



Middle Island

RESOURCES LIMITED

INTERIM FINANCIAL REPORT

For the Half-Year ended 31 December 2020
ABN 70 142 361 608

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2020 and any public announcements made by Middle Island Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity (referred to hereafter as the Group) consisting of Middle Island Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

DIRECTORS

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

Peter Thomas

Richard Yeates

Brad Marwood

Beau Nicholls, resigned 31 January 2021

REVIEW AND RESULTS OF OPERATIONS

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

	2020	
	Revenues	Profit/(Loss)
	\$	\$
Group revenues and loss	247,412	(4,450,788)

Corporate

Middle Island Resources Limited (**ASX: MDI, Middle Island or the Company**), held cash and liquid investments of A\$6,665,810 as at 31 December 2020, comprising A\$2,534,182 in cash and A\$4,131,628 in listed equity investments.

Strategy & Operations

Sandstone Gold Project (Western Australia)

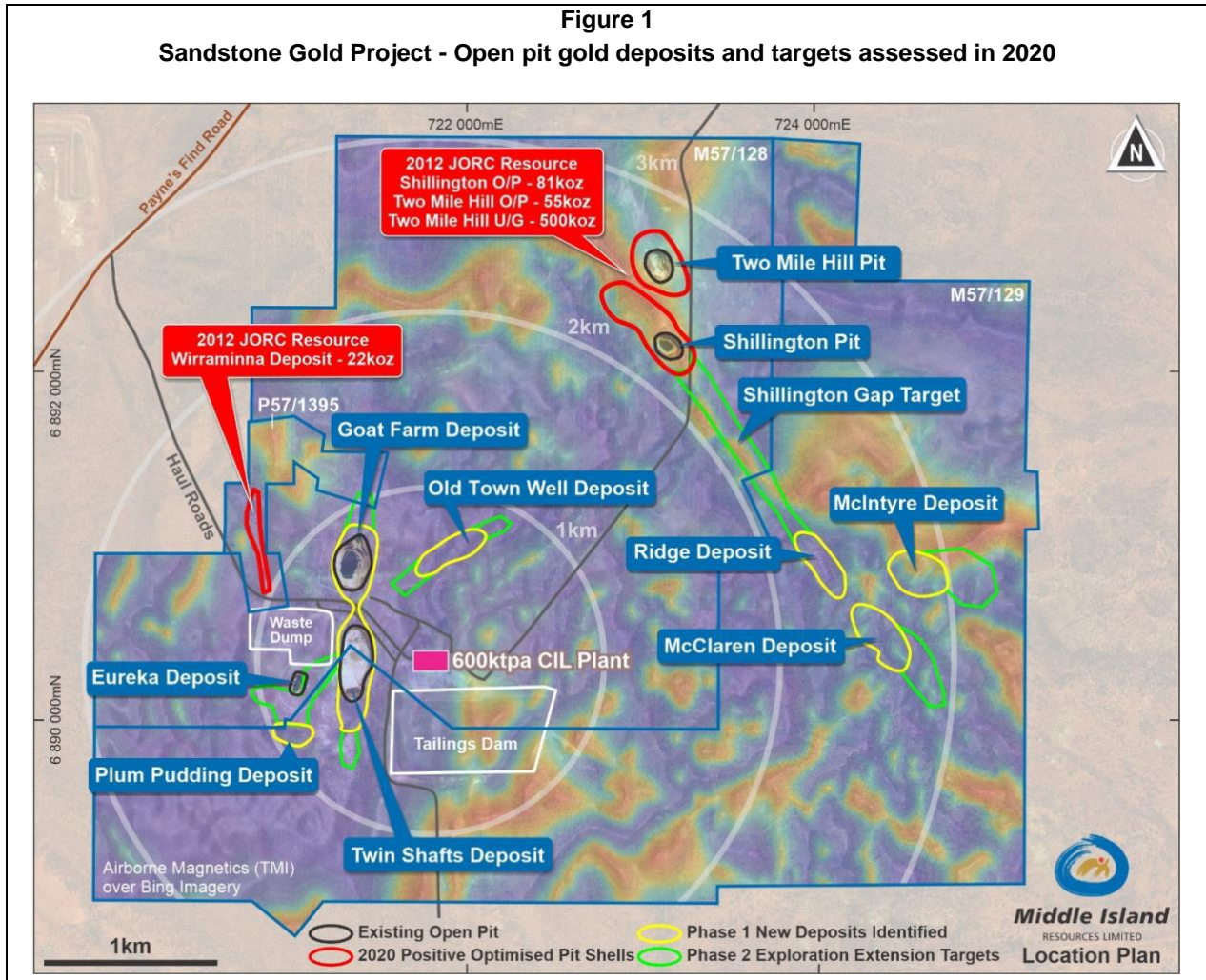
2020 Drilling Campaign

During the December half year, the Company commenced Phase 3 of the substantial CY2020 drilling campaign that collectively comprised some 54,000m of exploration, resource definition and sterilisation drilling at the Company's 100%-owned Sandstone gold project in Western Australia.

The 2020 drilling campaign proved extremely successful, defining five new satellite gold deposits (Figure 1) and extending existing deposits, collectively doubling the open pit Mineral Resources contributing to the Feasibility Study (FS).



DIRECTORS' REPORT



Resource Estimation

Maiden and updated Mineral Resource estimates have been progressively prepared by independent consultants as drilling results for each deposit were received and compiled, and bulk density data finalised. To date, updated and maiden Mineral Resource estimates have been completed for all existing and new deposits respectively (refer to ASX Releases dated 24 July 2020, 14 August 2020, 2 October 2020, 21 October 2020 and 17 November 2020). Maiden and upgraded Mineral Resources at the Sandstone Project aggregated 746,500oz gold at 31 December 2020.

Feasibility Study

Notwithstanding further infill, extension and sterilisation RC drilling in progress, Mineral Resource estimates, pit optimisations, mine designs and production scheduling have been completed for all 10 open pit deposits, along with designs for haul roads, provisional waste dumps and an expanded tailings facility.



DIRECTORS' REPORT

As at 31 December 2020, work streams on pit geotechnics, groundwater, surface water management and water supply were close to completion. Metallurgical testwork was almost finalised, supplementing previous testwork and historic process operating data. Environmental surveys and assessments were well advanced, and updated process plant, infrastructure and camp refurbishment requirements and costs were almost complete. Project scheduling, cashflow modelling and FS reporting are being undertaken progressively as each input element is finalised. The FS is scheduled for completion late in March 2021.

A concurrent GR Engineering Services scoping study into a plant capacity upgrade is also due to be completed late in March 2021.

Planned 2021 March Quarter Activities

Activities planned at the Sandstone project during the 2021 March quarter comprise:

- Complete Phase 3 sterilisation drilling of proposed waste dump locations and the planned tailings dam expansion.
- Complete Phase 3 resource infill, extension and exploration drilling.
- Progressively compile and report Phase 3 drilling results as assay results are made available.
- Finalise FS contract tenders for mining, civils, mill/infrastructure/camp refurbishment, communications and camp management.
- Explore options for recommissioning financing.
- Complete all remaining stand-alone FS and mill upgrade Scoping Study components and report outcomes.

Barkly Copper-Gold Super-Project (Northern Territory)

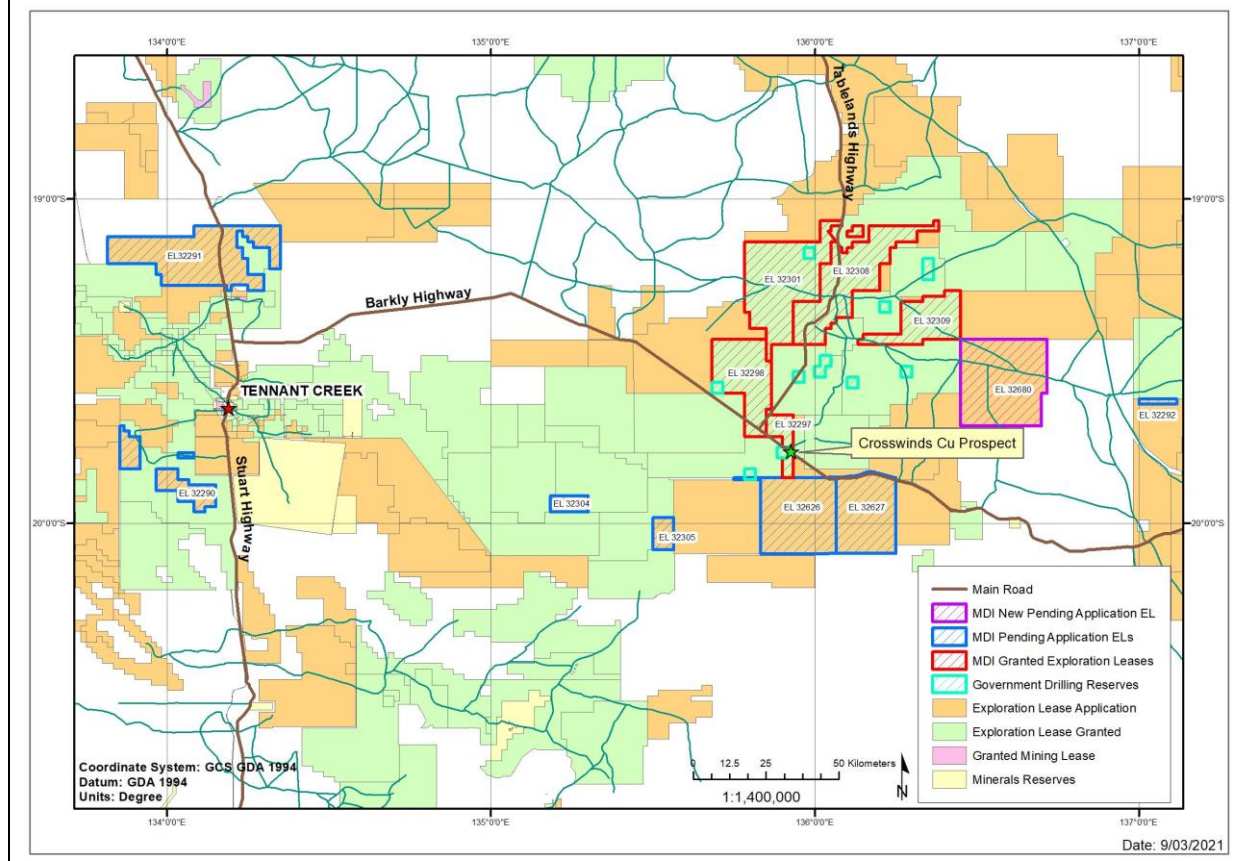
Middle Island's 100%-owned Barkly copper-gold super-project in the Northern Territory (NT) comprises five granted exploration licences (ELs), a further five ELs pending grant and three new Exploration Licence applications, collectively covering 4,661 square kilometres as shown in Figure 2 .



DIRECTORS' REPORT

Figure 2

Middle Island's tenements and applications comprising the Barkly copper-gold super-project, Northern Territory



Reconnaissance Site Visit

A reconnaissance site visit to the Barkly project was completed during December 2020 following the lifting of interstate COVID-19 travel restrictions. During the site visit, significant surface copper oxide mineralisation was identified at the new Crosswinds prospect, located immediately adjacent to the sealed Barkly Highway, approximately 13km southeast of Barkly Homestead, within EL32297.

The mineralisation comprises predominantly malachite (copper carbonate) exposed in a table-drain adjacent to the Barkly Highway. The copper mineralisation is intimately associated with ubiquitous secondary calcrete and silcrete development, reflecting surface weathering of limestones comprising the Cambrian-age Georgina Basin.

Spot pXRF readings taken at the time of discovery range from 24.8% to 76.2% Cu. These results were confirmed by continuous composite chip sampling, aggregating 130m at 0.76% Cu (refer ASX Release dated 23 December 2020).

DIRECTORS' REPORT

Mineralised Setting & Interpretation

The Barkly iron oxide-copper-gold (IOCG) mineralised model is predicated on collaborative, pre-competitive research being undertaken by Geoscience Australia (GA) and the Northern Territory Geological Survey (NTGS) under the \$100m, Exploring for the Future (EFTF) initiative. The model is based on interpreted potential for Tier 1 IOCG deposits (with notable examples elsewhere including Olympic Dam, Oak Dam, Prominent Hill and Carrapateena, all in South Australia, along with Ernest Henry and others near Mt Isa in Queensland). The IOCG potential is associated with Proterozoic basement rocks extending along the modelled East Tennant Ridge, beneath the Georgina Basin, between Tennant Creek in the NT and Mt Isa in Queensland.

The Crosswinds prospect is interpreted to represent secondary copper mineralisation that has migrated up growth faults that extend from primary copper-gold mineralisation within the Proterozoic basement rocks, through the otherwise unmineralised Cambrian Georgina Basin sediments, to precipitate at surface.

Planned Activities

Once results of the Federal and Northern Territory Government's current 10-hole stratigraphic basement diamond drilling program are released in March/April 2021, which are anticipated to provide significant further clarification on the basement IOCG potential of the Barkly project, the Company intends to commence exploration in earnest during the next 'dry season', notionally extending from April to October 2021. This work will likely focus on infill geophysical surveys to refine basement targets in advance of drilling.

Mineral Resource Statement

Mineral Resources applicable to the Sandstone Gold Project as at 31 December, 2020 are provided in Table 1 below.

Deposit	COG (g/t Au)	Tonnes	Grade (g/t Au)	Contained Gold (oz.)	JORC Classification	JORC Code
Two Mile Hill – Open Pit ¹	0.7	1,115,000	1.39	52,000	Indicated	2012
Two Mile Hill – Open Pit ¹	0.7	99,000	1.00	3,000	Inferred	2012
Two Mile Hill – Tonalite Deeps ²	NA*	14,000,000	1.10	480,000	Inferred	2012
Two Mile Hill – BIF Deeps ²	NA*	200,000	3.10	20,000	Inferred	2012
Shillington – Open Pit ³	0.5	1,230,000	1.30	50,200	Indicated	2012
Shillington – Open Pit ³	0.5	840,000	1.10	30,600	Inferred	2012
Wirraminna – Open Pit ³	0.5	300,000	1.30	12,100	Indicated	2012
Wirraminna – Open Pit ³	0.5	280,000	1.10	9,700	Inferred	2012
Twin Shafts – Open Pit ⁵	0.5	149,000	1.00	4,700	Indicated	2012
Twin Shafts – Open Pit ⁵	0.5	37,000	0.70	900	Inferred	2012
Goat Farm – Open Pit ⁵	0.5	398,000	1.00	13,200	Inferred	2012
McIntyre – Open Pit ⁵	0.5	496,000	1.20	19,400	Indicated	2012
McIntyre – Open Pit ⁵	0.5	67,000	0.90	1,900	Inferred	2012
Ridge – Open Pit ⁶	0.5	173,000	1.20	6,700	Indicated	2012
Ridge – Open Pit ⁶	0.5	67,000	1.90	4,000	Inferred	2012
McClaren – Open Pit ⁶	0.5	263,000	1.40	10,600	Indicated	2012



DIRECTORS' REPORT

McClaren – Open Pit ⁶	0.5	60,000	1.70	3,200	Inferred	2012
Plum Pudding – Open Pit ⁴	0.5	384,000	1.10	13,100	Indicated	2012
Plum Pudding - Open Pit ⁴	0.5	35,000	0.90	1,000	Inferred	2012
Old Town Well – Open Pit ⁴	0.5	282,000	1.00	8,800	Indicated	2012
Old Town Well – Open Pit ⁴	0.5	68,000	0.60	1,400	Inferred	2012
Total Indicated		4,392,000	1.26	177,600	Indicated	2012
Total Inferred		16,151,000	1.10	568,900	Inferred	2012
Total Resource		20,543,000	1.13	746,500		2012

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

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

This report includes information in relation to Mineral Resources extracted from the Company's previous ASX announcements, which are available to view on the Company's website, as follows:

¹ ASX Release dated 14 August 2020

² ASX Release dated 14 April 2020

³ ASX Release dated 24 July 2020

⁴ ASX Release dated 2 October 2020

⁵ ASX Release dated 21 October 2020

⁶ ASX Release dated 17 November 2020.

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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

Richard Yeates

Managing Director

Perth, 16 March 2021

Auditor's Independence Declaration


To those charged with governance of Middle Island Resources Limited

As auditor for the review of Middle Island Resources Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd



Rafay Nabeel

Audit Director

16 March 2021

Perth

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2020

	Note	Half-year Ended	
		31 Dec 2020	31 Dec 2019
		\$	\$
REVENUE			
Sale of commodities		-	11,271
Other income		140,306	51,899
Fair value gains on financial assets		107,106	-
EXPENDITURE			
Administration expenses		(453,779)	(268,371)
Depreciation expense		(22,650)	(23,902)
Exploration and evaluation expenses		(3,886,560)	(329,471)
Fair value losses on financial assets		-	(77,993)
Finance costs		(919)	(2,789)
Salaries and employee benefits expense		(259,292)	(200,701)
Loss on settlement of liability	5	(75,000)	-
LOSS BEFORE INCOME TAX		(4,450,788)	(840,057)
Income tax		-	-
LOSS FOR THE PERIOD		(4,450,788)	(840,057)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(72)	9,889
Other comprehensive income for the period, net of tax		(72)	9,889
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(4,450,860)	(830,168)
ATTRIBUTABLE TO MEMBERS OF MIDDLE ISLAND RESOURCES LIMITED			
Basic and diluted loss per share (cents)		(3.9)	(1.8)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	31 December 2020	30 June 2020
Note	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	2,534,182	4,712,409
Trade and other receivables	102,652	62,593
Financial assets	3 4,131,628	479,745
TOTAL CURRENT ASSETS	<u>6,768,462</u>	<u>5,254,747</u>
NON-CURRENT ASSETS		
Property, plant and equipment	2,054,166	2,056,347
Right-of-use assets	9,375	28,545
Tenement acquisition costs	1,675,989	1,525,989
TOTAL NON-CURRENT ASSETS	<u>3,739,530</u>	<u>3,610,881</u>
TOTAL ASSETS	<u>10,507,992</u>	<u>8,865,628</u>
CURRENT LIABILITIES		
Trade and other payables	1,336,730	717,665
Lease liabilities	6,796	26,517
Borrowings	17,705	70,464
Employee benefit obligations	74,646	79,964
TOTAL CURRENT LIABILITIES	<u>1,435,877</u>	<u>894,610</u>
NON-CURRENT LIABILITIES		
Rehabilitation provisions	4 1,384,900	1,384,900
TOTAL NON-CURRENT LIABILITIES	<u>1,384,900</u>	<u>1,384,900</u>
TOTAL LIABILITIES	<u>2,820,777</u>	<u>2,279,510</u>
NET ASSETS	<u>7,687,215</u>	<u>6,586,118</u>
EQUITY		
Contributed equity	5 48,396,917	42,737,460
Reserves	525,714	633,286
Accumulated losses	(41,235,416)	(36,784,628)
TOTAL EQUITY	<u>7,687,215</u>	<u>6,586,118</u>

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the Half-Year Ended 31 December 2020

Note	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2019	36,305,796	90,000	425,651	(33,609,891)	3,211,556
Loss for the period	-	-	-	(840,057)	(840,057)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	9,889	-	9,889
TOTAL COMPREHENSIVE INCOME	-	-	9,889	(840,057)	(830,168)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issue during the period	520,000	-	-	-	520,000
Share issue transaction costs	(35,381)	-	-	-	(35,381)
BALANCE AT 31 DECEMBER 2019	36,790,415	90,000	435,540	(34,449,948)	2,866,007
BALANCE AT 1 JULY 2020	42,737,460	197,500	435,786	(36,784,628)	6,586,118
Loss for the period	-	-	-	(4,450,788)	(4,450,788)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	(72)	-	(72)
TOTAL COMPREHENSIVE INCOME	-	-	(72)	(4,450,788)	(4,450,860)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	5,659,457	(212,500)	-	-	5,446,957
Convertible securities issued during the period	-	105,000	-	-	105,000
BALANCE AT 31 DECEMBER 2020	48,396,917	90,000	435,714	(41,235,416)	7,687,215

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2020

	Half-year Ended	
	31 Dec 2020	31 Dec 2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	11,271
Expenditure on mining interests	(3,299,086)	(326,093)
Reimbursements of expenditure on mining interests	33,245	46,894
Payments to suppliers and employees	(696,881)	(485,821)
Interest received	4,910	666
Interest paid	(919)	(2,789)
Government COVID-19 cashflow boost received	102,175	-
Net cash outflow from operating activities	(3,856,556)	(755,872)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for financial assets at fair value through profit or loss	(3,544,777)	-
Payments for plant and equipment	(1,298)	-
Payments for tenement acquisition costs	(100,000)	(16,752)
Proceeds from sale of mining properties	-	221,490
Net cash (outflow)/inflow from investing activities	(3,646,075)	204,738
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	5,396,957	520,000
Payment of share issue transaction costs	-	(35,381)
Principle elements of lease payments	(19,722)	(17,851)
Repayment of borrowings	(52,759)	(24,078)
Net cash inflow from financing activities	5,324,476	442,690
Net decrease in cash and cash equivalents	(2,178,155)	(108,444)
Cash and cash equivalents at the beginning of the period	4,712,409	564,618
Effects of exchange rate changes on cash and cash equivalents	(72)	6,124
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,534,182	462,298

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Middle Island Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

This consolidated interim financial report was approved by the Board of Directors on 16 March 2021.

Accounting Policies

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

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2020. As a result of this review the Directors have determined that there is no impact, material or otherwise, of these new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Going concern

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

As at the reporting date of this interim report the Group has approximately \$2.5 million in cash and cash equivalents and \$4.1 million in financial assets. The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate. The directors believe that they will continue to be successful in securing additional funds as and when the need to raise working capital arises.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SEGMENT INFORMATION

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

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

	Half-year Ended	
	31 Dec 2020	31 Dec 2019
<i><u>Exploration Segment</u></i>	\$	\$
Segment revenue - Australia	-	11,271
Segment revenue - Africa	33,245	46,894
Segment revenue - Total	33,245	58,165
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	4,886	665
Other income	102,175	4,340
Fair value gains on financial assets	107,106	-
Total revenue	247,412	63,170
Segment results - Australia	(3,851,761)	(267,468)
Segment results - Africa	(1,554)	(3,838)
Segment results - Total	(3,853,315)	(271,306)
Reconciliation of segment result to net loss before tax:		
Other income	107,061	5,005
Fair value gains on financial assets	107,106	-
Other corporate and administration	(811,640)	(573,756)
Net loss before tax	(4,450,788)	(840,057)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SEGMENT INFORMATION (cont'd)

	31 Dec 2020	30 Jun 2020
	\$	\$
Segment operating assets - Australia	3,731,202	3,581,665
Segment operating assets - Africa	-	-
Segment operating assets - Total	3,731,202	3,581,665
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	6,776,790	5,283,963
Total assets	10,507,992	8,865,628
Segment operating liabilities - Australia	2,626,969	2,012,332
Segment operating liabilities - Africa	78	80
Segment operating liabilities - Total	2,624,047	2,012,412
Reconciliation of segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	193,730	267,098
Total liabilities	2,820,777	2,279,510

NOTE 3: FINANCIAL ASSETS

	31 Dec 2020	30 Jun 2020
	\$	\$
Listed equity securities	4,131,628	479,745

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: NON-CURRENT LIABILITIES - PROVISIONS

	31 Dec 2020	30 Jun 2020
	\$	\$
Rehabilitation	<u>1,384,900</u>	<u>1,384,900</u>
Opening Balance	1,384,900	1,203,417
Increase during the period	-	181,483
Closing Balance	<u>1,384,900</u>	<u>1,384,900</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: EQUITY SECURITIES ISSUED

Issues of ordinary shares during the period

	Half-year Ended			
	31 Dec 2020		31 Dec 2019	
	Shares	\$	Shares	\$
Opening balance	2,139,809,372	42,737,460	1,046,852,156	36,305,796
Issued for cash at 2.1 cents per share	38,095,000	800,000	-	-
Issued as consideration for tenement acquisition at 1.5 cents per share	3,270,533	50,000	-	-
Issued for cash at 0.79 cents per share upon exercise of options ⁽¹⁾	225,682,326	1,751,132	-	-
Issued for cash at 0.77 cents per share upon exercise of options ⁽¹⁾	367,740,413	2,820,825	-	-
Transfer from Share-based Payments Reserve upon exercise of consultant options	-	107,500	-	-
Issued as consideration for director fees ⁽²⁾	7,500,000	105,000	-	-
Issued for cash at 0.4 cents per share	6,250,000	25,000	130,000,000	520,000
Adjustment for 1:23 share consolidation ⁽³⁾	(2,667,113,935)	-	-	-
Share issue transaction costs	-	-	-	(35,381)
Closing balance	121,233,709	48,396,917	1,176,852,156	36,790,415

- (1) A total of \$42,763 was received prior to 30 June 2020 for option exercises for which the shares were not issued until July 2020.
- (2) A resolution was approved by shareholders at the Annual General Meeting of the Company held on 26 November 2020 to issue 7,500,000 Redeemable Converting Shares (“RC Shares”) to Mr Brad Marwood, a Director of the Company, in lieu of directors’ fees for the period 2 December 2019 to 1 December 2020 to the value of \$30,000. The issue price of the RC Shares was set at \$0.004 being the price at which the Company’s shares were trading when Mr Marwood joined the Board. The RC Shares were issued to Mr Marwood on 27 November 2020. On 2 December 2020, the RC Shares converted into fully paid ordinary shares. The closing price of \$0.014 on the date of the Annual General Meeting was the grant date fair value of the RC Shares issued, for a total fair value of \$105,000. The fair value on grant of the RC Shares was initially recorded in the Share-based Payments Reserve and then transferred to Contributed Equity upon conversion into fully paid ordinary shares. The settlement of this liability by the issue of the RC Shares has resulted in a net loss for accounting purposes, resulting from the increase in the value of the Company’s shares between the time of Mr Marwood’s appointment and the grant date of the RC Shares. This net loss is recognised in the profit or loss for the half-year of \$75,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: EQUITY SECURITIES ISSUED (cont'd)

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

Movements of options during the period

	Number of Options	
	31 Dec 2020	31 Dec 2019
Opening Balance	1,111,482,023	378,950,719
Exercised at \$0.79, expiring 31 January 2022	(225,682,326)	-
Exercised at \$0.77, expiring 31 January 2022	(367,740,413)	-
Issue of \$0.0079 options expiring 31 January 2022	-	27,000,000
Issue of \$0.0077 options expiring 31 January 2022	6,250,000	-
Adjustment for 1:23 share consolidation	(501,513,108)	-
Closing Balance	<u>22,796,176</u>	<u>405,950,719</u>

NOTE 6: CONTINGENCIES

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

NOTE 7: TENEMENT EXPENDITURE COMMITMENTS

The minimum statutory expenditure requirements on granted tenements for the next 12 months amounts to \$344,460.

NOTE 8: SUBSEQUENT EVENTS

During February 2021 and March 2021 a total of 1,102,511 fully paid ordinary shares were issued upon the exercise of unlisted options, raising a total of \$199,651.

On 9 March 2021 it was announced that the Board had resolved to demerge Barkly Operations Pty Ltd (**BOPL**), a 100% owned subsidiary company, and ultimately seek to IPO BOPL on the ASX, subject to shareholder approval to be sought at a general meeting expected to be held late-April 2021.

No other matter or circumstance has arisen since 31 December 2020 which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 8 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Middle Island Resources Limited will be able to pay its debts as and when they become due and payable.

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



Richard Yeates
Managing Director
Perth, 16 March 2021

Independent Auditor's Review Report

To the members of Middle Island Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Middle Island Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated condensed statement of financial position as at 31 December 2020, the consolidated condensed statement of financial performance, consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Middle Island Resources Limited 's financial position as at 31 December 2020 and of its financial performance for the half-year then ended; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

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

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020, and of its financial performance for the half-year ended on that date, and complying with Accounting Standards 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd



Rafay Nabeel

Audit Director

16 March 2021

Perth