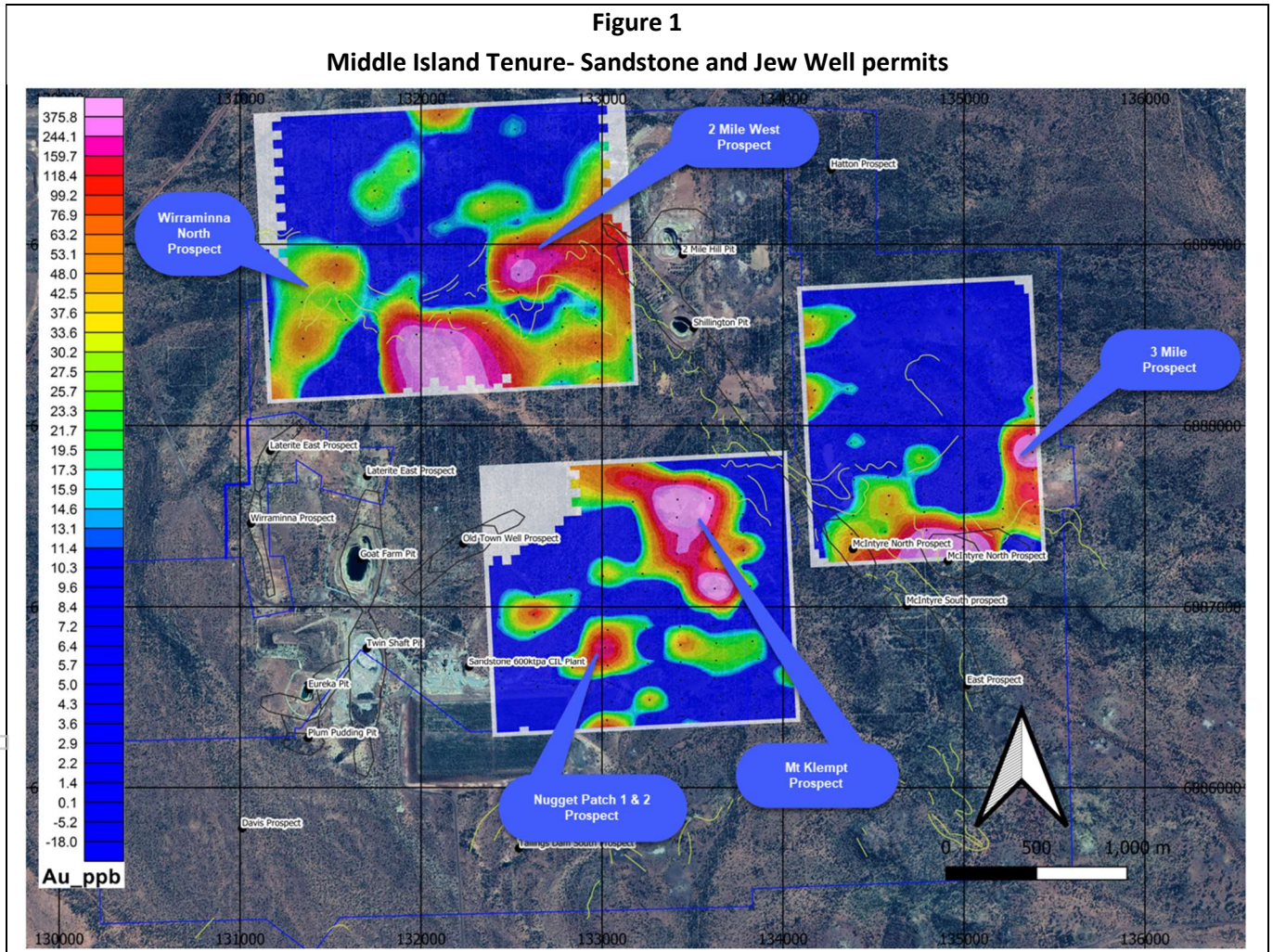
On 3 November 2021 MDI announced a change to its Company Secretary, with DW Corporate being replaced with Tieleman Consulting, RABMB Pty Ltd.

Strategy & Operations

Sandstone Gold Project (Western Australia)

2021 Drilling Campaign

Auger drilling was completed on the five near-mill geochemical targets including 12 km of inadequately or completely untested highly prospective greenstone belt. The drilling assessed the Jew Well Central target (10km south of the plant) that hosts 5km of completely untested greenstone belt and 7km of greenstone belt (at Jew Well North 10km from the plant) that has been subject to limited wide spaced soil geochemistry. (ASX Announcement - 26 October 2021)



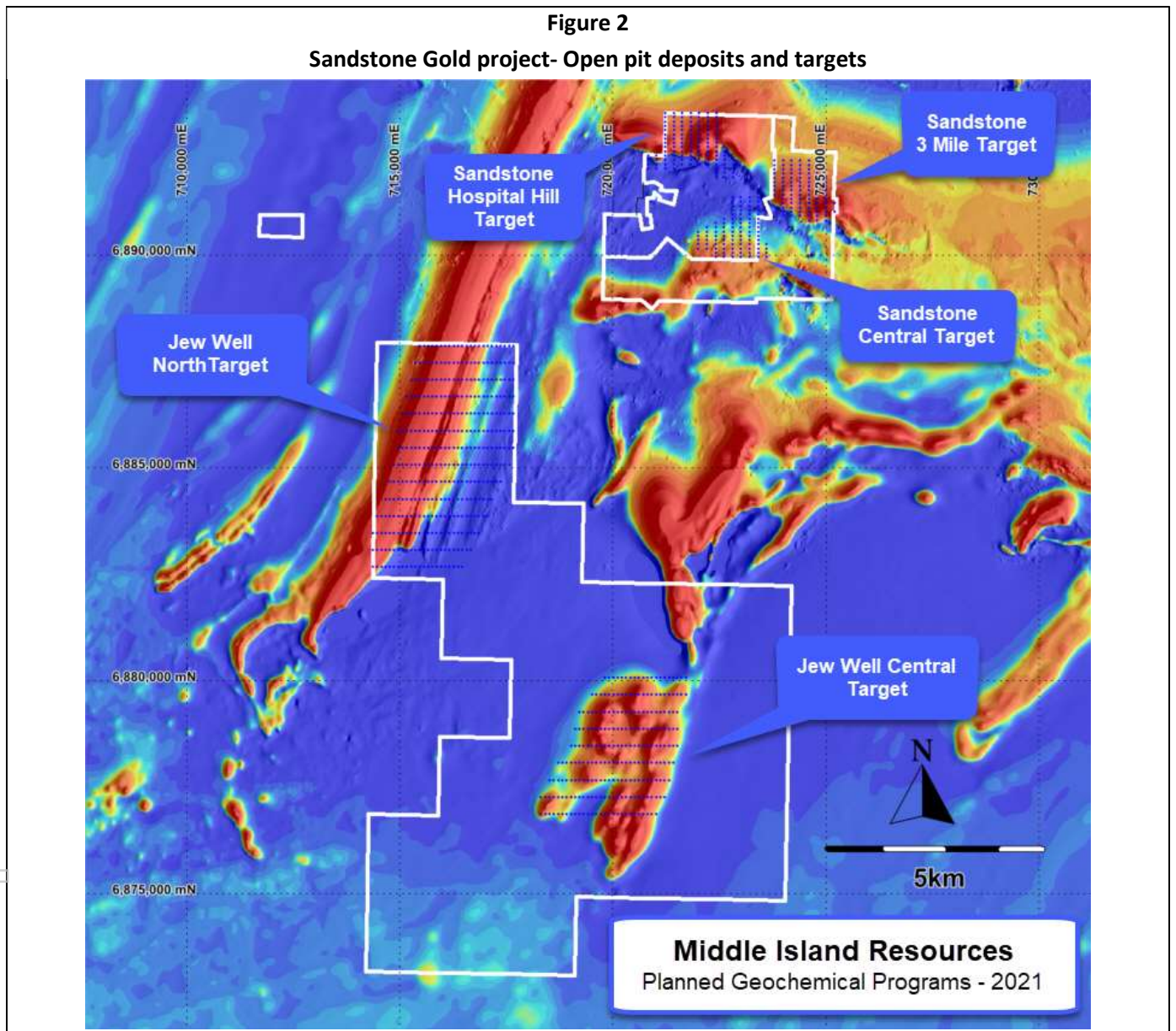
A total of 536 Auger geochemistry holes were completed. Five new gold prospects were identified within the Sandstone Permits. A 2km nickel anomaly (open to the northeast) was also identified in the Jew Well permit outlining a potential ultramafic Complex.

For personal use only

Resource Estimation (Now at 784,300 gold ounces)

Maiden Mineral Resource estimate has been prepared by independent consultants for the Eureka Mineral resource. (ASX Announcement - 7 July 2021). The location of Eureka is presented in Figure 2, 1km west of the plant.

For personal use only





The results of the independent Mineral resource estimate by Ashmore Advisory Pty Ltd are tabulated in the Statement of Mineral Resources in Table 1.

Type	Indicated			Inferred			Total		
	Tonnage kt	Au g/t	Au Ounces	Tonnage kt	Au g/t	Au Ounces	Tonnage kt	Au g/t	Au Ounces
Laterite	20	0.6	400	66	0.8	1,800	86	0.8	2,200
Oxide	250	1.0	7,700	73	1.1	2,600	324	1.0	10,300
Transitional	50	0.7	1,200	59	0.8	1,500	109	0.8	2,600
Fresh	20	0.7	500	22	0.9	600	42	0.8	1,100
Total	340	0.9	9,700	221	0.9	6,500	561	0.9	16,200

Note:

The Mineral Resource has been compiled under the supervision of Mr. Shaun Searle who is a director of Ashmore Advisory Pty Ltd and a Registered Member of the Australian Institute of Geoscientists. Mr. Searle has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.

All Mineral Resources figures reported in the table above represent estimates in June 2021. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies. Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC 2012 Edition).

UPDATED PROJECT MINERAL RESOURCES

Table 2 shows the revised Mineral Resources for the Sandstone Gold Project now totalling 784,300 gold ounces.

Sandstone Open Pit Deposits – Summary Mineral Resource Estimates (2012 JORC Code) at 0.5g/t cut-									
Deposit	Indicated			Inferred			Total		
	Tonne kt	Au g/t	Au Oz	Tonnes kt	Au g/t	Au Oz	Tonnes kt	Au g/t	Au Oz
Two Mile Hill ¹	1,901	1.1	66,000	178	0.8	5,000	2,078	1.1	71,000
Shillington ³	1,440	1.2	57,200	830	1.1	29,300	2,270	1.2	86,500
Wirraminna ³	300	1.3	12,100	280	1.1	9,700	580	1.2	21,800
Old Town Well ⁵	282	1.0	8,800	68	0.6	1,400	351	0.9	10,100
Plum Pudding ⁵	384	1.1	13,100	35	0.9	1,000	419	1.1	14,100
Eureka	340	0.9	9,700	221	0.9	6,500	561	0.9	16,200
Twin Shafts ⁴	149	1.0	4,700	37	0.7	900	186	0.9	5,600
Goat Farm ⁴				398	1.0	13,200	398	1.0	13,200
McIntyre ⁴	496	1.2	19,400	67	0.9	1,900	562	1.2	21,300
Ridge ⁶	173	1.2	6,700	67	1.9	4,000	240	1.4	10,700
McClaren ⁶	236	1.4	10,600	60	1.7	3,200	296	1.5	13,800
Open Pit Subtotal	5,701	1.1	208,30	2,241	1.0	76,100	7,941	1.1	284,300
Sandstone Underground Deposits – Summary Mineral Resource Estimates (2012 JORC Code)*									
Two Mile Hill ²				14,000	1.10	480,000	14,000	1.10	480,000
Two Mile Hill – BIF ²				200	3.10	20,000	200	3.10	20,000
Underground				14,200	1.1	500,00	14,200	1.1	500,000
TOTAL	5,701	1.1	208,30	16,220	1.2	569,60	22,141	1.1	784,300

The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimates, which may result in some computational discrepancies.

*The Two Mile Hill Tonalite Deeps and BIF Deeps have been reported within optimised wireframes. All wireframes include waste and have an aggregate grade at or above the cut-off of 0.64°g/t Au.

This Statement includes information extracted from the Company's previous ASX announcements, which are available to view on the Company's website, as follows:

¹ ASX Release dated 14 December 2016.

² ASX Release dated 14 April 2020.

³ ASX Release dated 24 July 2020.

⁴ ASX Release dated 2 October 2020.

⁵ ASX Release dated 21 October 2020.

⁶ ASX Release dated 17 November 2020

Feasibility Study

The Sandstone Feasibility Study results were report on 19 April 2021. Since then, MDI has focused on increasing resource estimation, sourcing new feed to the Sandstone plant, and identifying potential business partners with supplemental plant feed. At the end of the year discussions were well advanced with multiple groups, during this time MDI executed a Special Purpose Agreement with Aurumin Limited announced 16 December 2021. This sale of the Sandstone Gold Project is expected to be completed during the first quarter 2022.

Apples Permit

On the 16th August 2021, MDI signed an Option Agreement for the Apples permit located 6km from the Sandstone plant. Historical reports indicate the Apples Permit delivered the highest-grade feed to the plant. The option price was \$700,000 to acquire 100% of the Apples permit rights with a 12-month period to complete the assessment. Surface sampling and near surface sampling has indicated gold present but is strata bound with limited strike extent and width.

Planned 2022 First Half Activities

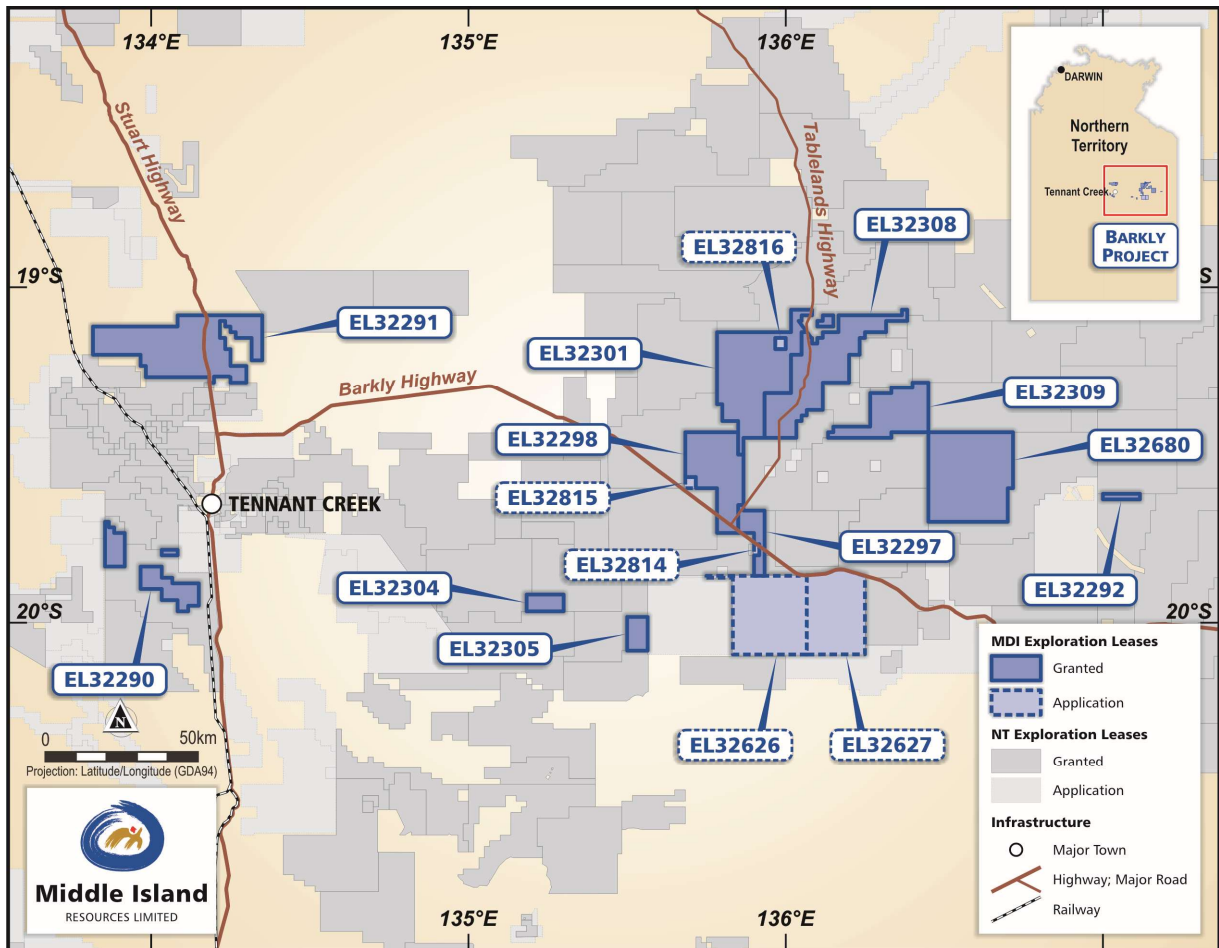
The planned activities for the Sandstone Gold Project during the first half of 2022 will include:

- Completion of the sale of the Sandstone Gold Project
- Progress Apples permit, secured 16 August 2021, ground assessment leading to an evaluation of value prior to the option expiry date of 15 August 2022.
- Finalise the mine closure plan and submit to the Department of Mines, Industry Regulation and Safety. (DMIRS)
- Finalise all outstanding works activities and prepare handover notes to Aurumin Limited.

Barkly Copper-Gold Super Project (Northern Territory)

Middle Island 100% owned Barkly Copper-Gold Super Project in the Northern territory (NT) comprises five granted exploration Licences (Els), a further five Els pending grant and three new Exploration Licence applications, collectively covering 5,510 square kilometres as shown in the figure below. This is an increase of 1,150 square kilometres from this time last year. (Announced 15 December 2021)

Figure 3
Middle Island's tenements and applications comprising the Barkly Copper-Gold Super Project, Northern Territory.



MDI has had initial communications with Central Land Council (CLC) with respect to the EL applications south of the Barkly Highway. The CLC have provided a working window to discuss and resolve the conditions under which MDI will operate on the ground under CLC management before 31 October 2023.

All other ELs are located on pastoral lands and thus require support from the landowners to conduct exploration including any flying over the ELs.

2021 Exploration Activities

During the second half of 2021 MDI negotiated and secured a contract to fly the Barkly holding. This airborne magnetics and radiometrics will require 40,000km of flying to assess the entire holdings of 5,510km². At the end of December 2021 only 5,000km had been flown. The greatest challenge with airborne magnetics and radiometrics is that surface water provides false results. Limited flying can be done during the cyclone season and over 40 days have been lost in 2022 to the end of February 2022. The airborne survey is expected to be completed early in the second quarter.



Late in December ground Induced Polarity survey was completed with one line 2.65km long running adjacent to the Barkly Highway traversing the Crosswinds prospect. The results were outstanding adding significantly to the weight of evidence for a potential discovery at Crosswinds. Early in 2022 five more lines of IP will be completed prior to commencement of planned drilling in April 2022.

A ground gravity survey will be completed over the Crosswinds prospect to assess the effectiveness ground gravity surveys in defining the mineralisation present.

Planned Activities

MDI is expecting that more than 10 and less than 60 new targets will be generated from the airborne magnetics and radiometrics. This will be assessed during Q2,2022.

The five lines of IP at Crosswinds will be completed during Q1,2022. This survey should provide information that allows MDI to develop a three-dimensional view of the Crosswinds prospect further assisting with optimising drill hole locations.

The ground gravity survey at Crosswinds will add to the knowledge base prior to drilling and may prove to be a useful predictive tool when moving targets to projects at the Barkly Copper-Gold Super Project.

During April 2022 drilling has been planned to commence and although MDI booked two rigs in September 2021 the drilling company has just advised that the current work will have a 3-month extension and thus they will mobilise in July. MDI sourced an alternate rig and is awaiting paperwork to finalise the mobilisation, and camp establishment leading to commencement of drilling in April 2022. It was budgeted and planned to drill with three rigs during the dry season from April to November. MDI will utilise all its contacts to secure three rigs for 8 months, there is currently significant demand on rigs and so availability is not as good as it was in 2020.

This report contains information in relation to exploration results extracted from the Company's previous ASX announcements as noted in the text of the report, which are available to view on the Company's website.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, that all material and assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which any Competent Person's findings are presented have not been materially modified from the original market announcements.

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 11.

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

Brad Marwood

Executive Director

Perth, 16 March 2022

AUDITOR'S INDEPENDENCE DECLARATION

ELDERTON

AUDIT PTY LTD

To those charged with governance of Middle Island Resources Limited

As auditor for the review of Middle Island Resources Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.

Signature of Elderton Audit Pty Ltd affixed to original document and held on file

Elderton Audit Pty Ltd

Signature of Rafay Nabeel affixed to original document and held on file

Rafay Nabeel

Audit Director

16 March 2022

Perth

Limited liability by a scheme approved under Professional Standards Legislation

T +61 8 6324 2900

E info@eldertongroup.com

A Level 2, 267 St Georges Terrace, Perth WA 6000

ABN 51 609 542 458

W www.eldertongroup.com

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2021

	Note	Half-year Ended	
		31 Dec 2021 \$	31 Dec 2020 \$
CONTINUED OPERATIONS			
REVENUE			
Other income		19,715	140,306
Fair value gains on financial assets		-	107,106
OPERATING EXPENDITURE			
Administration expenses		(343,119)	(453,779)
Depreciation expense		(511)	(22,650)
Exploration and evaluation expenses		(168,311)	(3,886,560)
Fair value losses on financial assets		(89,827)	-
Finance costs		-	(919)
Salaries and employee benefits expense		(305,971)	(259,292)
Loss on settlement of liability	5	-	(75,000)
LOSS BEFORE INCOME TAX		(888,024)	(4,450,788)
Income tax		-	-
LOSS FOR THE PERIOD from Continuing Operations		(888,024)	(4,450,788)
Loss from Discontinued Operations	8	(256,880)	-
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		-	(72)
Other comprehensive income for the period, net of tax		-	(72)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MIDDLE ISLAND RESOURCES LIMITED		(1,144,904)	(4,450,860)
Basic and diluted loss per share (cents) from continued operations		(0.7)	(3.9)
Basic and diluted loss per share (cents) from discontinued operations		(0.2)	-

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		31 December 2021 \$	30 June 2021 \$
CURRENT ASSETS			
Cash and cash equivalents		1,480,190	3,247,637
Trade and other receivables		44,703	36,517
Financial assets	3	225,221	315,048
Assets included in disposal group classified as held for sale	8	3,698,897	-
TOTAL CURRENT ASSETS		<u>5,449,011</u>	<u>3,599,202</u>
NON-CURRENT ASSETS			
Property, plant and equipment		1,617	2,053,539
Tenement acquisition costs		16,752	1,675,989
TOTAL NON-CURRENT ASSETS		<u>18,369</u>	<u>3,729,528</u>
TOTAL ASSETS		<u>5,467,380</u>	<u>7,328,730</u>
CURRENT LIABILITIES			
Liabilities included in disposal group classified as held for sale	4	1,384,900	-
Trade and other payables		97,641	245,602
Borrowings		16,610	69,842
Employee benefit obligations		17,497	99,192
TOTAL CURRENT LIABILITIES		<u>1,516,648</u>	<u>414,636</u>
NON-CURRENT LIABILITIES			
Employee benefit obligations		343	101
Rehabilitation provisions	4	-	1,384,900
TOTAL NON-CURRENT LIABILITIES		<u>343</u>	<u>1,385,001</u>
TOTAL LIABILITIES		<u>1,516,991</u>	<u>1,799,637</u>
NET ASSETS		<u>3,950,389</u>	<u>5,529,093</u>
EQUITY			
Contributed equity	5	48,611,091	48,611,091
Reserves		90,000	523,800
Accumulated losses		(44,750,702)	(43,605,798)
TOTAL EQUITY		<u>3,950,389</u>	<u>5,529,093</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half-Year Ended 31 December 2021

	Note	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
		\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2020		42,737,460	197,500	435,786	(36,784,628)	6,586,118
Loss for the period		-	-	-	(4,450,788)	(4,450,788)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	(72)	-	(72)
TOTAL COMPREHENSIVE INCOME		-	-	(72)	-	(72)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the period		5,659,457	(212,500)	-	-	5,446,957
Convertible securities issued during the period		-	105,000	-	-	105,000
TOTAL TRANSACTIONS WITH OWNERS		5,659,457	(107,500)	-	-	5,551,957
BALANCE AT 31 DECEMBER 2020		48,396,917	90,000	435,714	(41,235,416)	7,687,215
BALANCE AT 1 JULY 2021		48,611,091	90,000	433,800	(43,605,798)	5,529,093
Loss for the period		-	-	-	(1,144,904)	(1,144,904)
Disposal of wholly owned subsidiary		-	-	(433,800)	-	(433,800)
BALANCE AT 31 DECEMBER 2021		48,611,091	90,000	-	(44,750,702)	3,950,389

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2021

	Half-year Ended	
	31 Dec 2021	31 Dec 2020
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	9,475	-
Expenditure on mining interests	(408,542)	(3,299,086)
Net cash (used in) discontinued operations	(528,109)	-
Reimbursements of expenditure on mining interests	-	33,245
Payments to suppliers and employees	(853,346)	(696,881)
Interest received	168	4,910
Interest paid	-	(919)
Government COVID-19 cashflow boost received	18,000	102,175
Net cash outflow from operating activities	(1,762,354)	(3,856,556)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for financial assets at fair value through profit or loss	-	(3,544,777)
Payments for plant and equipment	(2,025)	(1,298)
Payments for tenement acquisition costs	-	(100,000)
Proceeds from sale of motor vehicle	12,494	-
Net cash (outflow)/inflow from investing activities	10,469	(3,646,075)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	-	5,396,957
Principle elements of lease payments	-	(19,722)
Repayment of borrowings	(15,562)	(52,759)
Net cash inflow from financing activities	(15,562)	5,324,476
Net decrease in cash and cash equivalents	(1,767,447)	(2,178,155)
Cash and cash equivalents at the beginning of the period	3,247,637	4,712,409
Effects of exchange rate changes on cash and cash equivalents	-	(72)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,480,190	2,534,182
Cash and cash equivalents included in disposal group	8,782	-
Cash and cash equivalents for continuing operations	1,471,408	2,534,182

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Middle Island Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

This consolidated interim financial report was approved by the Board of Directors on 16 March 2022.

Accounting Policies

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

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2021. As a result of this review the Directors have determined that there is no impact, material or otherwise, of these new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Going concern

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at the reporting date of this interim report, the Group has approximately \$120K in cash and cash equivalents for continuing operations, and an additional \$1.225M in financial assets. It is expected that a further \$6M will be received from the sale of Sandstone Operations Pty Ltd on or about 17 March 2022. The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate. The directors believe that they will continue to be successful in securing additional funds as and when the need to raise working capital arises.

NOTE 2: SEGMENT INFORMATION

For management purposes, the Group has identified two reportable segments, being exploration activities undertaken in Australia and in West Africa. These segments include activities associated with the determination and assessment of the existence of commercial economic reserves from the Group's mineral assets in these geographic locations. All activities in West Africa ceased during the year ended 30 June 2021.

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

	Half-year Ended	
	31 Dec 2021	31 Dec 2020
<i>Exploration Segment</i>	\$	\$
Segment revenue - Australia	-	-
Segment revenue - Africa	-	33,245
Segment revenue - Total	-	33,245
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	611	4,886
Other income	19,104	102,175
Fair value gains on financial assets	-	107,106
Total revenue	19,715	247,412
Segment results - Australia	(1,367,976)	(3,851,761)
Segment results - Africa	(8,372)	(1,554)
Segment results - Total	(1,376,348)	(3,853,315)
Reconciliation of segment result to net loss before tax:		
Other income	19,715	107,061
Fair value gains on financial assets	(89,827)	107,106
Other corporate and administration	(817,912)	(811,640)
Loss from discontinued operations	(488,324)	-
Net loss before tax	(1,376,348)	(4,450,788)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SEGMENT INFORMATION (cont'd)

	31 Dec 2021	30 Jun 2021
	\$	\$
Segment operating assets - Australia	18,369	3,729,528
Segment operating assets - Africa	-	-
Segment operating assets - Total	18,369	3,729,528
Reconciliation of segment operating assets to total assets:		
Discontinued operations	3,698,897	
Other corporate and administration assets	1,819,180	3,599,202
Total assets	5,536,446	7,328,730
Segment operating liabilities - Australia	1,384,900	1,532,759
Segment operating liabilities - Africa	-	78
Segment operating liabilities - Total	1,384,900	1,532,837
Reconciliation of segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	132,091	266,800
Total liabilities	1,516,991	1,799,637

NOTE 3: FINANCIAL ASSETS

	31 Dec 2021	30 Jun 2021
	\$	\$
Canadian listed equity securities	225,221	315,048

The fair value of the equity investments has been calculated by reference to the most recent quoted market closing price on the TSX at the respective reporting dates with the gain or loss in the fair value being recorded through profit or loss. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: CURRENT and NON-LIABILITIES - PROVISIONS

	31 Dec 2021 \$	30 Jun 2021 \$
Current Liabilities:		
Liabilities included in disposal group classified as held for sale - Rehabilitation	<u>1,384,900</u>	<u>-</u>
Non-Current Liabilities:		
Rehabilitation	<u>-</u>	<u>1,384,900</u>
Opening Balance	1,384,900	1,203,417
Increase during the period	-	181,483
Closing Balance	<u>1,384,900</u>	<u>1,384,900</u>

The Group records the undiscounted estimated cost to rehabilitate operating locations in the period in which the obligation arises. The nature of rehabilitation activities includes the dismantling and removing of structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and revegetation of affected areas. The provision includes rehabilitation costs associated with the Sandstone Gold Project based on the latest estimated future costs contained in the Mine Closure Plan lodged with the Government of Western Australia Department of Mines, Industry Regulation and Safety (DMIRS). An updated Mine Closure Plan was lodged with DMIRS during November 2019 containing an updated estimate of the closure costs, resulting in an increase to the provision during the year ended 30 June 2020.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: EQUITY SECURITIES ISSUED

Issues of ordinary shares during the period

	Half-year Ended			
	31 Dec 2021		31 Dec 2020	
	Shares	\$	Shares	\$
Opening balance	122,418,222	48,611,091	2,139,809,372	42,737,460
Issued for cash at 2.1 cents per share	-	-	38,095,000	800,000
Issued as consideration for tenement acquisition at 1.5 cents per share	-	-	3,270,533	50,000
Issued for cash at 0.79 cents per share upon exercise of options ⁽¹⁾	-	-	225,682,326	1,751,132
Issued for cash at 0.77 cents per share upon exercise of options ⁽¹⁾	-	-	367,740,413	2,820,825
Transfer from Share-based Payments Reserve upon exercise of consultant options	-	-	-	107,500
Issued as consideration for director fees ⁽²⁾	-	-	7,500,000	105,000
Issued for cash at 0.4 cents per share	-	-	6,250,000	25,000
Adjustment for 1:23 share consolidation ⁽³⁾	-	(2,667,113,935)	-	-
Share issue transaction costs	-	-	-	-
Closing balance	122,418,222	48,611,091	121,233,709	48,396,917

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

(2) A resolution was approved by shareholders at the Annual General Meeting of the Company held on 26 November 2020 to issue 7,500,000 Redeemable Converting Shares ("RC Shares") to Mr Brad Marwood, a Director of the Company, in lieu of directors' fees for the period 2 December 2019 to 1 December 2020 to the value of \$30,000. The issue price of the RC Shares was set at \$0.004 being the price at which the Company's shares were trading when Mr Marwood joined the Board. The RC Shares were issued to Mr Marwood on 27 November 2020. On 2 December 2020, the RC Shares converted into fully paid ordinary shares. The closing price of \$0.014 on the date of the Annual General Meeting was the grant date fair value of the RC Shares issued, for a total fair value of \$105,000. The fair value on grant of the RC Shares was initially recorded in the Share-based Payments Reserve and then transferred to Contributed Equity upon conversion into fully paid ordinary shares. The settlement of this liability by the issue of the RC Shares has resulted in a net loss for accounting purposes, resulting from the increase in the value of the Company's shares between the time of Mr Marwood's appointment and the grant date of the RC Shares. This net loss is recognised in the profit or loss for the half-year of \$75,000.

(3) A resolution was approved by shareholders at the Annual General Meeting of the Company held on 26 November 2020 to convert every 23 shares into 1 share. The effective date for the consolidation was 7 December 2020.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: EQUITY SECURITIES ISSUED (cont'd)

Movements of options during the period

	Number of Options	
	31 Dec 2021	31 Dec 2020
Opening Balance	21,611,663	1,111,482,023
Exercised at \$0.79, expiring 31 January 2022	-	(225,682,326)
Exercised at \$0.77, expiring 31 January 2022	-	(367,740,413)
Issue of \$0.0079 options expiring 31 January 2022	-	-
Issue of \$0.0077 options expiring 31 January 2022	-	6,250,000
Adjustment for 1:23 share consolidation	-	(501,513,108)
Lapse of unexercised option, expired 8 November 2021	(1,304,349)	
Closing Balance	20,307,314	22,796,176

NOTE 6: CONTINGENCIES

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

NOTE 7: TENEMENT EXPENDITURE COMMITMENTS

The minimum statutory expenditure requirements on granted tenements (excluding granted tenements held in Sandstone Operations Pty Ltd and detailed in Note 8) for the next 12 months amounts to \$182,100.

NOTE 8: DISCONTINUED OPERATIONS

BURKINA FASO SARL

During the year, the Company completed a divestment of its 100% interest in Burkina Faso SARL.

SALE OF SANDSTONE ASSET

Binding Share Purchase Agreement for Sale of Sandstone Gold Project

During the December quarter, MDI executed a Share Purchase Agreement (“SPA”) with Aurumin Limited (ASX: AUN, “Aurumin”) to divest its 100% interest in the Sandstone Gold Project near Sandstone, Western Australia.

Notes to the CONSOLIDATED financial statements

Transaction Terms

The transaction is structured as the sale and purchase of MDI's wholly owned subsidiary Sandstone Operations Pty Ltd ("SOPL"). SOPL holds the Sandstone Gold Project mining tenements, processing plant, freehold tenure and all information related to the Sandstone Gold Project. The tenements are mining leases M57/128 and M57/129, exploration licence 57/1102 and prospecting licences P57/1384, P57/1395 and P57/1442.

On satisfaction or waiver of the conditions precedent in the SPA, all of which have been either satisfied or waived, Aurumin will pay MDI \$6 million in cash and issue \$6 million in Aurumin shares to MDI. The consideration shares are expected to represent ~18.5% of Aurumin's issued capital as expanded by the issue of those shares and a further issue of shares to raise \$4 million, with Aurumin then having no warrants or options on issue and no obligation to issue the same except under a convertible note as detailed in Aurumin's ASX announcement dated 16 December 2021. The consideration shares issued to MDI will be subject to an escrow period of 12 months, subject to early release in certain circumstances including Aurumin being the subject of a takeover or entering a scheme of arrangement. The SPA contained typical warranties, indemnities and other rights and obligations.

Minor royalties payable to former holders of the Sandstone Gold Project tenements will remain with SOPL. Aurumin will cause MDI to be released and discharged from the obligation to pay a deferred production payment of \$500,000 under the agreement pursuant to which SOPL acquired the Sandstone Gold Project in 2016.

A General Meeting of Shareholders was held on 11 February 2022 and a resolution was passed at that meeting whereby approval was given for the sale of the Sandstone Gold Project, being the main undertaking of the Company, by way of the sale of the Company's interests in issued shares of its subsidiary Sandstone Operations Pty Ltd on the terms and conditions set out in the Explanatory Statement attached to the Notice of Meeting.

Middle Island does not expect to pay tax consequent upon the transaction.

A disposal by a listed entity of its main undertaking can raise issues under ASX Listing Rule 12.1 and 12.2, which oblige a listed entity to satisfy ASX on an ongoing basis that the level of its operations is sufficient, and its financial condition adequate, to warrant its continued quotation of its securities. The Company considers the risk posed to it by that Rule as a consequence of the sale to be very low given the Company's 100% ownership of the very significant and exciting Barkly Copper-Gold Super Project in the Northern Territory, which will be the Company's sole focus upon the proposed Sandstone asset sale transaction completing.

ASX advised that MDI would be afforded a period of 6 months from the date of the announcement of the disposal of the Sandstone Gold Project to demonstrate to the ASX that it is compliant with Listing Rule 12.1. The ASX also advised that if MDI does not demonstrate compliance with this Rule to ASX's satisfaction that any transaction MDI proposes to enter into may, if required by ASX, attract the application of Listing Rule 11.1.3 and as a result the Company may be required to re-comply with Chapters 1 and 2 of the Listing Rules. Please refer to ASX Guidance Note 12: Significant Change to Activities which provides further information on significant changes to activities and how the Listing Rules apply to those changes.



Notes to the CONSOLIDATED financial statements

As at the date of this report, ASX have requested that submissions be made prior to pre-open on Friday 18 March 2022 when it is expected that the Company will come out of an ASX trading halt upon an announcement being made in relation to the sale of “a significant company asset”, this being the Sandstone Gold Project.

NOTE 9: SUBSEQUENT EVENTS

Other than the prospective sale of Sandstone Operations Pty Ltd detailed in Note 8, no other matter or circumstance has arisen since 31 December 2021 which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

For personal use only



DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 12 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the company's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Middle Island Resources Limited will be able to pay its debts as and when they become due and payable.

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

Brad Marwood
Executive Director
Perth, 16 March 2022

For personal use only

INDEPENDENT AUDITOR'S REVIEW REPORT

ELDERTON

AUDIT PTY LTD

To the members of Middle Island Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Middle Island Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated condensed statement of financial position as at 31 December 2021, the consolidated condensed statement of financial performance, consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of Middle Island Resources Limited does not comply with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Middle Island Resources Limited 's financial position as at 31 December 2021 and of its financial performance for the half-year then ended; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the *Corporations Act 2001* and the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Limited liability by a scheme approved under Professional Standards Legislation
T +61 8 6324 2900 E info@eldertongroup.com A Level 2, 267 St Georges Terrace, Perth WA 6000
ABN 51 609 542 458 W www.eldertongroup.com



Middle Island Resources Limited
ACN 142 361 608

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021, and of its financial performance for the half-year ended on that date, and complying with Accounting Standards 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

Signature of Elderton Audit Pty Ltd affixed to original document and held on file

Elderton Audit Pty Ltd

Signature of Rafay Nabeel affixed to original document and held on file

Rafay Nabeel
Audit Director
16 March 2022

Perth