

# Annual Report 2016



**Middle Island**  
RESOURCES LIMITED







Dear Fellow Shareholders,

Well, what a difference a year, or more correctly, six months makes! In 2H16, we witnessed a substantial increase in the gold price and a considerable turnaround in broader market sentiment. It is against this background that I take great pleasure in presenting our 2016 Annual Report, which provides a summary of what has proved a transformative year for Middle Island.



I am particularly pleased to report that in 2H16, your company topped the ASX explorer's 'league tables' with a 1,116% increase in market capitalisation (Austex Mining Pty Ltd presentation, 25/08/2016). The catalyst for this was the successful acquisition of the advanced Sandstone Gold Project in Western Australia, to which end I am pleased to be able to deliver on a long-standing commitment that is entirely consistent with the Company's strategy. Having reviewed over 300 project opportunities, the Directors believe that Sandstone represents the right acquisition, in the right jurisdiction, at the right time, in the right commodity - gold.

While all this is a solid start, the hard work is really just beginning. We look forward to completing the feasibility work in December 2016 and, assuming a positive outcome, proceeding to recommission the Sandstone gold operation in the September quarter of 2017.

The Company raised an aggregate of A\$5.95 million (before costs) in fresh equity capital during FY16. Notwithstanding timing constraints, these capital raisings were deliberately structured to maximise the opportunity for shareholders to participate and benefit from any share price appreciation on the back of the Company's plan to acquire an advanced asset. The two rights issues were the first occasion that Middle Island has gone back to shareholders since the Company's IPO in 2010. I am gratified to note that the strong uptake of rights in 2015 and 2016 effectively guaranteed a successful financial outcome for the participating (and vast majority of) shareholders. We thank you again sincerely for your support, patience and loyalty through what proved a testing period for everyone.

Although the Company only took possession of the Sandstone Project in July 2016, we have been extremely active in progressing both our production aspirations for, and exploration of, the project since the financial year end.

Assuming a positive outcome on the feasibility study in December, the Company's intends to refurbish the processing plant and associated infrastructure with a view to recommencing gold production in September 2017.

Despite some, often contradictory, market commentary from gold 'bears', I remain very confident in the short, medium and longer term outlook for gold. One does not have to look far to identify any number of reasons why gold should remain stronger for longer.

**MANAGING DIRECTOR'S  
OVERVIEW**



I again sincerely thank the Board and administration for their dedication over the year. Particular thanks also go to the technical and advisory teams engaged for both the Sandstone Project acquisition and subsequent feasibility work under the professional management of Linton Kirk as Project Manager. I also gratefully acknowledge the small, but dedicated, administrative team that continues to manage the Company's interests in Burkina Faso. It is all too easy to forget their contribution in the euphoria surrounding the Sandstone acquisition.

In 2016-17, market sentiment and commodity price permitting, the Board looks forward to rewarding fellow shareholders with further share price appreciation on the back of on-going exploration, feasibility and recommissioning activities.

Yours faithfully,  
Rick Yeates  
**Managing Director**





DF & JP Bennett  
**NATIONAL HOTEL 1907**





## Corporate

### Operating Activities

#### Finance

Middle Island Resources Limited (ASX:MDI, Middle Island or the Company) raised an aggregate of A\$5.95 million (before costs) in fresh equity capital during FY16. This capital was raised in four separate tranches as follows:-

- A\$0.5 million via a rights issue priced at 0.4c in July 2015, providing additional working capital to identify and transact a new project opportunity.
- A\$0.4 million in a Placement at 1c, simultaneous with the announcement of an agreement for the Sandstone acquisition, in order to provide immediate working capital and pay the transaction deposit.
- A\$3.6 million in a Conditional Placement (subject to shareholder approval) at 3c to facilitate payment of the transaction completion costs and supplement working capital.
- A\$1.45 million in a 1:6 Non-renounceable Rights Issue at 3c which, along with proceeds of the Conditional Placement, provided working capital for the Sandstone Project.

As at 30 June 2016, proceeds of the latter Rights Issue had not been cleared, resulting in a closing cash balance of A\$3.6 million.

#### Strategy

The acquisition of the Sandstone gold project, completed on 11 July 2016, fulfilled Middle Island's primary strategic objective of securing a gold project with the following key criteria:-

- Mitigate shareholder exposure to sovereign risk.
- An advanced asset with a clear path to early production and cash flow.
- Limited capital required to develop the project.

The Board of Middle Island firmly believes that the Sandstone gold project accommodates all these strategic criteria.

Middle Island's second strategic objective is to identify an appropriate partner to invest in resource definition drilling and feasibility studies at the Company's 100%-owned Reo gold project in Burkina Faso, West Africa. While no satisfactory offers have been received, two parties remain interested in securing an interest in the project. Given the recent substantial improvement in market sentiment towards West African gold assets, once pending permit extensions and renewals are forthcoming, the Company may well resume exploration activities at Reo in its own right.

Middle Island will continue to assess, and if deemed appropriate, acquire additional assets – primarily focused on gold in Australia.

#### Shareholder Meetings

The Annual General Meeting of Middle Island was held in Perth on 27 November 2015. All resolutions were overwhelmingly supported by shareholders, with in excess of 99% affirmative votes.

A General Meeting of Shareholders was held in Perth on 24 June 2016 to approve the Sandstone gold project acquisition and associated capital raisings. Once again, in excess of 99% of shares were voted in favour of all resolutions.

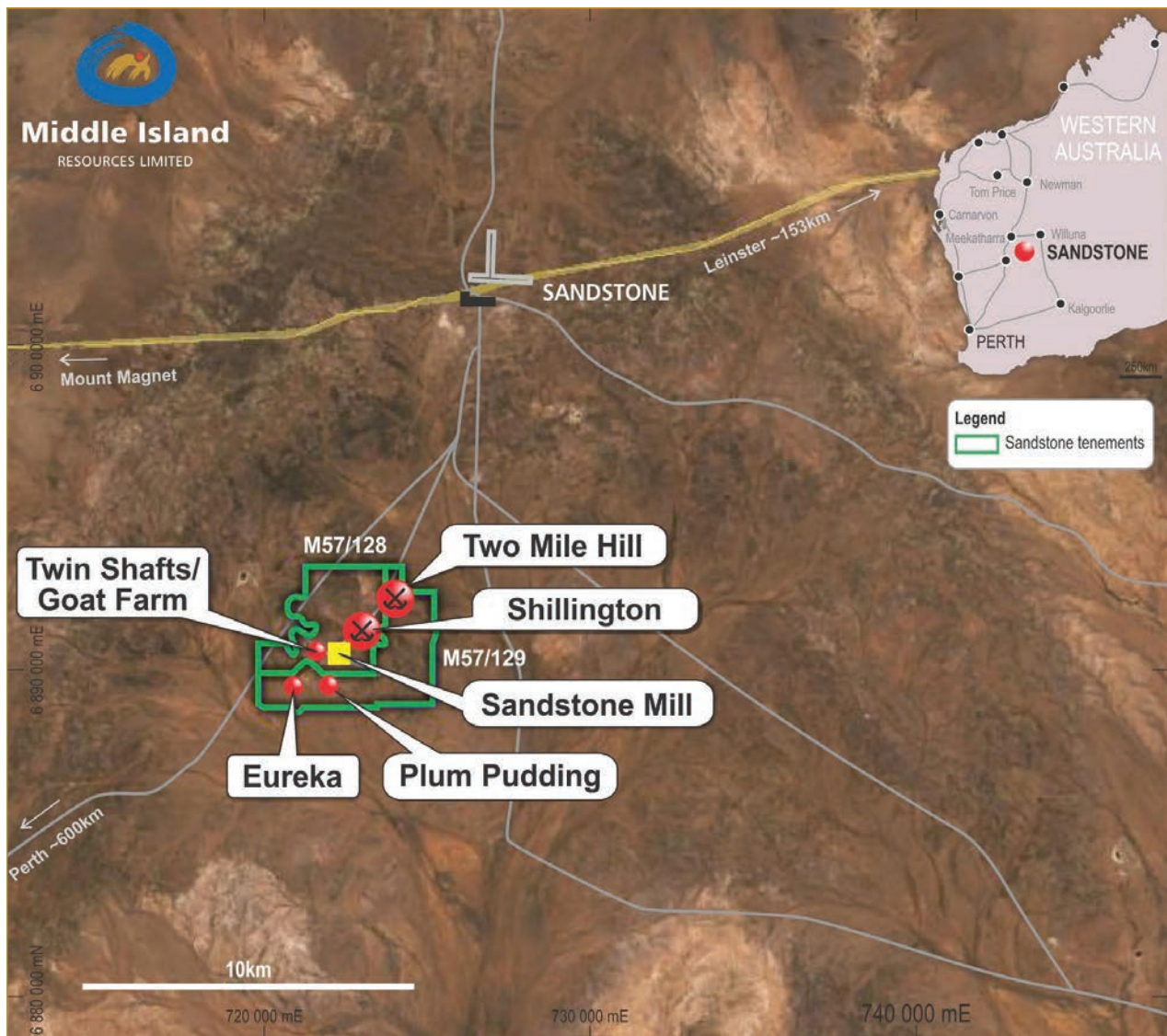


**Sandstone Gold Project (100%) – Western Australia**

**Overview**

As initially described in the 4 May 2016 ASX release, Middle Island acquired a 100% interest in the Sandstone gold project from the Receivers of Black Oak Minerals Limited on 11 July 2016 for a headline value of \$2.5 million. The transaction comprises a \$250,000 deposit, a \$1.25 million completion payment, a \$500,000 payment on first gold production and a deferred payment of a further \$500,000, payable 18 months after transaction completion.

The Sandstone gold project and processing facility is situated 12km south of the township of Sandstone, ~600km northeast of Perth, and located on a sealed highway between the mining towns of Mt Magnet and Leinster in the East Murchison Mineral Field of Western Australia (Figure 1).



**Figure 1 Sandstone Project Location**

The Sandstone project comprises a 100% interest in two granted Mining Leases covering 20km<sup>2</sup> that includes considerable gold resources (see ASX Release 4 May 2016), a 600,000tpa Carbon-In-Pulp (CIP) processing plant (which has been on care and maintenance since 2010), associated infrastructure, a substantial inventory of equipment and spares, a licenced tailings facility, bore field, and three fully equipped camps on freehold title in the nearby settlement of Sandstone





## Processing Plant & Infrastructure

The processing plant was constructed in 1994 with a capacity of 250,000tpa and upgraded to 600,000tpa capacity by Troy Resources Limited in 1999 (Figure 2). Troy operated the plant from 1999 to 2010, processing a total of approximately 4.4Mt of ore to produce ~508,000 ounces of gold at an average grade of 3.6g/t Au. The plant was placed on care and maintenance in September 2010 and has not operated since.

The plant has a conventional grinding and milling circuit, and CIP leach circuit. It is in a reasonable condition, with refurbishment and upgrade costs of \$5-8 million estimated by a recognised independent process engineering firm in November 2012, which costs were independently affirmed as reasonable in late 2015 and 2016.

The processing plant is supported by a diesel-generated power plant (contracted), fuel tanks, all associated workshops and offices, and a substantial inventory of equipment and spares. A licenced in-pit tailings facility and permitted bore field are situated proximal to the processing plant.

Accommodation camps for 100 people and a core farm are all located on freehold title (owned by the Company) within the village of Sandstone, 12km north of the plant. Sandstone also has a well-maintained airstrip capable of servicing FIFO operations.



**Figure 2** Sandstone processing plant with power plant and fuel tanks in the background

**Production Potential**

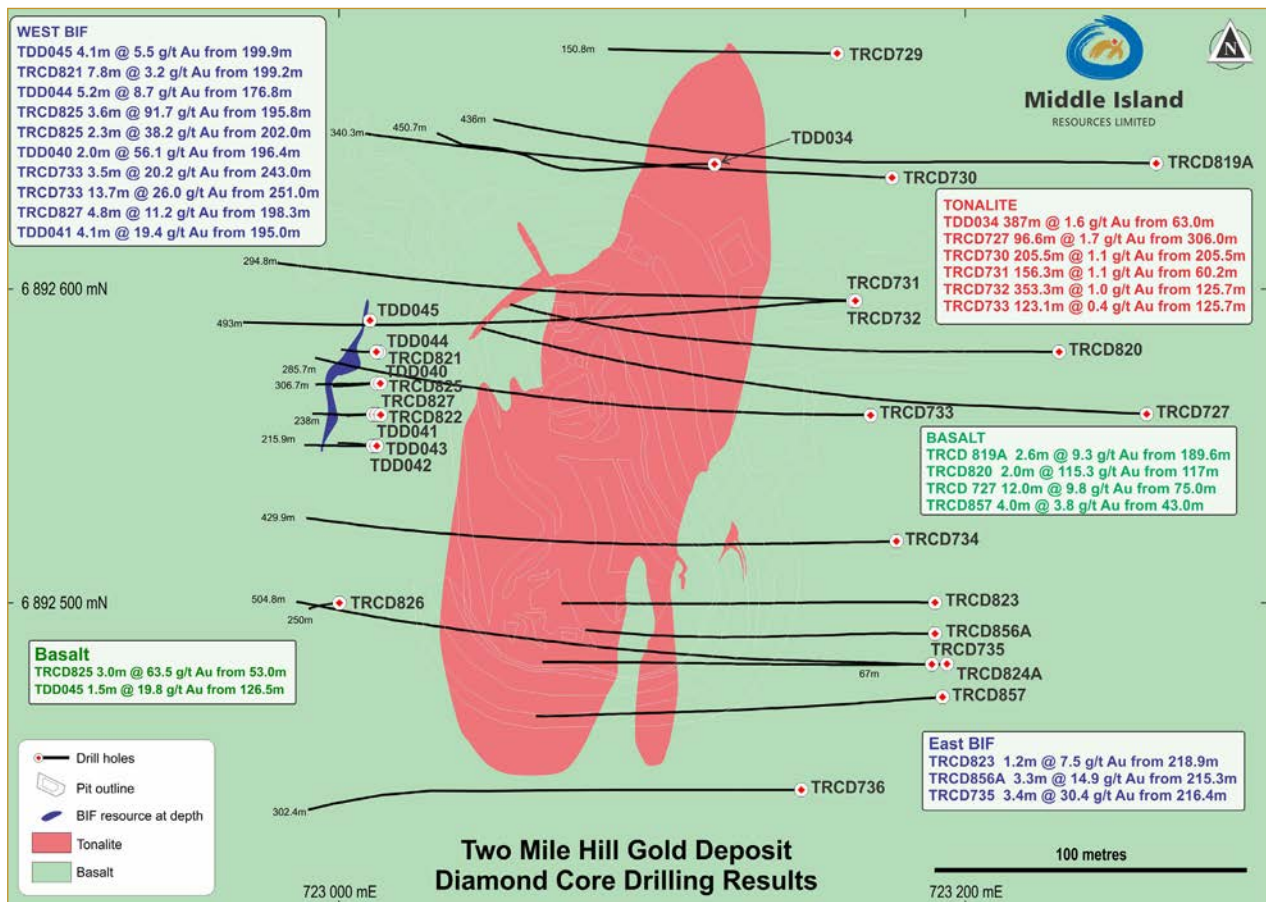
In 2012-2013, Southern Cross Goldfields Limited completed pit optimisations applying then current contract mining and processing costs, and process recoveries from Troy’s metallurgical testwork and production records, using a gold price of A\$1,600/oz. The optimisations were run by recognised independent industry consultants.

Since financial year end, Middle Island completed a programme of infill RC resource definition drilling designed to upgrade the project’s Shillington, Shillington North and Two Mile Hill deposits to an Indicated Resource status under the JORC 2012 guidelines prior to commencing a pre-feasibility study (PFS).

**Exploration Potential**

Two very significant, initial exploration targets have been identified at the Two Mile Hill prospect, located 3.2km north of the Sandstone processing plant. The first comprises a ubiquitously altered and intensely sheeted veined, tonalite intrusive plug that is 250m long and 70m wide (Figure 3). This target includes historic drill intercepts of 141m at 2.30g/t, 353.3m at 1.04g/t and 156.3m at 1.14g/t Au and is mineralised to at least 450m depth.

Similarly, a banded iron formation (BIF), which obliquely intersects the tonalite at depth, is also very strongly mineralised. Drilling within the BIF adjacent to the tonalite includes intercepts (essentially true widths) of 8.5m at 49g/t, 13.7m at 26g/t, 4.5m at 25g/t and 3.5m at 20g/t Au at a depth of some 200m below surface. This significant underground target remains untested up and down plunge (along the zone of intersection between the BIF and tonalite) on both margins of the intrusive.



**Figure 3**



### **Project Personnel**

To facilitate the exploration and feasibility activities at Sandstone, the Company has appointed key personnel as follows:-

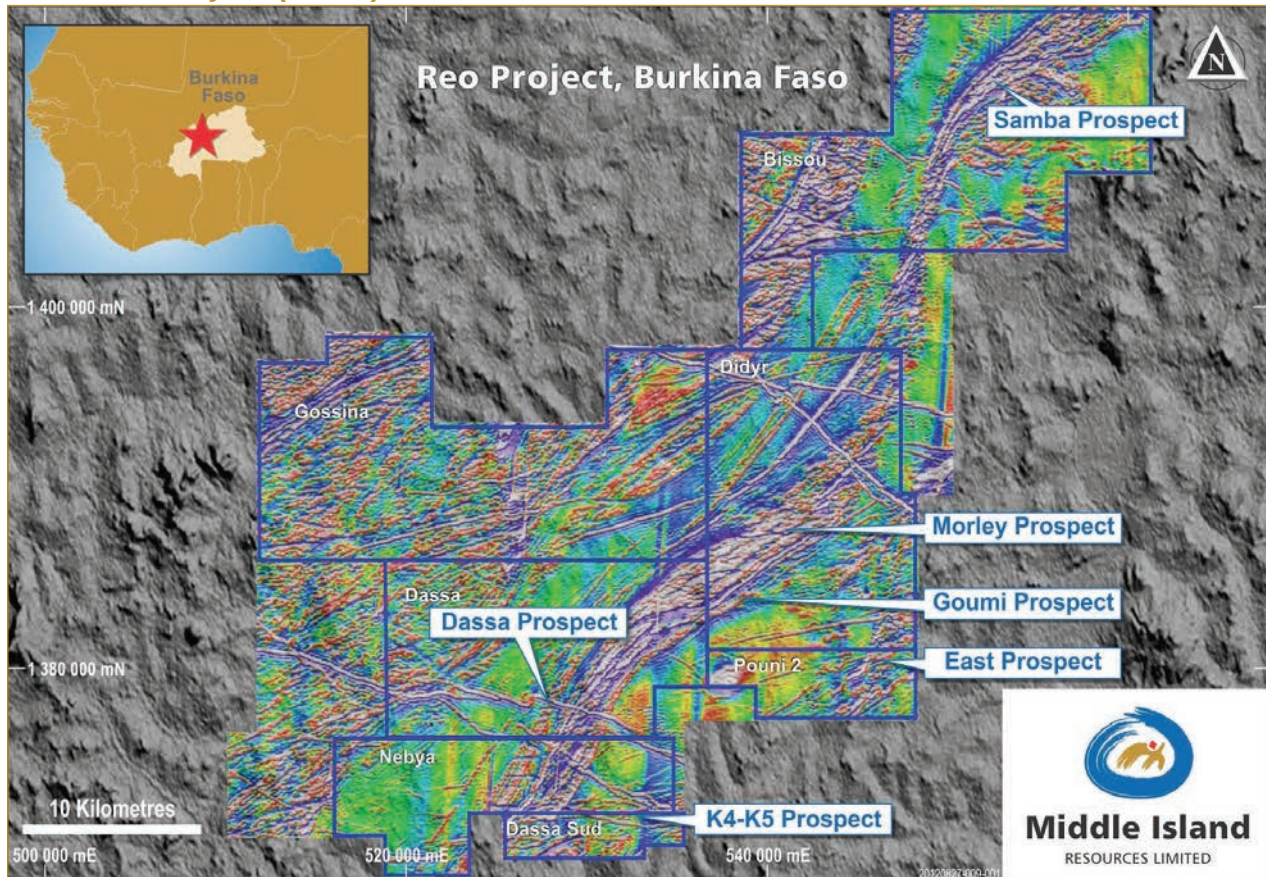
- Mr Linton Kirk as Consulting Project Manager (simultaneously with his resignation from the Board - in order to avoid perceived conflicts).
- Mr Stephen Jones as Contract Chief Financial Officer.
- Mr Richard Millington as Contract Project Geologist.
- Mr Hugo Viviani as Contract Project Metallurgist.
- Mr Alan Bloore as Sandstone Caretaker.

### **Planned Activities in FY 2017**

The following activities have been completed, commenced or are planned for Financial Year 2016/17:-

- Infill RC resource definition drilling at Sandstone's Shillington, Shillington North and Two Mile Hill deposits (completed September 2016).
- Geological and geophysical review of the Two Mile Hill underground BIF target (completed September 2016).
- Two-stage geophysical survey at Two Mile Hill (completed October 2016).
- Diamond drilling programme to confirm extensions and repetitions of the Two Mile Hill underground BIF target (commenced October 2016).
- Sterilisation drilling programme for waste dump sites at Two Mile Hill (commencing October 2016).
- Update and upgrade resource estimates for the Shillington, Shillington North and Two Mile Hill open pit deposits for inclusion in the PFS (commenced October 2016).
- PFS scheduled for completion December 2016.
- Assuming a positive PFS outcome, and access to adequate funding, commit to refurbishing the processing plant and infrastructure (February 2017) with a view to recommencing gold production in September 2017.

## Reo Gold Project (100%) – Burkina Faso



**Figure 4** Reo Project permits and prospects superimposed on magnetic image.

### Exploration

Minimal exploration was undertaken at the Company's 100%-owned Reo gold project in Burkina Faso (Figure 4 above) during FY16, pending the outcome of various permit extensions and renewal applications.

The continuing focus has been on identifying an appropriate partner to help fund the project through to feasibility. To date, indicative farm-in offers have proved unsatisfactory. However, discussions are still progressing with two interested parties.

The Reo gold project remains highly prospective, with significant unresolved resource and exploration potential. Market sentiment towards the West African gold sector has improved significantly during FY 2016. Pending successful permit extension and renewal applications, and should a suitable transaction not be forthcoming, the Company plans to recommence exploration at Reo in its own right.

### Tenure

Six renewal and extension applications have been lodged with the Burkina Faso Mines Ministry during 2016. The Dassa Sud permit was successfully renewed for a further period of three years in March 2016 and progress on the remaining five applications is being closely monitored.



## **Safety, Environmental & Social**

### **Health, Safety & Environment**

No injuries, safety or environmental incidents were recorded at the Company's projects and premises during FY16.

### **Social**

An introductory meeting was held with the Sandstone Shire in W.A. following announcement of the Sandstone project acquisition. This meeting provided the opportunity for Middle Island to explain its plan to re-commission the project, discuss infrastructure issues and offer its support to the Sandstone community.

In line with the hiatus in exploration activity in West Africa and the Company's stated commitment, the Company's community development initiatives at the Reo Project have been curtailed. Contact with our host communities at the Reo Project is being maintained to ensure they are informed of Middle Island's situation.


### **Forward Looking Statements**

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the mining industry, expectations regarding gold prices, exploration costs and other operating results, growth prospects and the outlook of Middle Island's operations contain or comprise certain forward looking statements regarding Middle Island's exploration operations, economic performance and financial condition. Although Middle Island believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct.

Accordingly, results could differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes that could result from future acquisitions of new exploration properties, the risks and hazards inherent in the mining business (including industrial accidents, environmental hazards or geologically related conditions), changes in the regulatory environment and other government actions, risks inherent in the ownership, exploration and operation of or investment in mining properties in foreign countries, fluctuations in gold prices and exchange rates and business and operations risks management, as well as generally those additional factors set forth in our periodic filings with ASX. Middle Island undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

### **Competent Persons' Statement**

Information in this report relates to exploration results that are based on information compiled by Mr Rick Yeates (Member of the Australasian Institute of Mining and Metallurgy). Mr Yeates is a fulltime employee of Middle Island and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Yeates consents to the inclusion in the release of the statements based on his information in the form and context in which they appear.



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 2016.

## 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 corporate and commercial advice to explorers and miners. Since the mid-1980s, he has served on the boards of various listed companies. He was the founding chairman of Sandfire Resources NL. He is also non-executive director of ASX-listed Image Resources NL, Meteoric 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), 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, and a non-executive director of ASX listed Atherton Resources Limited.

#### **Beau Nicholls**, (Non-Executive Director)

Beau Nicholls has 20 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.

#### **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 Key Petroleum Limited and TSX listed Mawson West Limited. Within the last 3 years Mr Wilkins has also been but no longer is a director of Duketon Mining Limited, A1 Consolidated



Gold Limited and Shaw River Manganese Limited.

Linton Kirk was a non-executive director for the whole of the financial year but resigned on 11 July 2016.

## 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	11,600,000	-
Richard Yeates	46,666,692	-
Beau Nicholls	13,600,000	-
Dennis Wilkins	1,166,667	-

## PRINCIPAL ACTIVITIES

During the year the Group carried out exploration on its tenements, reviewed numerous and pursued several possible project acquisition opportunities (completing contracts to secure one – Sandstone gold project in WA) and applied for or acquired additional tenements with the primary objective of identifying economic gold deposits. 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 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.

## OPERATING AND FINANCIAL REVIEW

### Finance Review

During the year, total exploration expenditure incurred by the Group amounted to \$128,232 (2015: \$564,567). In line with the Group's accounting policies, all exploration expenditure, other than acquisition costs, were written off as they were incurred. Tenement acquisition costs of \$1,943,340 (2015: \$55,165) were impaired during the year. Other expenditure incurred, net of revenue, amounted to \$1,098,980 (2015: \$675,974). This resulted in an operating loss after income tax for the year ended 30 June 2016 of \$3,170,552 (2015: \$1,295,706).

At 30 June 2016 cash assets available totalled \$3,612,918.

### Operating Results for the Year

Summarised operating results are as follows:

	2016	
	Revenues	Results
	\$	\$
Revenues and losses for the year from ordinary activities before income tax expense	50,846	(3,170,552)

## Shareholder Returns

	2016	2015
Basic loss per share (cents)	(1.3)	(1.0)

## 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.

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.

## 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

The Company completed the 100% acquisition of the Sandstone gold project in WA on 11 July 2016, following shareholder approval of the transaction at a general meeting of the Company held on 24 June 2016 and satisfaction of other Conditions Precedent. The assets acquired (on an 'as is, where is' basis, with no warranties being provided by the vendor) were:

- two granted mining leases (M57/128 and M57/129) situated within the Sandstone greenstone belt;
- JORC Code 2004 indicated and inferred mineral resources, which the Company intends to take into production in the near term (following, and subject to the results of, a pre-feasibility study);
- the Sandstone Mill (currently on care and maintenance), a licensed tailings facility, permitted bore field, fuel tanks, workshops, water supply equipment, stockpiles, offices and a substantial inventory of mill stores and spares.
- three well equipped camps on, and including, freehold titles and
- multiple brownfield exploration targets.

The purchase price was comprised of a cash deposit of \$250,000 (paid on 9 May 2016), a cash payment of \$1,250,000 on completion (11 July 2016) and the following deferred payments:

- \$500,000, payable within 28 days of the receipt of proceeds from the first sale of gold produced from the Sandstone Assets; and
- the "Deferred Payment" of \$500,000, payable by no later than 18 months following Completion (or \$400,000 if paid within 3 months of Completion).





The Sandstone tenements acquired are 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 to Troy Resources and a royalty of A\$1 per tonne of ore mined and treated from M57/129 to Herald Resources Ltd and National Resources Exploration Limited.

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 between Troy Resources NL, International Annax Ventures Inc and Herald Resources Ltd (**Annax Sale Deed**) a royalty may be payable in relation to a portion of any gold produced from the Sandstone tenements. Royalties payable under the Annax 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 Annax 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 Annax 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. This is being investigated further and the Company will inform the market if and as soon as the status of that potential further royalty has been resolved.

In satisfaction of a corporate advisory fee in relation to the Sandstone acquisition above, the Company issued 9,708,738 fully paid ordinary shares on 11 July 2016 at a deemed issued price of \$0.0103 per share. The fee was included as an accrued expense at the reporting date and recognised in the profit or loss.

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

Following completion of the acquisition of the Sandstone gold project on 11 July 2016, the Group’s primary focus for the coming financial year is to complete a pre-feasibility study (PFS) of the project. Assuming a positive outcome to the PFS, the Company plans to commence refurbishment of the on-site 600,000tpa processing plant and associated infrastructure with a view to commencing gold production in 2017.

### 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*.

#### Principles used to determine the nature and amount of remuneration

##### Remuneration Policy

The remuneration policy of Middle Island Resources Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short term and long term incentives. The board of Middle Island Resources Limited 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. All executives are to receive a base salary (which is based on factors such as experience), superannuation and a package of options over shares in the Company. The board will review each executive packages 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.

Executives may be offered participation in employee share and option arrangements.

The executive directors and executives are to receive a superannuation guarantee contribution required by the government of Australia, which was 9.5% for the 2016 financial year but are not entitled to receive any other retirement benefits.

All remuneration paid to directors and executives is to be "valued" at the cost to the Group and expensed. Options are ascribed a "fair value" in accordance with Australian Accounting Standards using the Black Scholes methodology.

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 is to utilise 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 2016.

#### **Voting and comments made at the Company's 2015 Annual General Meeting**

The Company received 100% of "yes" votes on its remuneration report for the 2015 financial year.

#### **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	Total
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits		
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Peter Thomas						
2016	36,530	-	3,470	-	-	40,000
2015	36,530	-	3,470	-	-	40,000
Richard Yeates						
2016	180,000	-	17,100	-	-	197,100
2015	180,000	-	17,100	-	-	197,100
Beau Nicholls						
2016	30,000	-	-	-	-	30,000
2015	30,000	-	-	-	-	30,000
Linton Kirk						
2016	27,397	-	2,603	-	-	30,000
2015	27,397	-	2,603	-	-	30,000
Dennis Wilkins <sup>(1)</sup>						
2016	-	-	-	-	-	-
2015	-	-	-	-	-	-
Total key management personnel compensation						
2016	273,927	-	23,173	-	-	297,100
2015	273,927	-	23,173	-	-	297,100

(1) Mr Wilkins is not remunerated for his role as alternate director, however, a total of \$111,846 (2015: \$60,213) was paid to DW Corporate Pty Ltd, a business of which Mr Wilkins is principal. DW Corporate Pty Ltd provided company secretarial, accounting and bookkeeping 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 of 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.
- 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.

Beau Nicholls, Non-Executive Director:

- Term of agreement – Beau 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.

Linton Kirk, Non-Executive Director:

- Term of agreement – Commenced on 1 September 2011 and ended on 11 July 2016 when he resigned. No termination notice was required and no monies were 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 and corporate advisory 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.

#### 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	-	-	-	-	-	-	-
Richard Yeates	-	-	-	-	-	-	-
Beau Nicholls	-	-	-	-	-	-	-
Linton Kirk	-	-	-	-	-	-	-
Dennis Wilkins	-	-	-	-	-	-	-



	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	3,200,000	-	8,400,000	11,600,000
Richard Yeates	20,000,010	-	26,666,682	46,666,692
Beau Nicholls	2,900,000	-	10,700,000	13,600,000
Linton Kirk	230,000	-	2,266,245	2,496,245
Dennis Wilkins	500,000	-	666,667	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 other corporate 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 2016 there was nil (2015: nil) owing to DWCorporate Pty Ltd.

Mr Nicholls is a director and 35% shareholder of PowerXplor Ltd, which owns Sahara Mining Services SARL. As part of a cost sharing arrangement between Sahara Mining Services SARL and Middle Island Resources, the two companies shared administration and exploration costs during the year; with Middle Island recharging \$40,112 to Sahara Mining Services SARL during the year ended 30 June 2016 (2015: \$83,526). The amounts paid by Sahara Mining Services SARL to Middle Island Resources were on arms' length commercial terms.

Mr Yeates is a director and shareholder of Atherton Resources Ltd (previously Mungana Goldmines Ltd). As part of a cost sharing arrangement between Atherton Resources Ltd and Middle Island Resources, the two companies have shared office space in West Perth resulting in Middle Island recharging \$14,923 to Atherton Resources Ltd during the year ended 30 June 2016 (2015: \$7,405). The amounts paid by Atherton Resources Ltd to Middle Island Resources were on arms' length commercial terms.

Kirk Mining Consultants Pty Ltd, a business of which Mr Kirk is principal, invoiced \$24,860 (2015: nil) of consulting services to the Middle Island Group during the year. The amounts paid were on arms' length commercial terms. At 30 June 2016 there was \$7,205 (2015: nil) owing to Kirk Mining Consultants Pty Ltd.

### End of audited section

## DIRECTORS' MEETINGS

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

	Directors Meetings		Committee Meetings		Committee Meetings	
			Audit		Remuneration	
	A	B	A	B	A	B
Peter Thomas	6	6	2	2	-	-
Richard Yeates	6	6	2	2	-	-
Beau Nicholls	5	6	•	•	-	-
Linton Kirk	6	6	2	2	-	-
Dennis Wilkins (alternate for Beau Nicholls)	6	6	2	2	-	-

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.

## 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
15 October 2014	7 July 2017	10.0	600,000
15 October 2014	7 July 2017	15.0	100,000
15 October 2014	7 July 2017	20.0	100,000
<b>Total number of options outstanding at the date of this report</b>			<b>800,000</b>

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 \$13,188.



## 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:

	2016 \$	2015 \$
Taxation compliance services	1,000	3,000

## 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*.

## 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 22.

Signed in accordance with a resolution of the directors.

Richard Yeates  
**Managing Director**

Perth, 30 September 2016



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

### 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 2016, 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 audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*Greenwich & Co Audit Pty Ltd*

**Greenwich & Co Audit Pty Ltd**

*Nicholas Hollens*

**Nicholas Hollens**  
Managing Director

Perth

30 September 2016



# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME



YEAR ENDED 30 JUNE 2016	Notes	Consolidated 2016	Consolidated 2015
		\$	\$
<b>REVENUE</b>	4	<b>50,846</b>	368,872
<b>EXPENDITURE</b>			
Exploration expenses		<b>(128,232)</b>	(564,567)
Administration expenses		<b>(648,287)</b>	(592,754)
Salaries and employee benefits expense		<b>(367,025)</b>	(338,399)
Depreciation expense		<b>(8,674)</b>	(62,474)
Share-based payments expense	23	<b>(180)</b>	855
Impairment of capitalised tenement acquisition costs	10	<b>(1,943,340)</b>	(55,165)
Impairment of receivables		<b>(125,660)</b>	(52,074)
<b>LOSS BEFORE INCOME TAX</b>		<b>(3,170,552)</b>	(1,295,706)
INCOME TAX BENEFIT/(EXPENSE)	6	-	-
<b>LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MIDDLE ISLAND RESOURCES LIMITED</b>		<b>(3,170,552)</b>	(1,295,706)
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		<b>91,882</b>	10,536
Other comprehensive income for the period, net of tax		<b>91,882</b>	
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MIDDLE ISLAND RESOURCES LIMITED</b>		<b>(3,078,670)</b>	(1,285,170)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	22	<b>(1.3)</b>	(1.0)

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

YEAR ENDED 30 JUNE 2016	Notes	Consolidated 2016 \$	Consolidated 2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	3,612,918	564,733
Trade and other receivables	8	1,714,033	167,192
<b>TOTAL CURRENT ASSETS</b>		<b>5,326,951</b>	<b>731,925</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	9	12,666	20,769
Tenement acquisition costs	10	967,528	2,801,086
<b>TOTAL NON-CURRENT ASSETS</b>		<b>980,194</b>	<b>2,821,855</b>
<b>TOTAL ASSETS</b>		<b>6,307,145</b>	<b>3,553,780</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	393,346	227,967
<b>TOTAL CURRENT LIABILITIES</b>		<b>393,346</b>	<b>227,967</b>
<b>TOTAL LIABILITIES</b>		<b>393,346</b>	<b>227,967</b>
<b>NET ASSETS</b>		<b>5,913,799</b>	<b>3,325,813</b>
<b>EQUITY</b>			
Contributed equity	12	31,399,916	25,733,440
Reserves	13	409,313	317,251
Accumulated losses		(25,895,430)	(22,724,878)
<b>TOTAL EQUITY</b>		<b>5,913,799</b>	<b>3,325,813</b>

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



<b>YEAR ENDED 30 JUNE 2016</b>						
	Notes	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
		\$	\$	\$	\$	\$
<b>BALANCE AT 1 JULY 2014</b>		25,733,440	249,845	300,465	(21,671,912)	4,611,838
Loss for the year		-	-	-	(1,295,706)	(1,295,706)
<b>OTHER COMPREHENSIVE INCOME</b>						
Exchange differences on translation of foreign operations		-	-	10,536	-	10,536
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>				10,536	(1,295,706)	(1,285,706)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>						
Options expired during the year			(242,740)		242,740	-
Options issued/vesting to employees	23	-	(855)	-	-	(855)
<b>BALANCE AT 30 JUNE 2015</b>		25,733,440	6,250	311,001	(22,724,878)	3,325,813
Loss for the year		-	-	-	(3,170,552)	(3,170,552)
<b>OTHER COMPREHENSIVE INCOME</b>						
Exchange differences on translation of foreign operations		-	-	91,882	-	91,882
<b>TOTAL COMPREHENSIVE INCOME</b>		-	-	91,882	(3,170,552)	(3,078,670)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>						
Shares issued during the year	12	5,957,649	-	-	-	5,957,649
Share issue transaction costs	12	(291,173)	-	-	-	(291,173)
Options issued/vesting to employees	23	-	180	-	-	180
<b>BALANCE AT 30 JUNE 2016</b>		31,399,916	6,430	402,883	(25,895,430)	5,913,799

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

YEAR ENDED 30 JUNE 2016	Notes	Consolidated 2016	Consolidated 2015
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(1,018,517)	(831,404)
Expenditure on mining interests		(101,948)	(736,872)
R&D Tax Incentive	4	-	242,913
Interest received		7,361	36,049
Other revenue		-	7,889
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	21	<b>(1,113,104)</b>	<b>(1,281,425)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Prepayment for mining asset acquisition		(250,000)	-
Proceeds from sale of plant and equipment		-	243,068
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(250,000)</b>	<b>243,068</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of ordinary shares		4,639,690	-
Payments of share issue costs		(232,000)	-
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>4,407,690</b>	<b>-</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,044,586</b>	<b>(1,038,357)</b>
Cash and cash equivalents at the beginning of the financial year		564,733	1,588,439
Effects of exchange rate changes on cash and cash equivalents		3,599	(14,651)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>3,612,918</b>	<b>564,733</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the 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 30 September 2016. 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 of 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

#### **(iii) Early adoption of standards**

The Group did not elect to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

#### **(iv) Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which have been measured at fair value.

### **(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 2016 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.

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

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.

**(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**

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

## **(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 on the basis of 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 on the basis of 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.

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.

## **(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 17). 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 assets**

Goodwill and 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 date.

**(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**

**Classification**

The Group classifies all of its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

**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 the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income.





## 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.

## 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 is 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.

## (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 is 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) 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.

### **(n) 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.

### **(o) 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 23.

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 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.

## **(p) 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.

## **(q) Earnings per share**

### **(i) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit 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.

## **(r) 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.

## **(s) Comparative figures**

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

## **(t) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods 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 9 Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

Amendments to AASB 9 (December 2009 & 2010 editions) (AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are described below.

- (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
  - The remaining change is presented in profit or loss

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in December 2014.

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on or after 1 January 2015.



Based on the financial assets and liabilities currently held, the Group does not anticipate any impact on the financial statements upon adoption of this standard. The Group does not presently engage in hedge accounting.

## **AASB 15 Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).**

In May 2014, the IASB issued IFRS 15 Revenue from *Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations (IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- a) Step 1: Identify the contract(s) with a customer
- b) Step 2: Identify the performance obligations in the contract
- c) Step 3: Determine the transaction price
- d) Step 4: Allocate the transaction price to the performance obligations in the contract
- e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

There will be no impact on the Group's financial position or performance.

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

The key features of AASB 16 are as follows:

### **Lessee accounting**

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonable certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- IFRS 16 contains disclosure requirements for lessees.

### **Lessor accounting**

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.

The effect of this amendment on the Group's financial statements has yet to be determined.

### **(u) 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 take into account 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 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.

#### **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 parts 1.h) and 1.l).



## **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 subsidiary companies is either the US dollar or 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) Commodity price risk**

Given the current level of operations, the Group's financial statements for the year ended 30 June 2016 are not exposed to commodity price risk.

#### **(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 \$3,612,918 (2015: \$564,733) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 1.22% (2015: 2.73%).

#### **Sensitivity analysis**

At 30 June 2016, if interest rates had changed by - 100 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 \$5,418 lower (2015: \$11,500 lower) as a result of lower or higher interest income from cash and cash equivalents.

At 30 June 2016, if interest rates had changed by + 100 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 \$5,418 higher (2015: \$11,500 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 (not market value) of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount due to their short term nature.

**3: SEGMENT INFORMATION**

For management purposes, the Group has identified only one reportable segment as exploration activities undertaken in West Africa. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location.

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

<b>EXPLORATION SEGMENT</b>	<b>Consolidated</b>	Consolidated
	<b>2016</b>	2015
	<b>\$</b>	<b>\$</b>
<b>Segment revenue</b>	-	-
Reconciliation of segment revenue to total revenue before tax:		
- Profit on sale of assets	-	86,718
- R&D Tax Incentive	-	242,913
- Interest revenue	<b>6,602</b>	31,352
- Other revenue	<b>44,244</b>	7,889
<b>TOTAL REVENUE</b>	<b>50,846</b>	368,872
Segment results	<b>(2,035,820)</b>	(600,081)
Reconciliation of segment result to net loss before tax:		
- Other corporate and administration	<b>(1,134,732)</b>	(695,625)
<b>NET LOSS BEFORE TAX</b>	<b>(3,170,552)</b>	(1,295,706)
<b>Segment operating assets</b>	<b>1,114,306</b>	2,962,066
Reconciliation of segment operating assets to total assets:		
- Other corporate and administration assets	<b>5,192,839</b>	591,714
<b>TOTAL ASSETS</b>	<b>6,307,145</b>	3,553,780
<b>Segment operating liabilities</b>	<b>73</b>	318
Reconciliation of segment operating liabilities to total liabilities:		
- Other corporate and administration liabilities	<b>393,273</b>	227,649
<b>TOTAL LIABILITIES</b>	<b>393,346</b>	227,967





#### 4: REVENUE

<b>From continuing operations</b>		
Other revenue		
- Profit on sale of assets	-	86,718
- R&D Tax Incentive	-	242,913
- Interest revenue	6,602	31,352
- Gain on deconsolidation of subsidiary	22,071	-
- Other revenue	22,173	7,889
	<b>50,846</b>	<b>368,872</b>

(1) The Group has realised a gain on deconsolidation of Niger SARL, being the recognition of the associated foreign currency translation reserve balance, upon formal completion of the deregistration process for this former subsidiary entity.

#### 5: EXPENSES

<b>Loss before income tax includes the following specific expenses:</b>		
Defined contribution superannuation expense	32,781	38,144
Minimum lease payments relating to operating leases	47,131	51,120

#### 6: INCOME TAX

<b>(a) Income tax expense</b>		
Current tax	-	-
Deferred tax	-	-
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	(3,170,552)	(1,295,706)
Prima facie tax benefit at the Australian tax rate of 30%	(951,166)	(388,712)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Foreign loss (West Africa impairment – excluded)	583,002	-
Section 40-880	(42,173)	(68,028)
Share-based payments	54	(257)
Sundry items	(7,209)	356
Other items	37,569	47,942
	<b>(379,923)</b>	<b>(408,699)</b>
Movements in unrecognised temporary differences	36,746	(41,586)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	343,176	450,285
Income tax expense	-	-



**(c) Unrecognised deferred tax assets**

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 total deferred tax asset was \$9,151,141 as at 30 June 2016 and the attributable loss for the year was \$2,149,514.

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**

	Consolidated	Consolidated
	2016	2015
	\$	\$
Cash at bank and in hand	3,592,918	490,533
Short-term deposits	20,000	74,200
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	3,612,918	564,733

Cash and cash equivalents at 30 June 2016 comprises A\$3,605,810 (2014: A\$549,282), 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.

**8: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES**

Trade Debtors	52,813	86,262
Bad Debt Provision	(48,504)	(48,504)
Prepaid tenement acquisition costs	250,000	127,912
Funds held on trust <sup>(1)</sup>	1,388,762	-
Other	70,962	1,522
	1,714,033	167,192

(1) Represents funds held on trust by the Company's share registry in relation to the Entitlement's Issue for which shares were issued on 30 June 2016.



## 9: NON-CURRENT ASSETS - PLANT AND EQUIPMENT

<b>PLANT AND EQUIPMENT</b>		
Cost	<b>467,399</b>	457,395
Accumulated depreciation	<b>(454,733)</b>	(436,626)
Net book amount	<b>12,666</b>	20,769
<b>PLANT AND EQUIPMENT</b>		
Opening net book amount	<b>20,769</b>	261,251
Exchange differences	<b>571</b>	(2,998)
Disposals	<b>-</b>	(175,010)
Depreciation charge	<b>(8,674)</b>	(62,474)
Closing net book amount	<b>12,666</b>	20,769

## 10: NON-CURRENT ASSETS – TENEMENT ACQUISITION COSTS

	<b>Consolidated</b>	Consolidated
	<b>2016</b>	2015
	<b>\$</b>	\$
Tenement acquisition costs carried forward in respect of mining areas of interest		
Opening net book amount	<b>2,801,086</b>	2,838,709
Exchange variances	<b>109,782</b>	17,542
Impairment of capitalised tenement acquisition costs	<b>(1,943,340)</b>	(55,165)
Closing net book amount	<b>967,528</b>	2,801,086

## 11: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	<b>65,295</b>	97,746
Other payables and accruals	<b>328,051</b>	130,221
	<b>393,346</b>	227,967

## 12: ISSUED CAPITAL

### (a) Share capital

	Notes	2016		2015	
		Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	12(b), 12(d)	459,318,295	31,399,916	124,987,349	25,733,440
Total issued capital		459,318,295	31,399,916	124,987,349	25,733,440

### (b) Movements in ordinary share capital

Beginning of the financial year	124,987,349	25,733,440	124,987,349	25,733,440
Issued for cash at 0.4 cents per share	125,856,904	503,428	-	-
Issued for cash at 1.0 cent per share	40,000,000	400,000	-	-
Issued for cash at 3.0 cents per share	168,474,042	5,054,221	-	-
Share issue transaction costs	-	(291,173)	-	-
End of the financial year	459,318,295	31,399,916	124,987,349	25,733,440

### (c) Movements in options on issue

	Number of options	
	2016	2015
Beginning of the financial year	800,000	16,525,000
Issued, exercisable at 10 cents, on or before 7 August 2017	-	600,000
Issued, exercisable at 15 cents, on or before 7 August 2017	-	600,000
Issued, exercisable at 20 cents, on or before 7 August 2017	-	600,000
Expired on 1 November 2014, exercisable at 51.0 cents	-	(275,000)
Expired on 1 November 2014, exercisable at 53.0 cents	-	(200,000)
Expired on 15 December 2014, exercisable at 56.0 cents	-	(300,000)
Expired on 31 December 2014, exercisable at 25.0 cents	-	(250,000)
Expired on 31 December 2014, exercisable at 37.5 cents	-	(250,000)
Expired on 31 December 2014, exercisable at 50.0 cents	-	(250,000)
Cancelled, exercisable at 15 cents, on or before 7 August 2017	-	(500,000)
Cancelled, exercisable at 20 cents, on or before 7 August 2017	-	(500,000)
Expired on 30 June 2015, exercisable at 25.0 cents	-	(150,000,000)
End of the financial year	800,000	800,000

### (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.



**(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 2016 and 30 June 2015 are as follows:

	<b>Consolidated</b>	Consolidated
	<b>2016</b>	2015
	<b>\$</b>	\$
Cash and cash equivalents	<b>3,612,918</b>	564,733
Trade and other receivable	<b>1,714,033</b>	167,192
Trade and other payables	<b>(393,346)</b>	(227,967)
Working capital position	<b>4,933,605</b>	503,958

**13: RESERVES AND ACCUMULATED LOSSES**

**(a) Reserves**

Foreign currency translation reserve	<b>402,883</b>	311,001
Share-based payments reserve (see note 23)	<b>6,430</b>	6,250
	<b>409,313</b>	317,251

**(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 of.

(ii) Share-based payments reserve

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

**14: DIVIDENDS**

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

## 15: 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	Consolidated
	2016	2015
	\$	\$
<b>(a) Audit services</b>		
Greenwich & Co – audit and review of financial reports	19,000	24,000
Total remuneration for audit services	19,000	24,000
<b>(b) Non-audit services</b>		
Greenwich & Co – taxation compliance services	1,000	3,000
Total remuneration for other services	1,000	3,000

## 16: CONTINGENCIES

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

## 17: 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:

within one year	60,000	1,200,000
later than one year but not later than five years	40,000	1,800,000
	100,000	3,000,000

### (b) Lease commitments: Group as lessee

Operating leases (non cancellable):		
Minimum lease payments		
within one year	-	38,301
later than one year but not later than five years	-	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	-	38,301

The property lease, which expired during the reporting period, was a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement required the minimum lease payments to increase in accordance with CPI movements on each annual anniversary of the commencement date. An option existed, which was not taken, to renew the lease at the end of the three-year term for an additional term of two years. The lease allowed for subletting of all lease areas.



**18: 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 19.

**(c) Key management personnel compensation**

	<b>Consolidated</b>	Consolidated
	<b>2016</b>	2015
	<b>\$</b>	\$
Short-term benefits	<b>273,927</b>	273,927
Post-employment benefits	<b>23,173</b>	23,173
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<b>297,100</b>	297,100

Detailed remuneration disclosures are provided in the remuneration report on pages 15 to 19.

**(d) Transactions and balances with other related parties**

DWCorporate Pty Ltd, a business of which Mr Wilkins is principal, provided company secretarial, bookkeeping and other corporate 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 2016 there was nil (2015: nil) owing to DWCorporate Pty Ltd.

Mr Nicholls is a director and 35% shareholder of PowerXplor Ltd, which owns Sahara Mining Services SARL. As part of a cost sharing arrangement between Sahara Mining Services SARL and Middle Island Resources, the two companies shared administration and exploration costs during the year; with Middle Island recharging \$40,112 to Sahara Mining Services SARL during the year ended 30 June 2016 (2015: \$83,526). The amounts paid by Sahara Mining Services SARL to Middle Island Resources were on arms' length commercial terms.

Mr Yeates is a director and shareholder of Atherton Resources Ltd (previously Mungana Goldmines Ltd). As part of a cost sharing arrangement between Atherton Resources Ltd and Middle Island Resources, the two companies have shared office space in West Perth resulting in Middle Island recharging \$14,923 to Atherton Resources Ltd during the year ended 30 June 2016 (2015: \$7,405). The amounts paid by Atherton Resources Ltd to Middle Island Resources were on arms' length commercial terms.

Included in trade and other receivables at 30 June 2016 is a nil balance (2015: \$12,550) owed by Sahara Mining Services SARL and a nil balance (2015: \$2,715) owed by Atherton Resources Ltd, in relation to the above cost sharing arrangements.

Kirk Mining Consultants Pty Ltd, a business of which Mr Kirk is principal, invoiced \$24,860 (2015: nil) of consulting services to the Middle Island Group during the year. The amounts paid were on arms' length commercial terms. At 30 June 2016 there was \$7,205 (2015: nil) owing to Kirk Mining Consultants Pty Ltd.

**(e) Loans to related parties**

Middle Island Resources Limited has provided unsecured, interest free loans to each of its wholly owned subsidiaries totalling \$15,870,975 at 30 June 2016 (2015: \$19,451,738). 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. The loans were fully impaired as at 30 June 2016.

**19: 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 <sup>(1)</sup>	
			2016	2015
			%	%
Middle Island Resources – Burkina Faso SARL	Burkina Faso	Ordinary	100	100
Middle Island Resources – Liberia Limited	Liberia	Ordinary	-	100
Middle Island Resources – Sandstone Operations Pty Ltd <sup>(2)</sup>	Australia	Ordinary	100	-

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

(2) This company was incorporated on 12 April 2016 with Middle Island being and remaining the sole shareholder.

**20: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

The Company completed the 100% acquisition of the Sandstone gold project in WA on 11 July 2016, following shareholder approval of the transaction at a general meeting of the Company held on 24 June 2016 and satisfaction of other Conditions Precedent. The assets acquired (on an ‘as is, where is’ basis, with no warranties being provided by the vendor) were:

- (a) two granted mining leases (M57/128 and M57/129) situated within the Sandstone greenstone belt;
- (b) JORC Code 2004 indicated and inferred mineral resources, which the Company intends to take into production in the near term (following, and subject to the results of, a pre-feasibility study);
- (c) the Sandstone Mill (currently on care and maintenance), a licensed tailings facility, permitted bore field, fuel tanks, workshops, water supply equipment, stockpiles, offices and a substantial inventory of mill stores and spares;
- (d) three well equipped camps on, and including, freehold titles located in the township of Sandstone; and
- (e) multiple brownfield exploration targets.

The purchase price was comprised of a cash deposit of \$250,000 (paid on 9 May 2016), a cash payment of \$1,250,000 on completion (11 July 2016) and the following deferred payments:

- (a) \$500,000, payable within 28 days of the receipt of proceeds from the first sale of gold produced from the Sandstone Assets; and
- (b) the “Deferred Payment” of \$500,000, pa.

The tenements acquired are 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 to Troy Resources and a royalty of A\$1 per tonne of ore mined and treated from M57/129 to Herald Resources Ltd and National Resources Exploration Limited.





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 between Troy Resources NL, International Annax Ventures Inc and Herald Resources Ltd (**Annax Sale Deed**) a royalty may be payable in relation to a portion of any gold produced from the Sandstone tenements. Royalties payable under the Annax 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 Annax 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 Annax 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. This is being investigated further and the Company will inform the market if and as soon as the status of that potential further royalty has been resolved.

In satisfaction of a corporate advisory fee in relation to the Sandstone acquisition above, the Company issued 9,708,738 fully paid ordinary shares on 11 July 2016 at a deemed issued price of \$0.0103 per share. The fee was included as an accrued expense at the reporting date and recognised in the profit or loss.

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.

## **21: STATEMENT OF CASH FLOWS**

	<b>Consolidated</b>	Consolidated
	<b>2016</b>	2015
	\$	\$
<b>Reconciliation of net loss after income tax to net cash outflow from operating activities</b>		
Net loss for the year	<b>(3,170,552)</b>	(1,295,706)
<b>Non cash items</b>		
Depreciation of non current assets	<b>8,674</b>	62,474
Share-based payments	<b>180</b>	(855)
Accounting profit on sale of asset	-	(86,718)
Impairment of capitalised tenement acquisition costs	<b>1,943,340</b>	55,165
Impairment of receivables	<b>125,660</b>	-
Net gain on deconsolidation of subsidiary	<b>(22,071)</b>	-
<b>Change in operating assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	<b>(663,714)</b>	(115,133)
Increase/(decrease) in trade and other payables	<b>165,379</b>	99,348
Net cash outflow from operating activities	<b>(1,613,104)</b>	(1,281,425)



## 22: LOSS PER SHARE

	Consolidated	Consolidated
	2016	2015
	\$	\$
<b>(a) Reconciliation of earnings used in calculating loss per share</b>		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	(3,170,552)	(1,295,706)

	Consolidated	Consolidated
	Number of shares	Number of shares
<b>(b) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	246,500,535	124,987,349

### (c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2015, 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 in the future.



## 23: SHARE-BASED PAYMENTS

### a) Options issued to employees

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 prices of the options granted and on issue as at 30 June 2016 range from 10 cents to 20 cents per option and expire on 7 August 2017.

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.

	Consolidated			
	2016		2015	
	Number of options	Weighted Average Exercise Price cents	Number of options	Weighted Average Exercise Price cents
Outstanding at the beginning of the financial year	800,000	11.9	3,325,000	29.0
Granted	-	-	-	-
Forfeited/cancelled	-	-	(1,000,000)	17.5
Exercised	-	-	-	-
Expired/lapsed	-	-	(1,525,000)	45.6
Outstanding at year-end	800,000	11.9	800,000	11.9
Exercisable at year-end	800,000	11.9	700,000	10.7

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 0.7 years (2015: 1.7 years), and the exercise prices range from 10 to 20 cents.

No options were granted during the 2016 or 2015 financial years.

### b) Expenses arising from share-based payment transactions

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

	Consolidated	
	2016	2015
	\$	\$
Options granted to/vesting with employees (including directors) as part of share-based payments	180	(855) <sup>(1)</sup>

(1) The \$855 is the difference between a share-based payments expense reversal of \$1,571 recognised for the options cancelled in 2015 and a share-based payments expense amount of \$716 recognised for the options granted or vesting during the year.

## 24: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Middle Island Resources Limited, at 30 June 2016. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	<b>Consolidated</b>	Consolidated
	<b>2016</b>	2015
	<b>\$</b>	<b>\$</b>
Current assets	<b>5,320,379</b>	588,838
Non-current assets	<b>372</b>	130,787
<b>Total assets</b>	<b>5,320,751</b>	719,625
Current liabilities	<b>393,273</b>	227,649
<b>Total liabilities</b>	<b>393,273</b>	227,649
Contributed equity	<b>31,399,916</b>	25,733,440
Share-based payments reserve	<b>6,430</b>	6,250
Accumulated losses	<b>(26,478,868)</b>	(25,247,714)
<b>Total equity</b>	<b>4,927,478</b>	491,876
Loss for the year	(1,231,154)	(989,083)
<b>Total comprehensive loss for the year</b>	<b>(1,231,154)</b>	(989,083)



In the directors' opinion:

1. the financial statements comprising the statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and accompanying notes set out on pages 24 to 51 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 and the consolidated entity's financial position as at 30 June 2016 and of their performance for the financial year ended on that date;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
3. the remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2016, comply with Section 300A of the *Corporations Act 2001*; and
4. 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, 30 September 2016



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

## Independent Auditor's Report

To the members of Middle Island Resources Limited

### Report on the Financial Report

We have audited the accompanying financial report of Middle Island Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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 then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Middle Island Resources Limited comprising the entity and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



*Opinion*

In our opinion:

- (a) the financial report of Middle Island Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.

*Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 4 to 8 of the directors' report for the year ended 30 June 2016. 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 in accordance with Australian Auditing Standards.

*Opinion*

In our opinion, the Remuneration Report of Middle Island Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Greenwich & Co Audit Pty Ltd

**Greenwich & Co Audit Pty Ltd**

Nicholas Hollens

**Nicholas Hollens**  
Managing Director

30 September 2016

Perth

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 September 2016.

**(a) Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

			Ordinary shares	
			Number of holders	Number of shares
1	-	1,000	33	6,275
1,001	-	5,000	38	118,071
5,001	-	10,000	58	471,589
10,001	-	100,000	307	12,144,286
100,001		and above	251	456,286,812
			687	469,027,033
The number of shareholders holding less than a marketable parcel of shares are:			84	201,960





## (b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of Shares	Percentage of ordinary shares
1	Quenda Investments Pty Ltd	37,333,334	7.96
2	Mr Craig Manners	23,699,989	5.05
3	Mr Rex Seager Harbour	22,669,803	4.83
4	Lomacott Pty Ltd	21,000,000	4.48
5	Laguna Bay Capital Pty Ltd	17,851,679	3.81
6	Amazon Consultoria em Miner....	13,600,000	2.90
7	JP Morgan Nominess Australia	11,156,378	2.38
8	Northern Griffin Pty Ltd	10,800,000	2.30
9	BT Portfolio Services Limited	10,000,000	2.13
10	BPM Commodities Limited	10,000,000	2.13
11	Diamantina Resources Pty Ltd	9,333,334	1.99
12	EMS Arcadia Pty Ltd	9,073,977	1.93
13	BPM Commodities Limited	8,700,000	1.85
14	HSBC Custody Nominees	7,712,688	1.64
15	CS Fourth Nominees Pty Limited	7,284,458	1.55
16	Darley Pty Limited	7,000,000	1.49
17	UBS Nominees Pty Ltd	6,807,112	1.45
18	Henconnor Pty Ltd	6,647,482	1.42
19	Key Glory Investments Pty Ltd	6,605,806	1.41
20	Jetosea Pty Ltd	6,382,221	1.36
		<b>253,658,261</b>	<b>54.06</b>

## (c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares Disclosed in the Substantial Holding Notice
Mr Richard Yeates	37,333,334
Mr Craig Manners	23,699,989
Lomacott Pty Ltd <The Keogh Super Fund A/C>	21,000,000
Amazon Consultoria Em Mineracao E Servicos	13,600,000

**(d) Voting rights**

All ordinary shares carry one vote per share without restriction.

**(e) Schedule of interests in mining tenements**

Location	Tenement	Percentage held / earning
Burkina Faso	Pouni II	100%
Burkina Faso	Dassa	Pending extension
Burkina Faso	Didyr	Pending extension
Burkina Faso	Dassa Sud	100%
Burkina Faso	Nebya	100%
Burkina Faso	Bissou	Pending extension
Burkina Faso	Gossina	Pending extension
Niger	Dogona	earning 90%
Niger	Boulkagou	earning 90%
Niger	Nassilé	100%
Niger	Kakou	100%
Niger	Tialkam	on reapplication
Niger	Deba	on reapplication
Niger	Boksay	earning 51% to 70%
Australia	M57/128	100%
Australia	M57/129	100%

**(f) Unquoted Securities**

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class	
			Holder Name	Number of Securities
Unlisted 10 cents Options, expiry 7 August 2017	600,000	2	Mr A Chubb	500,000
Unlisted 15 cents Options, expiry 7 August 2017	100,000	1	Mr A Douyere	100,000
Unlisted 20 cents Options, expiry 7 August 2017	100,000	1	Mr A Douyere	100,000

## 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

Ground Floor, 20 Kings Park Road  
WEST PERTH WA 6005

### Principal Place of Business

Unit 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 Registrars Pty Ltd  
70 Canning Highway  
APPLECROSS WA 6153

### Auditors

Greenwich & Co  
Level 2, 35 Outram Street  
WEST PERTH WA 6005

### Email

[info@middleisland.com.au](mailto:info@middleisland.com.au)

### Internet Address

[www.middleisland.com.au](http://www.middleisland.com.au)

### Stock Exchange Listing

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

**Middle Island Resource Limited**

Unit 1, 2 Richardson Street  
West Perth WA 6005