

# **MIDDLE ISLAND RESOURCES LIMITED**

**ABN 70 142 361 608**

## **INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED**

**31 DECEMBER 2011**

**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 2011 and any public announcements made by Middle Island Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.**

**MIDDLE ISLAND RESOURCES LIMITED**

**31 DECEMBER 2011**

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## MIDDLE ISLAND RESOURCES LIMITED

31 DECEMBER 2011

### DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity consisting of Middle Island Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

#### DIRECTORS

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

Peter Thomas

Richard Yeates

Beau Nicholls

Linton Kirk *appointed 1 September 2011*

Dennis Wilkins (alternate for Beau Nicholls)

#### REVIEW AND RESULTS OF OPERATIONS

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

	2011	
	Revenues	Results
	\$	\$
Consolidated entity revenues and loss	269,233	(2,436,369)

During the period the Company undertook further exploration work for gold on properties to which it has mineral rights in West Africa. The work undertaken was consistent with the Company's exploration strategy and included:

- At the Reo gold project in Burkina Faso, 42,144m (5,400 holes) of geochemical auger drilling, defining another (third) new 3km long auger gold anomaly (Samba Prospect) at the northern end of the project.
- 140 holes (5,008m) of RAB drilling to assess defined auger anomalies at the Reo gold project.
- Mapping, airborne geophysical data interpretation and targeting studies for the Dogona gold project in Niger to identify priority corridors for geochemical auger drilling.
- An initial 10,000m RC drilling programme, of which 31 holes (2,453m) to assess the 7km long Songonduari and 1.2km long Forbemi auger anomalies were completed to 31 December 2011, at the Nassile gold project in Niger.
- Soil sampling to define a 3km long, east-west trending, high tenor gold anomaly (to 2.34g/t), coincident with major artisanal saprolite gold workings, at the Big Hill Prospect at Barteheh Jam, on the Nuon River gold project in Liberia.

**MIDDLE ISLAND RESOURCES LIMITED**

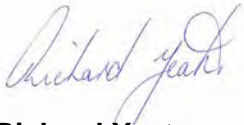
**31 DECEMBER 2011**

**DIRECTORS' REPORT**

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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

A handwritten signature in blue ink that reads "Richard Yeates". The signature is written in a cursive style.

**Richard Yeates**

Managing Director

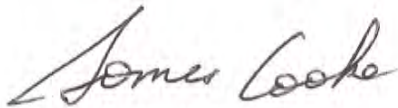
Perth, 14 March 2012

## AUDITOR'S INDEPENDENCE DECLARATION

To those charged with governance of Middle Island Resources Limited

As auditor for the review of Middle Island Resources Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.



James Cooke



Kevin Somes  
Perth  
14 March 2012

**MIDDLE ISLAND RESOURCES LIMITED****31 DECEMBER 2011****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

		Half-year Ended 31 Dec 2011	Date of incorporation to 31 Dec 2010
	Note	\$	\$
<b>REVENUE</b>		<b>269,233</b>	108,971
<b>EXPENDITURE</b>			
Administration expenses		(453,437)	(296,086)
Depreciation expense		(67,167)	(2,801)
Exploration expenses		(1,853,034)	(370,279)
Salaries and employee benefits expense		(271,268)	(169,149)
Share-based payments expense	3	(60,696)	(84,460)
<b>LOSS BEFORE INCOME TAX</b>		<b>(2,436,369)</b>	(813,804)
Income tax		-	-
<b>LOSS FOR THE PERIOD</b>		<b>(2,436,369)</b>	(813,804)
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translation of foreign operations		(138,845)	9,243
Other comprehensive income for the period, net of tax		(138,845)	9,243
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MIDDLE ISLAND RESOURCES LIMITED</b>		<b>(2,575,214)</b>	(804,561)
Basic and diluted loss per share (cents)		(2.4)	(2.4)

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

**MIDDLE ISLAND RESOURCES LIMITED****31 DECEMBER 2011****CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

		<b>31 December 2011 \$</b>	<b>30 June 2011 \$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		<b>7,574,557</b>	9,982,666
Trade and other receivables		<b>97,450</b>	320,260
<b>TOTAL CURRENT ASSETS</b>		<b>7,672,007</b>	10,302,926
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		<b>417,208</b>	438,009
Mining properties		<b>2,768,474</b>	2,842,208
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,185,682</b>	3,280,217
<b>TOTAL ASSETS</b>		<b>10,857,689</b>	13,583,143
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<b>172,027</b>	382,963
<b>TOTAL CURRENT LIABILITIES</b>		<b>172,027</b>	382,963
<b>TOTAL LIABILITIES</b>		<b>172,027</b>	382,963
<b>NET ASSETS</b>		<b>10,685,662</b>	13,200,180
<b>EQUITY</b>			
Contributed equity	3	<b>16,204,331</b>	16,204,331
Reserves		<b>166,344</b>	244,493
Accumulated losses		<b>(5,685,013)</b>	(3,248,644)
<b>TOTAL EQUITY</b>		<b>10,685,662</b>	13,200,180

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

**MIDDLE ISLAND RESOURCES LIMITED**

**31 DECEMBER 2011**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>BALANCE AT INCORPORATION</b>	-	-	-	-	-
Loss for the period	-	-	-	(813,804)	(813,804)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	9,243	-	9,243
<b>TOTAL COMPREHENSIVE INCOME</b>	-	-	9,243	(813,804)	(804,561)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	16,867,237	-	-	-	16,867,237
Share issue transaction costs	(662,906)	-	-	-	(662,906)
Employee and contractor options	-	84,460	-	-	84,460
<b>BALANCE AT 31 DECEMBER 2010</b>	<b>16,204,331</b>	<b>84,460</b>	<b>9,243</b>	<b>(813,804)</b>	<b>15,484,230</b>
<b>BALANCE AT 1 JULY 2011</b>	<b>16,204,331</b>	<b>117,550</b>	<b>126,943</b>	<b>(3,248,644)</b>	<b>13,200,180</b>
Loss for the period	-	-	-	(2,436,369)	(2,436,369)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	(138,845)	-	(138,845)
<b>TOTAL COMPREHENSIVE INCOME</b>	-	-	(138,845)	(2,436,369)	(2,575,214)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Director and employee options	-	60,696	-	-	60,696
<b>BALANCE AT 31 DECEMBER 2011</b>	<b>16,204,331</b>	<b>178,246</b>	<b>(11,902)</b>	<b>(5,685,013)</b>	<b>10,685,662</b>

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



**MIDDLE ISLAND RESOURCES LIMITED****31 DECEMBER 2011****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Half-year Ended 31 Dec 2011 \$	Date of incorporation to 31 Dec 2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Expenditure on mining interests	(1,938,032)	(343,423)
Payments to suppliers and employees	(842,001)	(441,145)
Interest received	482,726	70,753
Other income received	289	-
Payment of security deposit	-	(12,320)
<b>Net cash outflow from operating activities</b>	<b>(2,297,018)</b>	<b>(726,135)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for mining properties	(38,278)	-
Payments for plant and equipment	(58,061)	(183,660)
<b>Net cash outflow from investing activities</b>	<b>(96,339)</b>	<b>(183,660)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share issue transaction costs	-	(195,857)
Proceeds from issue of shares	-	14,330,402
<b>Net cash inflow from financing activities</b>	<b>-</b>	<b>14,134,545</b>
Net (decrease)/increase in cash and cash equivalents	(2,393,357)	13,224,750
Cash and cash equivalents at the beginning of the period	9,982,666	-
Effects of exchange rate changes on cash and cash equivalents	(14,752)	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>7,574,557</b>	<b>13,224,750</b>

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

## MIDDLE ISLAND RESOURCES LIMITED

31 DECEMBER 2011

### 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 2011 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 2011 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 14 March 2012.

##### **Accounting Policies**

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

In the half-year ended 31 December 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011. It has been determined by the Group that there is no impact, material or otherwise, of these new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. 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.

##### **Comparative information**

The Company was incorporated as Middle Island Resources Pty Ltd on 2 March 2010 and subsequently converted to a public company and changed its name to Middle Island Resources Limited on 5 November 2010. The comparative information in these financial statements is for the period from incorporation to 31 December 2010.

**MIDDLE ISLAND RESOURCES LIMITED**

**31 DECEMBER 2011**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 2: SEGMENT INFORMATION**

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

	<b>Half-year Ended 31 Dec 2011 \$</b>	<b>Date of incorporation to 31 Dec 2010 \$</b>
<b>Exploration Segment</b>		
<b>Segment revenue</b>	<b>20</b>	-
<b>Reconciliation of segment revenue to total revenue before tax:</b>		
Interest revenue	268,924	108,971
Other income	289	-
<b>Total revenue</b>	<b>269,233</b>	108,971
<b>Segment results</b>	<b>(2,101,054)</b>	<b>(370,279)</b>
<b>Reconciliation of segment result to net loss before tax:</b>		
Other corporate and administration	(335,315)	(443,525)
<b>Net loss before tax</b>	<b>(2,436,369)</b>	<b>(813,804)</b>
	<b>31 December 2011 \$</b>	<b>30 June 2011 \$</b>
<b>Segment operating assets</b>	<b>3,414,998</b>	3,342,441
<b>Reconciliation of segment operating assets to total assets:</b>		
Other corporate and administration assets	7,442,691	10,240,702
<b>Total assets</b>	<b>10,857,689</b>	13,583,143
<b>Segment operating liabilities</b>	<b>82,009</b>	187,048
<b>Reconciliation of segment operating liabilities to total liabilities:</b>		
Other corporate and administration liabilities	90,018	195,915
<b>Total liabilities</b>	<b>172,027</b>	382,963

**MIDDLE ISLAND RESOURCES LIMITED**

**31 DECEMBER 2011**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 3: EQUITY SECURITIES ISSUED**

Issues of ordinary shares during the period	Half-year ended 31 Dec 2011		Date of incorporation to 31 Dec 2010	
	Shares	\$	Shares	\$
Opening balance	99,987,349	16,204,331	-	-
Issued for cash at incorporation	-	-	10	2
Issued for cash to promoters	-	-	25,400,000	25,400
Issued for cash to seed investors	-	-	14,440,000	1,805,000
Issued as consideration for tenement acquisition	-	-	10,147,339	2,536,835
Issued for cash at IPO	-	-	50,000,000	12,500,000
Share issue costs	-	-	-	(662,906)
Closing balance	<b>99,987,349</b>	<b>16,204,331</b>	99,987,349	16,204,331

**Movements of options during the period**

	Number of options	
	Half-year Ended 31 Dec 2011	Date of incorporation to 31 Dec 2010
Opening Balance	16,200,000	-
Issued, exercisable at 51 cents, expiring 1 November 2014 (i)	275,000	-
Issued, exercisable at 53 cents, expiring 1 November 2014 (i)	200,000	-
Issued, exercisable at 56 cents, expiring 15 December 2014 (i)	300,000	-
Issued, exercisable at 25 cents, expiring 31 December 2014	-	250,000
Issued, exercisable at 25 cents, expiring 30 June 2015	-	15,000,000
Issued, exercisable at 37.5 cents, expiring 1 November 2013	-	400,000
Issued, exercisable at 37.5 cents, expiring 31 December 2014	-	250,000
Issued, exercisable at 50 cents, expiring 31 December 2014	-	250,000
Closing Balance	<b>16,975,000</b>	16,150,000

- (i) During the half-year to 31 December 2011, the share-based payments expense in relation to these options was \$60,696.

**NOTE 4: CONTINGENCIES**

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

**NOTE 5: TENEMENT EXPENDITURE COMMITMENTS**

The minimum statutory expenditure requirements on granted tenements for the next 12 months amounts to \$3,129,248.

**MIDDLE ISLAND RESOURCES LIMITED**

**31 DECEMBER 2011**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 6: SUBSEQUENT EVENTS**

On 6 March 2012 the Company announced the placement of 25 million ordinary shares at \$0.40 each to raise a total of \$10 million before costs. The placement is being completed in two tranches, with the first tranche of 14,723,102 ordinary shares being issued on 12 March 2012, raising \$5,889,241. The second tranche of 10,276,898 ordinary shares to raise \$4,110,759 is subject to shareholder approval at a general meeting of the Company to be held around mid-April 2012.

No other matter or circumstance has arisen since 31 December 2011, 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.

**MIDDLE ISLAND RESOURCES LIMITED**

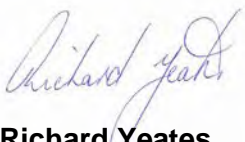
**31 DECEMBER 2011**

**DIRECTORS' DECLARATION**

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Middle Island Resources Limited will be able to pay its debts as and when they become due and payable.

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



**Richard Yeates**  
Managing Director  
Perth, 14 March 2012

## Independent Auditor's Review Report

To the members of Middle Island Resources Limited

### Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Middle Island Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Half-year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Middle Island Resources Limited's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Middle Island Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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



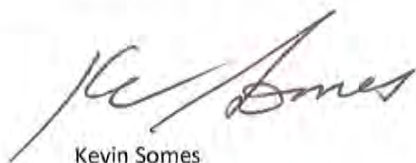
### Conclusion

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

- (a) giving a true and fair view of Middle Island Resources Limited's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Somes Cooke



Kevin Somes

14 March 2012

Perth  
Western Australia