Middle Island

RESOURCES LIMITED

INTERIM FINANCIAL REPORT

For the Half-Year ended 31 December 2018

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 2018 and any public announcements made by Middle Island Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Middle Island Resources Limited
ACN 142 361 608

DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity consisting of Middle Island Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

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

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:

	2018	
	Revenues	**Profit/(Loss)**
	$	**$**
Consolidated entity revenues and loss	338,255	(1,565,363)

Corporate

Middle Island Resources Limited (**ASX: MDI, Middle Island or the Company**), held cash and liquid investments of A$614,031 as at 31 December 2018, comprising A$197,951 in cash and A$416,080 in Tajiri Resources Corporation (TSXV: TAJ) ordinary shares.

Subsequent to 31 December, Middle Island raised a further A$1.4 million via a fully-subscribed non-renounceable Rights Issue via the issue of 348,950,719 fully-paid ordinary shares at 0.4cps and the issue of 348,950,719 free, unlisted options, with a 3 year expiry and an exercise price of 0.8cps. The proceeds from the Rights Issue, combined with the Company's existing cash balance, are being applied to exploration on the Company's wholly-owned Sandstone gold project in WA and the consolidation of proximal third-party deposits within the wider Sandstone district, with a view to progressing towards a recommissioning decision. The balance of the funds will be applied to general working capital.

DIRECTORS' REPORT

Strategy & Operations

Sandstone Gold Project (Western Australia)

The Company's activities during the first half of CY19 will continue to focus on the over-riding strategy to recommission its 100%-owned Sandstone gold processing plant at the earliest opportunity. This will involve a dual approach as follows:

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

Success with either of these approaches would serve to underpin a recommissioning decision. The former is preferred, as it circumvents the time and cost required for exploration and resource definition, which activities are ideally better funded from the proceeds of gold production.

Exploration activities planned at the Sandstone Project during the remainder of FY19 variously comprise:

- Continue to engage, review and negotiate on proximal gold consolidation opportunities;
- Auger/aircore drill testing of 11 Weights of Evidence targets within M57/129; and
- Detailed structural analysis of the Two Mile Hill tonalite deeps deposit to assist in defining resource modelling constraints and additional exploration targets.

Reo Gold Project (Burkina Faso)

The Reo gold project in Burkina Faso, West Africa, remains under an option to divest a 100% interest. Middle Island executed a Heads of Agreement with Tajiri Resources Corp. (TSX-V: TAJ, 'Tajiri') for Tajiri to be granted an option to acquire a 100% interest in the Reo gold project in Burkina Faso, West Africa, on 11 May 2018.

Summary commercial terms of the Option Agreement involve aggregate cash payments to Middle Island of US$335,000, the issue of 5 million TAJ shares, plus a 2% net smelter return (NSR) royalty, which can be purchased by Tajiri for US$5 million.

To date, US$185,0000 (Exclusivity and Option entry fee) has been paid and all 5 million TAJ shares have been issued to Middle Island on Tajiri formally entering into the Option Agreement. The TAJ shares came out of Escrow in October 2018. A further US$50,000 payment from Tajiri is due on or before 11 May 2019 to extend the Option period by a further six months, and a final payment of US$100,000 is due on or before 11 November 2019 to perfect a 100% interest (subject to the royalty) in the Reo project permits.

Between 1 July and 31 December 2018, an extension application was successfully granted for the Pouni II permit.

Tajiri continues to reimburse Middle Island for all costs and cash calls associated with the Reo Project, including statutory payments for successful permit extensions.

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 4.

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

Richard Yeates
Managing Director
Perth, 13 March 2019

Greenwich & Co

Greenwich & Co Audit Pty Ltd | ABN 51 609 542 458
Level 2, 35 Outram Street, West Perth WA 6005
PO Box 983, West Perth WA 6872
T 08 6555 9500 | F 08 6555 9555
www.greenwichco.com

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 2018, 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.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Rafay Nabeel

Audit Director

13 March 2019

Perth

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2018

	Note	Half-year Ended 31 Dec 2018 $	31 Dec 2017 $
Revenue		**4,251**	23,108
Other income		**334,004**	120,035
EXPENDITURE			
Administration expenses		**(253,787)**	(230,249)
Depreciation expense		**(3,160)**	(1,373)
Exploration and evaluation expenses		**(945,356)**	(845,602)
Fair value losses on financial assets		**(431,442)**	-
Salaries and employee benefits expense		**(179,873)**	(182,599)
Share-based payments expense	4	**(90,000)**	-
LOSS BEFORE INCOME TAX		**(1,565,363)**	(1,116,680)
Income tax		**-**	-
LOSS FOR THE PERIOD		**(1,565,363)**	(1,116,680)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**5,929**	20,796
Other comprehensive income for the period, net of tax		**5,929**	20,796
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MIDDLE ISLAND RESOURCES LIMITED		**(1,559,434)**	(1,095,884)
Basic and diluted loss per share (cents)		**(0.2)**	(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 2018

	Note	31 December 2018 $	30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents		**197,951**	1,552,529
Trade and other receivables		**74,189**	42,837
Financial assets	3	**416,080**	847,522
Non-current asset held for sale		**208,211**	202,317
TOTAL CURRENT ASSETS		**896,431**	2,645,205
NON-CURRENT ASSETS			
Property, plant and equipment		**2,071,454**	2,049,348
Tenement acquisition costs		**1,327,754**	1,327,754
TOTAL NON-CURRENT ASSETS		**3,399,208**	3,377,102
TOTAL ASSETS		**4,295,639**	6,022,307
CURRENT LIABILITIES			
Trade and other payables		**149,993**	400,286
TOTAL CURRENT LIABILITIES		**149,993**	400,286
NON-CURRENT LIABILITIES			
Rehabilitation provisions		**1,203,417**	1,203,417
TOTAL NON-CURRENT LIABILITIES		**1,203,417**	1,203,417
TOTAL LIABILITIES		**1,353,410**	1,603,703
NET ASSETS		**2,942,229**	4,418,604
EQUITY			
Contributed equity	4	**34,947,533**	34,954,474
Reserves		**515,917**	1,148,988
Accumulated losses		**(32,521,221)**	(31,684,858)
TOTAL EQUITY		**2,942,229**	4,418,604

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 2018

	Note	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
		$	$	$	$	$
BALANCE AT 1 JULY 2017		33,170,824	735,430	388,952	(30,151,485)	4,143,721
Loss for the period		-	-	-	(1,116,680)	(1,116,680)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	20,796	-	20,796
TOTAL COMPREHENSIVE INCOME		-	-	20,796	(1,116,680)	(1,095,884)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Issue of shares during the period	4	1,897,500	-	-	-	1,897,500
Share issue transaction costs		(113,850)	-	-	-	(113,850)
Employee options expired/cancelled during the period		-	(6,430)	-	6,430	-
BALANCE AT 31 DECEMBER 2017		34,954,474	729,000	409,748	(31,261,735)	4,831,487
BALANCE AT 1 JULY 2018		**34,954,474**	**729,000**	**419,988**	**(31,684,858)**	**4,418,604**
Loss for the period		**-**	**-**	**-**	**(1,565,363)**	**(1,565,363)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		**-**	**-**	**5,929**	**-**	**5,929**
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**5,929**	**(1,565,363)**	**(1,559,434)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Share issue transaction costs		**(6,941)**	**-**	**-**	**-**	**(6,941)**
Issue of options to employees		**-**	**90,000**	**-**	**-**	**90,000**
Employee options expired during the period	4	**-**	**(729,000)**	**-**	**729,000**	**-**
BALANCE AT 31 DECEMBER 2018		**34,947,533**	**90,000**	**425,917**	**(32,521,221)**	**2,942,229**

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 2018

	Half-year Ended	
	31 Dec 2018 $	31 Dec 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**4,251**	19,266
Exploration Incentive Scheme grant received	**-**	97,303
Expenditure on mining interests	**(1,255,865)**	(824,309)
Reimbursements of expenditure on mining interests	**331,272**	-
Payments to suppliers and employees	**(417,678)**	(436,938)
Interest received	**1,814**	3,829
Other income received	**6,859**	7,540
Net cash used in operating activities	**(1,329,347)**	(1,133,309)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	**(25,266)**	(500,000)
Proceeds from sale of plant and equipment	**-**	15,192
Net cash used in investing activities	**(25,266)**	(484,808)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	**-**	1,897,500
Payment of share issue transaction costs	**-**	(113,850)
Net cash provided by financing activities	**-**	1,783,650
Net (decrease)/increase in cash and cash equivalents	**(1,354,613)**	165,533
Cash and cash equivalents at the beginning of the period	**1,552,529**	1,841,875
Effects of exchange rate changes on cash and cash equivalents	**35**	(1,726)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**197,951**	2,005,682

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 2018 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 2018 and any public announcements made by Middle Island Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

This consolidated interim financial report was approved by the Board of Directors on 13 March 2019.

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 2018, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments and related amending Standards*;
- AASB 15 *Revenue from Contracts with Customers and related amending Standards*; and
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

AASB 9 Financial Instruments and related amending Standards

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers and related amending Standards

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

There was no material impact on adoption of these standards and no adjustment made to current or prior period amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 2018. 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.

Revenue recognition

The consolidated entity recognises revenue as follows:

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Going concern

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

The consolidated entity had net assets of $2,942,229 at 31 December 2018 (30 June 2018: $4,418,604), incurred a net loss after tax for the six months ended 31 December 2018 of $1,565,363 (six months to 31 December 2017: loss $1,116,680) and experienced net cash outflows of $1,354,613 (six months to 31 December 2017: $165,533 inflow).

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

The Company expects to be able to raise additional capital from the capital market, and on that basis, the directors believe that the going concern basis of the presentation is appropriate. Refer to note 7, subsequent to the end of the reporting period Middle Island completed an entitlement offer that, including shortfall applications, was significantly over-subscribed. A total of 348,950,719 fully paid ordinary shares and 348,950,719 unlisted options ($0.008 exercise price, expiring 31 January 2022) were issued to raise $1,395,803 before costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

NOTE 2: SEGMENT INFORMATION

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

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

	Half-year Ended	
	31 Dec 2018	**31 Dec 2017**
Exploration Segment	**$**	**$**
Segment revenue - Australia	**4,251**	19,266
Segment revenue - Africa	**-**	-
Segment revenue - Total	**4,251**	19,266
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	**1,827**	3,842
Other income	**905**	120,035
Total revenue	**6,983**	143,143
Segment results - Australia	**(609,643)**	(788,890)
Segment results - Africa	**(190)**	(37,539)
Segment results - Total	**(609,833)**	(826,429)
Reconciliation of segment result to net loss before tax:		
Other corporate and administration	**(955,530)**	(290,251)
Net loss before tax	**(1,565,363)**	(1,116,680)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SEGMENT INFORMATION (cont'd)

	31 Dec 2018 $	30 Jun 2018 $
Segment operating assets - Australia	**3,389,525**	3,366,853
Segment operating assets - Africa	**208,211**	202,317
Segment operating assets - Total	**3,597,736**	3,569,170
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	**697,903**	2,453,137
Total assets	**4,295,639**	6,022,307
Segment operating liabilities - Australia	**1,232,907**	1,501,669
Segment operating liabilities - Africa	**10,623**	78
Segment operating liabilities - Total	**1,243,530**	1,501,747
Reconciliation of segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	**109,880**	101,956
Total liabilities	**1,353,410**	1,603,703

NOTE 3: FINANCIAL ASSETS

	31 Dec 2018 $	30 Jun 2018 $
Canadian listed equity securities	**416,080**	847,522

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. As at 30 June 2018 this represented a Level 1 on the fair value hierarchy as prescribed by the accounting standards as the equity investments were part of an active market. Trading in the equity investments was suspended on the TSX effective 3 October 2018 and was not reinstated for trading until 30 January 2019. Therefore, as at 31 December 2018 the equity investments are classified as a Level 2 on the fair value hierarchy whilst the market was inactive. This transfer from Level 1 to Level 2 on the fair value hierarchy has not resulted in any change to the reported fair value of the equity instruments and is only due to the market being inactive at the reporting date. From the resumption of trading on TSX the equity instruments will be transferred back to Level 1 on the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: EQUITY SECURITIES ISSUED

Issues of ordinary shares during the period

	Half-year Ended			
	31 Dec 2018		31 Dec 2017	
	Shares	$	Shares	$
Opening balance	**697,901,437**	**34,954,474**	586,283,790	33,170,824
Issued for cash at 1.7 cents per share	**-**	**-**	111,617,647	1,897,500
Cost of capital raise	**-**	**(6,941)**		(113,850)
Closing balance	**697,901,437**	**34,947,533**	697,901,437	34,954,474

Movements of options during the period

	Half-year Ended 31 December 2018	
	Number of Options	Value of Options ($)
Opening Balance	30,000,000	729,000
$0.10c options expired 18 November 2018	(30,000,000)	(729,000)
Issue of $0.03 options expiring 8 November 2021[1]	30,000,000	90,000
Closing Balance	**30,000,000**	**90,000**

(1) During the 2018 half-year, 30,000,000 options with an exercise price of 3 cents and expiring on 8 November 2021 were issued to Directors after approval at the 2018 annual general meeting. These options vested on the date of issue and the full expense of $90,000 has been recognised in the profit or loss for the period ended 31 December 2018. The fair value of the options granted during the half-year was 0.9 cents. The fair value was calculated by using the Black-Scholes European Option Pricing Model applying the following weighted average inputs:

	Half-year Ended 31 December 2018
Exercise price (cents)	**3.0**
Life of the option (years)	**3.0**
Underlying share price (cents)	**0.7**
Expected share price volatility	**114.17%**
Risk free interest rate	**2.12%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: CONTINGENCIES

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

NOTE 6: TENEMENT EXPENDITURE COMMITMENTS

The minimum statutory expenditure requirements on granted tenements for the next 12 months amounts to $343,828.

NOTE 7: SUBSEQUENT EVENTS

Middle Island completed an entitlement offer on 15 January 2019 that, including shortfall applications, was significantly over-subscribed. A total of 348,950,719 fully paid ordinary shares and 348,950,719 unlisted options ($0.008 exercise price, expiring 31 January 2022) were issued to raise $1,395,803 before costs.

On 1 March 2019 Middle Island announced an all scrip off-market takeover offer for Alto Metals Limited (ASX: AME). The offer is 5 Middle Island ordinary shares for every 1 Alto ordinary share and is subject to a 90% minimum acceptance condition along with other standard conditions. Further details regarding the offer will be contained in the Bidder’s Statement which is anticipated to be lodged with Australian Securities & Investments Commission by 15 April 2019.

No other matter or circumstance has arisen since 31 December 2018 which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 16 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 2018 and of its performance for the half-year ended on that date; and

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

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

Richard Yeates
Managing Director
Perth, 13 March 2019

Greenwich & Co

Greenwich & Co Audit Pty Ltd | ABN 51 609 542 458
Level 2, 35 Outram Street, West Perth WA 6005
PO Box 983, West Perth WA 6872
T 08 6555 9500 | F 08 6555 9555
www.greenwichco.com

Independent Auditor's Review Report

To the members of Middle Island Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Middle Island Resources Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated condensed statement of financial position as at 31 December 2018, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Middle Island Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

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

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

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

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Rafay Nabeel
Audit Director
13 March 2019
Perth