Middle Island

RESOURCES LIMITED

ANNUAL FINANCIAL REPORT 2019

For the year ended 30 June 2019

ABN 70 142 361 608

Corporate Information

ABN 70 142 361 608

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

Company Secretary
Dennis Wilkins

Registered Office
Suite 2, 11 Ventnor Avenue
WEST PERTH WA 6005

Principal Place of Business
Suite 1, 2 Richardson Street
WEST PERTH WA 6005

Postal Address
PO Box 1017
WEST PERTH WA 6872

Solicitors
William and Hughes
28 Richardson Street
WEST PERTH WA 6005

Share Registry
Security Transfer Australia Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Auditors
Greenwich & Co
Level 2, 267 St Georges Terrace
PERTH WA 6000

Email
info@middleisland.com.au

Internet Address
www.middleisland.com.au

Stock Exchange Listing
Middle Island Resources Limited shares are listed on the Australian Securities Exchange (ASX code: MDI)

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) which consists of Middle Island Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019.

DIRECTORS

The names and details of the Company's directors in office during the year and until the date of this report follow. Each Director was in the office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Peter Thomas, (Non-Executive Chairman)

Mr Thomas was a practising solicitor from 1980 until June 2012 specialising in the provision of a wide range of corporate and commercial advice to explorers and miners. His exposure (variously as legal practitioner, corporate advisor and director – both oil & gas and hard rock) has extended to operations in the USA, UAE, NZ, Africa and South America. Since the mid-1980s, he has served on the boards of various listed companies. He was the founding chairman of both copper producer Sandfire Resources NL and mineral sands producer Image Resources NL. He is also non-executive director of ASX-listed Image Resources NL and Emu NL.

Richard Yeates, (Managing Director)

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

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

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

Beau Nicholls, (Non-Executive Director)

Mr Nicholls has 25 years in mining and exploration geology, ranging from grass roots exploration management through to mine production environments. He is a Member of the Australian Institute of Geoscientists (AIG) with a proven track record on four continents (Australia, Eastern Europe, Africa and the Americas) and in over 20 countries, Mr Nicholls has been instrumental in the discovery and/or development of a number of world class deposits. Mr Nicholls also has over 10 year's international consulting experience with RSG, RSG Global and Coffey Mining, including 3 years as the resident Regional Manager in West Africa. Mr Nicholls is currently principal Consultant with Sahara Natural Resources.

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

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd, a private corporate advisory firm servicing the natural resources industry.

Since 1994, he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations variously in Australia, PNG, Scandinavia and Africa. From 1995 to 2001, he was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also an advisor to Atlas Iron Limited at the time of Atlas' initial public offering in 2006.

Since July 2001, Mr Wilkins has been running DWCorporate Pty Ltd, where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector.

Mr Wilkins is currently a director of ASX-listed Key Petroleum Limited.

DIRECTORS' REPORT (CONTINUED)

COMPANY SECRETARY

Dennis Wilkins

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the relevant interests of the directors in the shares and options of Middle Island Resources Limited were:

	Ordinary Shares	Options over Ordinary Shares
Peter Thomas	19,785,000	16,595,000
Richard Yeates	73,446,231	34,482,069
Beau Nicholls	21,075,000	17,025,000
Dennis Wilkins	1,166,667	-

PRINCIPAL ACTIVITIES

During the year, the Group carried out exploration on its tenements and applied for or acquired additional tenements with the primary objective of identifying deposits of gold to support the recommissioning of the Company's 100% owned processing plant at Sandstone. Whilst not the objective of the Group to explore for or seek to acquire mineral deposits other than of gold, the Group reserves the right to follow up leads (thrown up by its gold exploration/investigative activities) for other commodities and globally where the Board considers that doing so may add value.

DIVIDENDS

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

FINANCIAL REVIEW

Finance Review

During the year, the Company raised $1,395,803, before costs, from the issue of 348,950,719 fully paid ordinary shares. Revenue from tribute production and gold sales of $37,488 (2018: $215,573) was received, and other income was generated from the sale of mining interests, reimbursement of expenditure on mining interests, sale of property, plant and equipment and rental of accommodation of $370,409 (2018: $771,223). The Group also received a grant of $121,629 from the Exploration Incentive Scheme during the 2018 financial year.

During the year, total exploration expenditure incurred by the Group amounted to $1,308,546 (2018: $1,637,496). In line with the Group's accounting policies, all exploration expenditure, other than acquisition costs, were written off as they were incurred. Other expenditure incurred, net of administration related revenue, amounted to $1,753,384 (2018: $837,112). This resulted in an operating loss after income tax for the year ended 30 June 2019 of $2,654,033 (2018: $1,539,803).

At 30 June 2019, cash assets available totalled $564,618.

Operating Results for the Year

Summarised operating results are as follows:

	2019	
	Revenue $	Loss $
Revenue and loss for the year from ordinary activities before income tax expense	415,543	(2,654,033)

Shareholder Returns	2019	2018
Basic loss per share (cents)	**(0.3)**	(0.2)

DIRECTORS' REPORT (CONTINUED)

Risk Management

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

The Group believes that it is crucial for all board members to be a part of this process, and as such, the board has not established a separate risk management committee. Where appropriate the board enlists the support of other suitably qualified professionals to join board committees.

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

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.
- A risk matrix designed to identify and quantify the various risk factors and implement mitigating strategies accordingly.
- Regular review of management's activities and the Company's circumstances.
- Continuing review of capital and resources market sentiment.
- Continuing review of economic trends and circumstances

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 3 September 2019 the Company announced that Tajiri Resources Corporation (TSXV: TAJ, Tajiri) had exercised its option to fully acquire the Group's Reo Gold Project in Burkina Faso, West Africa. Completion of the transaction followed Tajiri's payment to the Group of the final US$150,000 option extension and exercise fee.

No matters or circumstances, aside from those disclosed above, have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group's primary focus for the coming financial year is to extend and enhance the proposed gold production profile for the Sandstone Project in order to recommission its processing plant at the earliest opportunity. The Company will review projects globally with a view to identifying potential value add mineral asset acquisitions.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

DIRECTORS' REPORT (CONTINUED)

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Middle Island Resources Limited was designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering, variously, short-term and long-term securities incentives. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain suitable key management personnel to run and manage the Group.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), was developed by the board and evolves as circumstances require. All executives receive a base salary (based on factors such as experience), superannuation and, possibly, a package of equity incentives in the Company. The board reviews each executive package as and when it considers it appropriate to do so in accordance with its remuneration policy and by reference to the Group's performance, the executive's performance and comparable information from industry sectors and other listed companies in similar circumstances.

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

The executive directors and executives receive the superannuation guarantee contribution required by the government of Australia, which was 9.5% for the 2019 financial year but are not entitled to receive any other retirement benefits.

All remuneration paid to directors and executives is "valued" at the cost to the Group and expensed. Options are ascribed a "fair value" in accordance with Australian Accounting Standards using a methodology such as Black-Scholes. The board does not accept that the "fair value" represents market or realisable value. Rather, the board use a commonly accepted methodology purely for the purposes of complying with the Australian Accounting Standards.

The board's policy is to remunerate non-executive directors at market rates for comparable companies, for time, commitment and responsibilities, albeit non-executive directors are currently remunerated below or at the lower end of the market rate range. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought as and when required. The maximum aggregate amount of fees that can be paid to non-executive directors is, subject to change with the approval of shareholders in general meeting, currently $300,000. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and, subject to shareholder approval in general meeting may be offered participation in employee share and option arrangements.

Performance based remuneration

The Group policy allows the use of performance-based remuneration, to attract and motivate employees, in the form of options. Where utilised, options may be issued but not vest until certain hurdles have been met where the hurdles are directed at advancing the Company towards its objectives potentially within prescribed periods.

Company performance, shareholder wealth and key management personnel remuneration

No direct relationship exists between key management personnel remuneration and Group performance (including shareholder wealth).

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2019.

Voting and comments made at the Company's 2018 Annual General Meeting

The Company received approximately 99.9% of "yes" votes on its remuneration report for the 2018 financial year.

DIRECTORS' REPORT (CONTINUED)

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table.

Key management personnel of the Group

	Short-Term		Post-Employment		Share-based Payments [1]	Total
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits		
Directors	$	$	$	$	$	$
Peter Thomas						
2019	**36,530**	**-**	**3,470**	**-**	**30,000**	**70,000**
2018	36,530	-	3,470	-	-	40,000
Richard Yeates						
2019	**210,000**	**-**	**19,950**	**-**	**30,000**	**259,950**
2018	180,000	-	17,100	-	-	197,100
Beau Nicholls						
2019	**30,000**	**-**	**-**	**-**	**30,000**	**60,000**
2018	30,000	-	-	-	-	30,000
Dennis Wilkins [2]						
2019	**-**	**-**	**-**	**-**	**-**	**-**
2018	-	-	-	-	-	-
Total key management personnel compensation						
2019	**276,530**	**-**	**23,420**	**-**	**90,000**	**389,950**
2018	246,530	-	20,570	-	-	267,100

(1) Share-based payments represents share options granted during the 2019 financial year. These options were valued in accordance with Australian Accounting Standards which specifies that an option-pricing model be applied to employees' or directors' stock options to estimate their fair value (the expression "fair value" – and derivatives thereof – wherever used in this report bears the meaning ascribed to that expression by the Australian Accounting Standards Board. "Fair value" commonly does not reflect realisable value and the Board does not represent or accept that stated fair values reflect market values. This observation is over-riding and shall prevail over any inconsistent possible interpretation) as at their grant date.

(2) Mr Wilkins is not remunerated for his role as alternate director, however, a total of $215,499 (2018: $69,382) was paid to DWCorporate Pty Ltd, a business of which Mr Wilkins is principal. DWCorporate Pty Ltd provided company secretarial, corporate advisory and accounting services to the Group during the year. The amounts paid were at usual commercial rates with fees charged on an hourly basis.

Service agreements

Peter Thomas, Non-Executive Chairman

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

Richard Yeates, Managing Director:

- Term of agreement – commenced 2 March 2010 and continues until terminated.
- Annual salary was initially $300,000 excluding superannuation; reduced to $200,000 from 1 February 2014, and further reduced to $180,000 on 1 July 2014; increased to $210,000 from 1 July 2018.
- The agreement may be terminated by the Company giving 12 months' written notice or by Mr Yeates giving 3 month's written notice (shorter notice periods apply in the event breach of contract by either party). No benefits are payable on termination other than entitlements accrued to the date of termination.

DIRECTORS' REPORT (CONTINUED)

Beau Nicholls, Non-Executive Director:

- Term of agreement – Mr Nicholls was an executive director but became a non-executive director on 1 February 2014 from which date he was remunerated at the rate of $38,100 per annum until 1 July 2014 when his remuneration was reduced to $30,000 per annum.
- The agreement requires no notice period for termination, and no monies are payable consequent on termination.

Dennis Wilkins, Alternate Director and Company Secretary:

- Term of agreement – Commencing 17 March 2010 until terminated in writing by either party, no notice period of termination is required, and no monies are payable consequent on termination.
- Mr Wilkins' firm, DWCorporate Pty Ltd, is engaged to provide company secretarial, corporate advisory and accounting services. Fees are charged on an hourly basis, and all amounts are disclosed in the remuneration table above.

Share-based compensation

Options may be issued to key management personnel as part of their remuneration. The Group has a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities which actively discourages key management personnel from granting mortgages over securities held in the Group.

The following options were granted to key management personnel during the year:

	Grant Date	Granted Number	Vested Number	Date Vesting and Exercisable	Expiry Date	Exercise Price (cents)	Value Per Option at Grant Date (cents) [(1)]	Exercised Number	% of Remuner-ation
Directors of Middle Island Resources Limited									
Peter Thomas	19/11/2018	10,000,000	10,000,000	19/11/2018	8/11/2021	3.0	0.3	Nil	42.9
Richard Yeates	19/11/2018	10,000,000	10,000,000	19/11/2018	8/11/2021	3.0	0.3	Nil	11.5
Beau Nicholls	19/11/2018	10,000,000	10,000,000	19/11/2018	8/11/2021	3.0	0.3	Nil	50.0

(1) The value of the options was calculated in accordance with Australian Accounting Standards by using the Black-Scholes European Option Pricing Model. The Directors do not consider the resultant value as determined by the Black-Scholes European Option Pricing Model is necessarily representative of the market value of the share options issued.

The above options granted to the Directors are not dependant on the satisfaction of performance conditions. The options serve to provide compensation for significant previous reductions in the Directors' fees, as well as prior pro bono contributions, and form part of the Directors' incentive for continuing and future efforts.

There were no ordinary shares in the Company provided as a result of the exercise of remuneration options during the year.

Equity instruments held by key management personnel

Direct and indirect interests in options over ordinary shares

	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Middle Island Resources Limited							
Peter Thomas	**10,000,000**	**10,000,000**	**-**	**6,595,000**	**16,595,000**	**16,595,000**	**-**
Richard Yeates	**10,000,000**	**10,000,000**	**-**	**14,485,069**	**34,482,069**	**34,482,069**	**-**
Beau Nicholls	**10,000,000**	**10,000,000**	**-**	**7,025,000**	**17,025,000**	**17,025,000**	**-**
Dennis Wilkins	-	-	-	-	-	-	-

DIRECTORS' REPORT (CONTINUED)

Direct and indirect interests in ordinary shares

	Balance at start of the period	Received during the period on the exercise of options	Other changes during the period	Balance at end of the period
Directors of Middle Island Resources Limited				
Ordinary shares				
Peter Thomas	**13,190,000**	**-**	**6,595,000**	**19,785,000**
Richard Yeates	**48,964,138**	**-**	**24,482,093**	**73,446,231**
Beau Nicholls	**14,050,000**	**-**	**7,025,000**	**21,075,000**
Dennis Wilkins	**1,166,667**	**-**	**-**	**1,166,667**

Loans to key management personnel

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

Other transactions with key management personnel

DWCorporate Pty Ltd, a business of which Mr Wilkins is principal, provided company secretarial and corporate advisory services to the Middle Island Group during the year. The amounts paid were on arms' length commercial terms and are disclosed in the remuneration report in conjunction with Mr Wilkins' compensation. At 30 June 2019 there was $6,765 (2018: $1,155) owing to DWCorporate Pty Ltd.

Quenda Investments Pty Ltd ("Quenda"), a company of which Mr Yeates is a director and shareholder, lent securities held in Middle Island Resources Limited to the provider of a controlled placement facility during the current reporting period for which Quenda was paid a stock borrow fee of $6,000 for the year ended 30 June 2019 (2018: $4,500). The amounts paid were on arms' length commercial terms. At 30 June 2019 there was $500 (2018: $500) owing to Quenda Investments Pty Ltd.

Mr Nicholls is a director and 35% shareholder of PowerXplor Ltd, which owns Sahara Mining Services SARL. During the 2018 financial year the Group sold, on arms' length commercial terms, motor vehicles to Sahara Mining Services SARL for gross proceeds of US$23,300.

End of audited section

DIRECTORS' MEETINGS

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

			Committee Meetings			
	Directors Meetings		Audit		Remuneration	
	A	**B**	**A**	**B**	**A**	**B**
Peter Thomas	4	4	1	1	-	-
Richard Yeates	4	4	*	*	-	-
Beau Nicholls	4	4	1	1	-	-
Dennis Wilkins (alternate for Beau Nicholls)	4	4	1	1	*	*

A – Number of meetings attended.
B – Number of meetings held during the time the director held office during the year.
* – Not a member of the relevant committee.

DIRECTORS' REPORT (CONTINUED)

SHARES UNDER OPTION

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

Date options issued	Expiry date	Exercise price (cents)	Number of options
19 November 2018	8 November 2021	3.0	30,000,000
18 January 2019	31 January 2022	0.8	348,950,719
Total number of options outstanding at the date of this report			**378,950,719**

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

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, in accordance with each director's Deed of Indemnity, Insurance and Access with Middle Island Resources Limited, the Group has paid premiums insuring all the directors of Middle Island Resources Limited against all liabilities incurred by the director acting directly or indirectly as a director of the Company to the extent permitted by law, including legal costs incurred by the director in defending proceedings, provided that the liabilities for which the director is to be insured do not arise out of conduct involving a wilful breach of the director's duty to the Company or a contravention of sections 182 or 183 of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is $12,354.

NON-AUDIT SERVICES

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

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

Greenwich & Co received or are due to receive the following amounts for the provision of non-audit services:

	2019	2018
	$	$
Taxation compliance services	**5,200**	4,200

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

DIRECTORS' REPORT (CONTINUED)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Signed in accordance with a resolution of the directors.

Richard Yeates
Managing Director
Perth, 26 September 2019

Greenwich & Co

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Auditor's Independence Declaration

To those charged with governance of Middle Island Resources Limited

As auditor for the audit of Middle Island Resources Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Rafay Nabeel
Audit Director

Perth

26 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
		2019	2018
	Notes	$	$
REVENUE			
Sale of commodities	4(a)	**37,488**	215,573
Other income	4(b)	**378,055**	903,879
EXPENDITURE			
Administrative expenses		**(763,081)**	(465,521)
Depreciation expense		**(9,750)**	(3,867)
Exploration expenses		**(1,308,546)**	(1,811,116)
Fair value losses on financial assets		**(467,772)**	(15,738)
Finance costs		**(1,971)**	-
Salaries and employee benefits expense		**(428,456)**	(363,013)
Share-based payments expense	25(b)	**(90,000)**	-
LOSS BEFORE INCOME TAX		**(2,654,033)**	(1,539,803)
INCOME TAX BENEFIT/(EXPENSE)	6	**-**	-
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MIDDLE ISLAND RESOURCES LIMITED		**(2,654,033)**	(1,539,803)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**5,663**	31,036
Other comprehensive income for the period, net of tax		**5,663**	31,036
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MIDDLE ISLAND RESOURCES LIMITED		**(2,648,370)**	(1,508,767)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	24	**(0.3)**	(0.2)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		Consolidated	
		2019	**2018**
	Notes	**$**	**$**
CURRENT ASSETS			
Cash and cash equivalents	7	**564,618**	1,552,529
Trade and other receivables	8	**56,268**	42,837
Financial assets	9	**379,750**	847,522
Non-current asset held for sale	27	**213,386**	202,317
TOTAL CURRENT ASSETS		**1,214,022**	2,645,205
NON-CURRENT ASSETS			
Plant and equipment	10	**2,065,632**	2,049,348
Tenement acquisition costs	11	**1,327,754**	1,327,754
TOTAL NON-CURRENT ASSSETS		**3,393,386**	3,377,102
TOTAL ASSETS		**4,607,408**	6,022,307
CURRENT LIABILITIES			
Trade and other payables	12	**104,426**	387,998
Borrowings		**32,104**	-
Employee benefit obligations		**55,905**	12,288
TOTAL CURRENT LIABILITIES		**192,435**	400,286
NON-CURRENT LIABILITIES			
Provisions	13	**1,203,417**	1,203,417
TOTAL NON-CURRENT LIABILITIES		**1,203,417**	1,203,417
TOTAL LIABILITIES		**1,395,852**	1,603,703
NET ASSETS		**3,211,556**	4,418,604
EQUITY			
Contributed equity	14	**36,305,796**	34,954,474
Reserves	15	**515,651**	1,148,988
Accumulated losses		**(33,609,891)**	(31,684,858)
TOTAL EQUITY		**3,211,556**	4,418,604

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2019

	Notes	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 year		-	-	-	(1,539,803)	(1,539,803)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		-	-	31,036	-	31,036
TOTAL COMPREHENSIVE INCOME		-	-	31,036	(1,539,803)	(1,508,767)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	14	1,897,500	-	-	-	1,897,500
Share issue transaction costs	14	(113,850)	-	-	-	(113,850)
Employee options expired/cancelled during the year	25	-	(6,430)	-	6,430	-
BALANCE AT 30 JUNE 2018		34,954,474	729,000	419,988	(31,684,858)	4,418,604
Loss for the year		**-**	**-**	**-**	**(2,654,033)**	**(2,654,033)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		**-**	**-**	**5,663**	**-**	**5,663**
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**5,663**	**(2,654,033)**	**(2,648,370)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	14	**1,395,803**	**-**	**-**	**-**	**1,395,803**
Share issue transaction costs	14	**(44,481)**	**-**	**-**	**-**	**(44,481)**
Employee options expired during the year	25	**-**	**(729,000)**	**-**	**729,000**	**-**
Options issued to employees during the year	25	**-**	**90,000**	**-**	**-**	**90,000**
BALANCE AT 30 JUNE 2019		**36,305,796**	**90,000**	**425,651**	**(33,609,891)**	**3,211,556**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**37,488**	223,113
Exploration Incentive Scheme grant received		**-**	121,629
Payments to suppliers and employees		**(1,154,849)**	(827,674)
Expenditure on mining interests		**(1,600,297)**	(1,542,049)
Reimbursements of expenditure on mining interests		**353,346**	173,620
Interest received		**3,983**	8,104
Interest paid		**(1,971)**	-
Other income received		**16,722**	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	23(a)	**(2,345,578)**	(1,843,257)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of mining properties		**-**	248,481
Payments for property, plant and equipment		**(26,034)**	(509,120)
Proceeds on sale of property, plant and equipment		**-**	30,544
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(26,034)**	(230,095)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**1,395,803**	1,897,500
Payments for share issue transaction costs		**(44,481)**	(113,850)
Proceeds from borrowings		**40,190**	-
Repayments of borrowings		**(8,086)**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**1,383,426**	1,783,650
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(988,186)**	(289,702)
Cash and cash equivalents at the beginning of the financial year		**1,552,529**	1,841,875
Effects of exchange rate changes on cash and cash equivalents		**275**	356
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**564,618**	1,552,529

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements are for the consolidated entity consisting of Middle Island Resources Limited and its subsidiaries. The financial statements are presented in Australian currency. Middle Island Resources Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 26 September 2019. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Middle Island Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Middle Island Resources Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current annual reporting period.

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.

AASB 9 Financial Instruments and related amending Standards

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

Additionally, the Group adopted consequential amendments to AASB 7 Financial Instruments: Disclosures.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Early adoption of standards

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities measured at fair value.

(v) Going concern

For the year ended 30 June 2019 the Group incurred a net loss of $2,654,033 (2018: $1,539,803), incurred net cash outflows from operating activities of $2,345,578 (2018: $1,843,257) and had net working capital of $1,021,587 (2018: $2,244,919) at reporting date.

The ability of the entity to continue as a going concern is dependent on securing additional funding through capital raisings and/or sale of interests in projects to continue to fund its operational and development activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management believe there are sufficient funds to meet the entity's working capital requirements as at the date of this report. The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business as the Directors are confident that they will be able to raise additional equity as and when required.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Middle Island Resources Limited ("Company" or "parent entity") as at 30 June 2019 and the results of all subsidiaries for the year then ended. Middle Island Resources Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. A list of controlled entities is disclosed in note 21 to the financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Middle Island Resources Limited.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Australian dollars, which is Middle Island Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Revenue recognition

Sale of commodities

Revenue from gold concentrate sales is recognised when the Group satisfies its performance obligations under its contract by transferring such goods to the customer's control. Control is generally determined to be when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good.

Interest

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

Other income

All other income is recognised when the right to receive other income is established.

All revenue is stated net of the amount of goods and services tax.

(f) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. No deferred tax is recognised for the carried forward losses as the Group considers there will be no taxable profit available to offset such brought forward tax losses in the future.

(g) Leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 19(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

(i) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(j) Investments and other financial assets

(i) Classification

From 1 July 2018 the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). All of the Group's financial assets are classified at fair value through profit or loss.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income or expenses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income or expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income or expenses and impairment losses are presented as a separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income or expenses in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the fair value of financial assets at FVPL are recognised in other income or expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1July 2018, the Company assesses, on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology depends on whether there has been a significant increase in credit risk.

(v) Accounting policies applied until 30 June 2018

The Company has applied AASB 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition and derecognition

Regular way purchases and sales of financial assets (being a purchase or sale of a financial asset under a contract the terms of which require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned) are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at "fair value" (as used in this report, "fair value" bears the meaning ascribed by the AASB which can produce a result that does not reflect market or realisable value) plus transaction costs for all financial assets not carried at "fair value" through profit or loss. Financial assets carried at "fair value" through profit or loss are initially recognised at "fair value" and transaction costs are expensed to the statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

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

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within revenue from continuing operations or administrative expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

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

(k) Plant and equipment

All plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 25% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Exploration and evaluation costs

It is the Group's policy to capitalise the cost of acquiring rights to explore areas of interest. All other exploration expenditure is expensed to the statement of profit or loss and other comprehensive income.

The costs of acquisition are carried forward as an asset provided one of the following conditions is met:

- Such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively, by its sale; or
- Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income.

(m) Non-current asset held for sale

Non-current assets classified as held for sale are generally measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale. Classification as "held for sale" occurs when: management has committed to a plan; sale is expected to occur within one year from the date of classification; and active marketing has commenced. Such assets are classified as current assets.

Any impairment losses are recognised for any initial or subsequent write down of an asset classified as held for sale to fair value less cost to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

(n) Trade and other payables

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

(o) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other long-term employee benefit obligations

The group also has liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(p) Share-based payments

The Group may provide benefits to employees (including directors) of the Group, and to vendors and suppliers, in the form of share-based payment transactions, whereby employees or service providers render services, or where vendors sell assets to the Group, in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 25.

The cost of these equity-settled transactions in the case of employees is measured by reference to the "fair value" (not market value) at the date at which they are granted. The "fair value" is determined in accordance with Australian Accounting Standards by an internal valuation using a Black-Scholes (or other industry accepted) option pricing model for options and by reference to market price for ordinary shares. The Directors do not consider the resultant value as determined by the Black-Scholes European Option Pricing Model (or any other model) is necessarily representative of the market value of the share options issued, however, in the absence of a reliable measure of the goods or services received, AASB 2 *Share Based Payments* prescribes the measurement of the fair value of the equity instruments granted. The Black-Scholes European Option Pricing Model is an industry accepted method of valuing equity instruments.

The cost of remuneration equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition.

Where an option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the option is recognised immediately. However, if a new option is substituted for the cancelled option and designated as a replacement option on the date that it is granted, the cancelled and new option are treated as a modification of the original option.

(q) Provision for rehabilitation

The Company records the estimated cost to rehabilitate operating locations in the period in which the obligation arises on an undiscounted basis. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Typically, the obligation arises when the asset is installed, or the ground/environment is disturbed at the production location. When the liability is initially recorded, the value of the estimated cost of eventual rehabilitation is capitalised by increasing the carrying amount of the related mining assets. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed as incurred.

(r) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(u) Government grants

Exploration incentives (“Grant”) are recognised at fair value where there is reasonable assurance that the grant will be received, and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight line basis.

(v) Comparative figures

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

AASB 16 *Leases* (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The Group plans to adopt the new standard on the required effective date. The Group continues to assess the potential impact of AASB 16 on its consolidated financial statements.

(x) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Exploration and evaluation costs

The costs of acquiring rights to explore areas of interest are capitalised, all other exploration and evaluation costs are expensed as incurred.

These costs of acquisition are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which: (i) such costs are expected to be recouped through successful development and exploitation or from sale of area; or (ii) exploration and evaluation activities in the area have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any capitalised acquisition costs in respect of that area are written off in the financial year the decision is made.

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates consider both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Share-based payments

Share-based payment transactions, in the form of options to acquire ordinary shares, are valued using the Black-Scholes option pricing model. This model uses assumptions and estimates as inputs.

The Directors do not consider the resultant value as determined by the Black-Scholes European Option Pricing Model is necessarily representative of the market value of the share options issued, however, in the absence of a reliable measure of the goods or services received, AASB 2 *Share Based Payments* prescribes the measurement of the fair value of the equity instruments granted. The Black-Scholes European Option Pricing Model is an industry accepted method of valuing equity instruments, at the date of grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairments

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using the directors' best estimate of the asset's fair value, which can incorporate various key assumptions.

Any amounts in excess of the fair value are impaired, in line with accounting policy disclosures in notes 1(h), 1(j) and 1(l).

Provision for rehabilitation

The Group assesses its mine rehabilitation provision half-yearly in accordance with accounting policy note 1(q). Significant judgement is required in determining the provision primarily relating to the estimation of costs in the Mine Closure Plan that is lodged with the Department of Mines, Industry Regulation and Safety.

2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the A$, the US dollar and the West African CFA franc.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The functional currency of the Group's West African based subsidiary company is the West African CFA franc. Given the current scale of the operations in West Africa, the foreign exchange exposure is not considered to be material to the Group.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as financial assets at fair value through profit or loss. Given the current level of operations, the Group's financial statements for the year ended 30 June 2019 are not exposed to commodity price risk.

To minimise the risk, the Group's investments are of high quality and are publicly traded on reputable international stock exchanges. The investments are managed on a day to day basis so as to pick up any significant adjustments to market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2: FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

At 30 June 2019, if the value of the equity instruments had increased by 15% with all other variables held constant, post-tax loss for the Group would have been $56,962 lower, with no changes to other equity balances, as a result of gains on equity securities classified as financial assets at fair value through profit or loss (2018: $127,128 lower).

At 30 June 2019, if the value of the equity instruments had decreased by 15% with all other variables held constant, post-tax loss for the Group would have been $56,962 higher, with no changes to other equity balances, as a result of losses on equity securities classified as financial assets at fair value through profit or loss (2018: $127,128 higher).

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $564,618 (2018: $1,552,529) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 0.48% (2018: 0.51%).

Sensitivity analysis

At 30 June 2019, if interest rates had changed by - 50 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $4,117 lower (2018: $7,969 lower) as a result of lower or higher interest income from cash and cash equivalents.

At 30 June 2019, if interest rates had changed by + 50 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $4,117 higher (2018: $7,969 higher) as a result of lower or higher interest income from cash and cash equivalents.

(b) Credit risk

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

All surplus cash holdings within the Group are currently invested with AA- rated financial institutions.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The equity investments held by the Group are classified at fair value through profit or loss. The market value of all equity investments represents the fair value based on quoted prices on active markets (TSX) as at the reporting date without any deduction for transaction costs. These investments are classified as level 1 financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2: FINANCIAL RISK MANAGEMENT (CONTINUED)

The carrying amounts and estimated fair values of financial assets and financial liabilities are as follows:

	Consolidated 2019 $	Consolidated 2018 $
Financial Assets		
Cash and cash equivalents	**564,618**	1,552,529
Trade and other receivables	**56,268**	42,837
Financial assets	**379,750**	847,522
Total Financial Assets	**1,000,636**	2,442,888
Financial Liabilities		
Trade and other payables	**104,426**	387,998
Borrowings	**32,104**	-
Total Financial Liabilities	**136,530**	387,998

The methods and assumptions used to estimate the fair value of financial instruments are outlined below:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

Receivables/Payables/Borrowings

Due to the short-term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

Fair value measurements of financial assets

The carrying values of financial assets and liabilities of the Group approximate their fair values. Fair values of financial assets and liabilities have been determined for measurement and / or disclosure purposes.

Fair value hierarchy

The Group classifies assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The following table analyses financial instruments carried at fair value by the valuation method. The different levels in the hierarchy have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2019				
Financial assets	**379,750**	-	-	**379,750**
Total as at 30 June 2019	**379,750**	-	-	**379,750**
30 June 2018				
Financial assets	847,522	-	-	847,522
Total as at 30 June 2018	847,522	-	-	847,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3: SEGMENT INFORMATION

For management purposes, the Group has identified two reportable segments, being exploration activities undertaken in Australia and 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.

	Consolidated	
	2019	2018
	$	$
Segment revenue – Australia	**37,488**	215,573
Segment revenue – West Africa	**-**	-
Segment revenue – Total	**37,488**	215,573
TOTAL REVENUE	**37,488**	215,573
Segment result – Australia	**(917,049)**	(1,363,497)
Segment result – West Africa	**(663)**	(58,522)
Segment result – Total	**(917,712)**	(1,422,019)
Reconciliation of segment result to net loss before tax:		
- Other income	**24,709**	730,259
- Other corporate and administration	**(1,761,030)**	(848,043)
NET LOSS BEFORE TAX	**(2,654,033)**	(1,539,803)
Segment operating assets – Australia	**3,386,491**	3,366,853
Segment operating assets – West Africa	**213,386**	202,317
Segment operating assets – Total	**3,599,877**	3,569,170
Reconciliation of segment operating assets to total assets:		
- Other corporate and administration assets	**1,007,531**	2,453,137
TOTAL ASSETS	**4,607,408**	6,022,307
Segment operating liabilities – Australia	**1,229,822**	1,501,669
Segment operating liabilities – West Africa	**80**	78
Segment operating liabilities – Total	**1,229,902**	1,501,747
Reconciliation of segment operating liabilities to total liabilities:		
- Other corporate and administration liabilities	**165,950**	101,956
TOTAL LIABILITIES	**1,395,852**	1,603,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2019 $	2018 $
4: REVENUE AND OTHER INCOME		
(a) Revenue from continuing operations		
Sale of commodities		
- Tribute production	**37,488**	29,250
- Gold sales	**-**	186,323
	37,488	215,573
(b) Other income		
Interest revenue	**3,983**	8,104
Net gain on sales of mining interests	**15,883**	551,489
Reimbursements of expenditure on mining interests	**353,346**	173,620
Exploration Incentive Scheme grant	**-**	121,629
Net gain on disposal of property, plant and equipment	**-**	30,544
Accommodation rental	**1,180**	15,570
Net foreign exchange gains	**3,663**	2,923
	378,055	903,879
5: EXPENSES		
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**46,224**	30,567
Minimum lease payments relating to operating leases	**39,964**	40,420
6: INCOME TAX		
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**-**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(2,654,033)**	(1,539,803)
Prima facie tax benefit at the Australian tax rate of 27.5% (2018: 30%)	**(729,859)**	(461,941)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Foreign gains (sale of mining interests)	**-**	(163,534)
Foreign losses – West Africa excluded	**4,185**	8,393
Share-based payments	**24,750**	-
Other	**(813)**	-
	(701,737)	(617,082)
Movements in unrecognised temporary differences	**46,362**	(27,674)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**655,375**	644,756
Income tax expense	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2019 $	2018 $
6: INCOME TAX (CONTINUED)		
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 27.5% (2018: 30%))		
Capital raising costs	**55,514**	65,078
Financial assets	**132,965**	-
Other temporary differences	**24,985**	8,302
Carry forward foreign losses	**7,216,207**	7,220,392
Carry forward tax losses	**4,011,816**	3,420,842
Deferred Tax Liabilities (at 27.5% (2018: 30%))		
Tenement acquisition costs	**(365,132)**	(365,132)
Net deferred tax assets	**11,076,355**	10,349,482

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised. The Group's ability to use losses in the future is subject to the Group satisfying the relevant tax authority's criteria for using these losses.

7: CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**523,858**	1,511,769
Short-term deposits	**40,760**	40,760
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**564,618**	1,552,529

Cash and cash equivalents at 30 June 2019 comprise A$563,911 (2018: A$1,431,138), with the balance held in US dollars and West African CFA francs.

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

The Group has provided a bank guarantee of $20,760 for a property lease.

8: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Trade Debtors	**12,903**	20,369
Other	**43,365**	22,468
	56,268	42,837

9: CURRENT ASSETS – FINANCIAL ASSETS

Canadian listed equity securities	**379,750**	847,522

Changes in fair values of financial assets are included in 'other income' or 'fair value losses on financial assets' in the statement of profit or loss and other comprehensive income. Refer to note 2 for details of the fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10: NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	Freehold Land $	Plant and Equipment $	Total $
At 1 July 2017			
Cost	126,929	2,384,245	2,511,174
Accumulated depreciation	-	(467,082)	(467,082)
Net book amount	126,929	1,917,163	2,044,092
Year ended 30 June 2018			
Opening net book amount	126,929	1,917,163	2,044,092
Exchange differences	-	3	3
Additions	-	9,120	9,120
Depreciation charge	-	(3,867)	(3,867)
Closing net book amount	126,929	1,922,419	2,049,348
At 30 June 2018			
Cost	126,929	2,244,405	2,371,334
Accumulated depreciation	-	(321,986)	(321,986)
Net book amount	126,929	1,922,419	2,049,348
Year ended 30 June 2019			
Opening net book amount	**126,929**	**1,922,419**	**2,049,348**
Additions	**-**	**26,034**	**26,034**
Depreciation charge	**-**	**(9,750)**	**(9,750)**
Closing net book amount	**126,929**	**1,938,703**	**2,065,632**
At 30 June 2019			
Cost	**126,929**	**2,277,399**	**2,404,328**
Accumulated depreciation	**-**	**(338,696)**	**(338,696)**
Net book amount	**126,929**	**1,938,703**	**2,065,632**

	Consolidated 2019 $	2018 $
11: NON-CURRENT ASSETS – TENEMENT ACQUISITION COSTS		
Tenement acquisition costs carried forward in respect of mining areas of interest		
Opening net book amount	**1,327,754**	2,057,754
Exchange variances	**-**	30,403
Disposals	**-**	(558,086)
Reclassification to non-current asset held for sale	**-**	(202,317)
Closing net book amount	**1,327,754**	1,327,754

12: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade payables	**55,559**	59,506
Other payables and accruals	**48,867**	328,492
	104,426	387,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 2019 $	Consolidated 2018 $
13: NON-CURRENT LIABILITIES - PROVISIONS		
Rehabilitation		
Carrying amount at start of year	**1,203,417**	1,203,417
Carrying amount at end of year	**1,203,417**	1,203,417

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.

14: ISSUED CAPITAL

(a) Share capital

	Notes	2019 Number of shares	2019 $	2018 Number of shares	2018 $
Ordinary shares fully paid	14(b), 14(d)	**1,046,852,156**	**36,305,796**	697,901,437	34,954,474
Total issued capital		**1,046,852,156**	**36,305,796**	697,901,437	34,954,474

(b) Movements in ordinary share capital

	2019 Number of shares	2019 $	2018 Number of shares	2018 $
Beginning of the financial year	**697,901,437**	**34,954,474**	586,283,790	33,170,824
Issued for cash at 0.4 cents per share	**348,950,719**	**1,395,803**	-	-
Issued for cash at 1.7 cents per share	**-**	**-**	111,617,647	1,897,500
Share issue transaction costs	**-**	**(44,481)**	-	(113,850)
End of the financial year	**1,046,852,156**	**36,305,796**	697,901,437	34,954,474

(c) Movements in options on issue

	Number of options 2019	Number of options 2018
Beginning of the financial year	**30,000,000**	38,300,000
Issued, exercisable at 0.8 cents, on or before 31 January 2022	**348,950,719**	-
Issued, exercisable at 3 cents, on or before 8 November 2021	**30,000,000**	-
Expired on 18 November 2018, exercisable at 10 cents	**(30,000,000)**	-
Cancelled, exercisable at 7 cents, on or before 18 November 2018	**-**	(7,500,000)
Expired on 7 July 2017, exercisable at 10 cents	**-**	(600,000)
Expired on 7 July 2017, exercisable at 15 cents	**-**	(100,000)
Expired on 7 July 2017, exercisable at 20 cents	**-**	(100,000)
End of the financial year	**378,950,719**	30,000,000

(d) Ordinary shares

Ordinary fully paid shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of the shares held.

On a show of hands every holder of ordinary fully paid shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll is entitled to one vote for each share held.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14: ISSUED CAPITAL (CONTINUED)

(e) Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may strive to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2019 and 30 June 2018 are as follows:

	Consolidated	
	2019	**2018**
	$	**$**
Cash and cash equivalents	**564,618**	1,552,529
Trade and other receivables	**56,268**	42,837
Financial assets	**379,750**	847,522
Trade and other payables	**(104,426)**	(387,998)
Borrowings	**(32,104)**	-
Employee benefits obligations	**(55,905)**	(12,288)
Working capital position	**808,201**	2,042,602

15: RESERVES AND ACCUMULATED LOSSES

(a) Reserves

Foreign currency translation reserve	**425,651**	419,988
Share-based payments reserve (see note 25)	**90,000**	729,000
	515,651	1,148,988

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated within a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

(ii) Share-based payments reserve

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

16: DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17: REMUNERATION OF AUDITORS

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

	Consolidated	
	2019	2018
	$	$
(a) Audit services		
Greenwich & Co – audit and review of financial reports	**32,272**	29,000
Total remuneration for audit services	**32,272**	29,000
(b) Non-audit services		
Greenwich & Co – taxation compliance services	**5,200**	4,200
Total remuneration for other services	**5,200**	4,200

18: CONTINGENCIES

The purchase price for the Sandstone Gold Project included a deferred payment of $500,000 payable within 28 days of the receipt of proceeds from the first sale of gold produced from the Sandstone Assets. This payment is contingent on the production and sale of gold from the Sandstone Assets.

The Sandstone tenements were acquired subject to legacy royalties, including a royalty equal to 2% of the net smelter return on all minerals produced from M57/128 and M57/129 and a royalty of A$1 per tonne of ore mined and treated from M57/129.

There may be a further legacy royalty payable in relation to the tenements acquired by the Company. Pursuant to an Agreement (Deed of Sale – Sandstone) dated 27 September 2004 (Sale Deed) a royalty may be payable in relation to a portion of any gold produced from the Sandstone tenements. Royalties payable under the Sale Deed are to be calculated using a complex formula driven by the specific tenements from which gold is produced, the “deemed entitlement to gold” of persons having a 33.3% participating interest in “the Sandstone Joint Venture”, and a royalty rate of $12.50 per ounce of gold. Eighty six tenements are covered by the Sale Deed, only two of which were acquired by the Company. The Company’s understanding is that the Sandstone Joint Venture no longer exists. The royalty only commences when 50,000 ounces of gold have been produced across the eighty six tenements and it ceases when $4 million has been paid in total across the eighty six tenements under the Sale Deed. Accordingly, depending on how much gold has been produced from the other eighty four tenements and the status of the Sandstone Joint Venture, it is possible that a $12.50 royalty per ounce of gold produced is payable on 1/3 of the gold produced from certain portions of the tenements acquired by the Company. The Company will inform the market if and as soon as the status of that potential further royalty has been resolved.

19: COMMITMENTS

(a) Exploration commitments

The Group has certain (contingent) commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	Consolidated	
	2019	2018
	$	$
within one year	**233,360**	314,241
later than one year but not later than five years	**915,160**	788,800
later than five years	**1,477,900**	1,675,100
	2,626,420	2,778,141

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19: COMMITMENTS (CONTINUED)

(b) Lease commitments: Group as lessee

	Consolidated	
	2019 $	2018 $
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	**41,280**	29,644
later than one year but not later than five years	**30,960**	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**72,240**	29,644

The property lease is a non-cancellable lease with a two-year term, with rent payable monthly in advance. The lease does not contain any provisional rent increase clauses. The lease allows for subletting of all lease areas subject to the approval of the lessor, who cannot unreasonably withhold such approval.

20: RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Middle Island Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 21.

(c) Key management personnel compensation

Short-term benefits	**276,530**	246,530
Post-employment benefits	**23,420**	20,570
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**90,000**	-
	389,950	267,100

Detailed remuneration disclosures are provided in the remuneration report on pages 3 to 7.

(d) Transactions and balances with other related parties

DWCorporate Pty Ltd, a business of which Mr Wilkins is principal, provided company secretarial and corporate advisory services to the Middle Island Group during the year. The amounts paid were on arms' length commercial terms and are disclosed in the remuneration report in conjunction with Mr Wilkins' compensation. At 30 June 2019 there was $6,765 (2018: $1,155) owing to DWCorporate Pty Ltd.

Quenda Investments Pty Ltd ("Quenda"), a company of which Mr Yeates is a director and shareholder, lent securities held in Middle Island Resources Limited to the provider of a controlled placement facility during the current reporting period for which Quenda was paid a stock borrow fee of $6,000 for the year ended 30 June 2019 (2018: $4,500). The amounts paid were on arms' length commercial terms. At 30 June 2019 there was $500 (2018: $500) owing to Quenda Investments Pty Ltd.

Mr Nicholls is a director and 35% shareholder of PowerXplor Ltd, which owns Sahara Mining Services SARL. During the 2018 financial year the Group sold, on arms' length commercial terms, motor vehicles to Sahara Mining Services SARL for gross proceeds of US$23,300.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20: RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Loans to related parties

Middle Island Resources Limited has provided unsecured, interest free loans to each of its wholly owned subsidiaries totalling $21,613,362 at 30 June 2019 (2018: $20,575,570). An impairment assessment is undertaken each financial year by examining the financial position of the subsidiary and the market in which the subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

21: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding [(1)]	
			2019 %	2018 %
Middle Island Resources Limited – Burkina Faso SARL	Burkina Faso	Ordinary	**100**	100
Middle Island Resources Limited – Sandstone Operations Pty Ltd	Australia	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

22: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 3 September 2019 the Company announced that Tajiri Resources Corporation (TSXV: TAJ, Tajiri) had exercised its option to fully acquire the Group's Reo Gold Project in Burkina Faso, West Africa. Completion of the transaction followed Tajiri's payment to the Group of the final US$150,000 option extension and exercise fee.

No other matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

23: STATEMENT OF CASH FLOWS

	Consolidated	
	2019 $	2018 $
(a) Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(2,654,033)**	(1,539,803)
Non-cash items		
Depreciation of non-current assets	**9,750**	3,867
Share-based payments	**90,000**	-
Net gain on disposal of property, plant and equipment	**-**	(30,544)
Net gain on sales of mining properties	**-**	(551,489)
Net exchange differences	**(5,681)**	(1,892)
Change in operating assets and liabilities		
(Increase) in trade and other receivables	**(13,431)**	(32,639)
Decrease in financial assets at fair value through profit or loss	**467,772**	15,738
(Decrease)/increase in trade and other payables	**(283,572)**	293,505
Increase in employee benefit obligations	**43,617**	-
Net cash outflow from operating activities	**(2,345,578)**	(1,843,257)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23: STATEMENT OF CASH FLOWS (CONTINUED)

(b) Non-cash investing and financing activities

As part consideration on the sale of mining properties during the 2018 financial year the Group received equity securities in the purchaser valued at $863,260 which have been classified as financial assets at fair value through profit or loss.

24: LOSS PER SHARE

	Consolidated	
	2019 $	2018 $
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(2,654,033)**	(1,539,803)

	Number of shares	
	2019	2018
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**853,734,224**	644,997,730

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2019, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share.

25: SHARE-BASED PAYMENTS

a) Options issued to employees and contractors

The Group may provide benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. The exercise price of the options granted and on issue as at 30 June 2019 is 3 cents per option, with an expiry date of 8 November 2021.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25: SHARE-BASED PAYMENTS (CONTINUED)

Set out below are summaries of the options granted (as 30 June in the stated years):

	Consolidated			
	2019		2018	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the financial year	**30,000,000**	**10.0**	38,300,000	9.5
Granted	**30,000,000**	**3.0**	-	-
Forfeited/cancelled	**-**	**-**	(7,500,000)	7.0
Exercised	**-**	**-**	-	-
Expired/lapsed	**(30,000,000)**	**10.0**	(800,000)	11.9
Outstanding at year-end	**30,000,000**	**3.0**	30,000,000	10.0
Exercisable at year-end	**30,000,000**	**3.0**	30,000,000	10.0

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.4 years (2018: 0.4 years), and the exercise price was 3 cents per option.

Fair value of options granted

The weighted average “fair value” (not market value) of the options granted during the 2019 financial year was 0.3 cents. There were no options granted during the 2018 financial year. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs. The Directors do not consider the resultant value as determined by the Black-Scholes European Option Pricing Model is necessarily representative of the market value of the share options issued.

	2019	2018
Weighted average exercise price (cents)	**3.0**	-
Weighted average life of the options (years)	**3.0**	-
Weighted average underlying share price (cents)	**0.7**	-
Expected share price volatility	**114.2%**	-
Risk free interest rate	**2.1%**	-

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate. The life of the options is based on historical exercise patterns, which may not eventuate in the future.

b) Expenses arising from share-based payment transactions

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

	Consolidated	
	2019 $	2018 $
Options granted to/vesting with employees (including directors) and contractors as part of share-based payments	**90,000**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Middle Island Resources Limited, at 30 June 2019. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2019 $	2018 $
Current assets	**985,725**	2,268,749
Non-current assets	**2,178,852**	2,200,043
Total assets	**3,164,577**	4,468,792
Current liabilities	**165,693**	105,830
Total liabilities	**165,693**	105,830
Contributed equity	**36,305,796**	34,954,474
Share-based payments reserve	**90,000**	729,000
Accumulated losses	**(33,396,912)**	(31,320,512)
Total equity	**2,998,884**	4,362,962
Loss for the year	**(2,805,400)**	(3,157,229)
Total comprehensive loss for the year	**(2,805,400)**	(3,157,229)

27: NON-CURRENT ASSETS HELD FOR SALE

	Consolidated	
	2019 $	2018 $
Reo Gold Project tenement acquisition costs	**213,386**	202,317

The non-current assets held for sale represent tenement acquisition costs for the Reo Gold Project in Burkina Faso, West Africa. The amounts disclosed are the balance of funds due from Tajiri Resources Corporation (TSXV: TAJ, Tajiri) in accordance with the Option to Purchase Agreement executed in February 2018. Subsequent to the end of the reporting period the sale transaction was completed, refer to note 22.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 11 to 41 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
3. a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Richard Yeates
Managing Director
Perth, 26 September 2019

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Independent Auditors' Report

To the members of Middle Island Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Middle Island Resources Limited and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 report.

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

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

Without modifying our opinion, we draw attention to Note 1, which outlines that the going concern basis is dependent upon the ability of Middle Island Resources Limited to secure additional funding through either the issue of further shares or options.

As a result, there is material uncertainty related to events or conditions that may cast significant doubt on Middle Island Resources Limited 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Emphasis of matter – Inherent uncertainty regarding continuation as a going concern section we have determined the matter described below to be a key audit matter to be communicated in our report.

Capitalised Exploration Expenditure

Refer to Note 11, Capitalised Exploration Expenditure ($1,327,754) and accounting policy Notes 1(l).

Key Audit Matter	How our audit addressed the matter
Middle Island Resources Limited and its controlled entities have a significant amount of capitalised exploration expenditure. As the carrying value of exploration expenditure represents a significant asset of the Group, we considered it necessary to assess whether facts and circumstances existed to suggest the carrying amount of this asset may exceed its recoverable amount.	Our audit work included, but was not restricted to, the following: • We obtained evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration by obtaining independent searches of a sample of the Group's tenement holdings. • We enquired with management and reviewed budgets to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the Group's areas of interest were planned. • We enquired with management, reviewed announcements made and reviewed minutes of directors' meetings to ensure that the Group had not decided to discontinue activities in any of its areas of interest. • We enquired with management to ensure that the Group had not decided to proceed with development of a specific area of interest, yet the carrying amount of the exploration and evaluation asset was unlikely to be recovered in full from successful development or sale.

Property, plant and equipment

Refer to Note 10, Plant and equipment ($2,065,632) and accounting policy Notes 1(k).

Key Audit Matter	How our audit addressed the matter
Property, plant and equipment represents a significant balance recorded in the consolidated statement of financial position. The evaluation of the recoverable amount of these assets requires significant judgement in assessing impairment.	Our audit work included, but was not restricted to, the following: • We obtained an understanding and challenged managements assumptions and analysis of their impairment assessment in relation to the property, plant and equipment. • We assessed the accuracy of the impairment model and methodology applied by the management for consistency with the requirements of accounting standards. • We compared key values used in the assessment with information from independent sources.

Other Information

The directors are responsible for the other information. The other information comprises the Review of Operations and Directors Report and other information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

The other information obtained at the date of this auditor's report is included in the annual report, (but does not include the financial report and our auditor's report thereon).

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used in the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 3 to 7 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Middle Island Resources Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Report on the Remuneration Report (continued)

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Rafay Nabeel
Audit Director

Perth
26 September 2016