



Middle Island

RESOURCES LIMITED

Middle Island Resources Limited
ACN 142 361 608

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QUARTERLY REPORT

For the period ended 31 March 2017

HIGHLIGHTS

Middle Island Resources Ltd
ACN 142 361 608

ASX Code: MDI

Office:

Suite 1, 2 Richardson Street
WEST PERTH WA 6005
Western Australia

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Capital Structure:

586 million shares
38,300,000 options

Board Members:

Peter Thomas

Chairman

Rick Yeates

Managing Director

Beau Nicholls

Non-Executive Director

Dennis Wilkins

Company Secretary

- Cash at 31 March 2017 of A\$2.75 million.
- Weights of Evidence targeting study completed, identifying two new high priority targets and numerous smaller and/or lower priority targets within the Company's Sandstone gold project in WA.
- An infill gravity survey was undertaken to refine the extent of known and interpreted intrusives in the north-western half of the Sandstone gold project area.
- Reverse Circulation (RC) drilling commenced at the end of March at Sandstone's Macintyre prospect, with a view to confirming and extending shallow oxide gold mineralisation identified in previous RAB drilling.
- Diamond drilling also commenced the same week at the project's Two Mile Hill deposit to test deeper tonalite-hosted and BIF-hosted gold targets.
- Re-estimation of resources associated with deeper portions of the Two Mile Hill tonalite deposit and the adjacent high-grade BIF-hosted mineralisation commenced during the March quarter, prior to underground mining concept studies.
- Significant progress has been made in negotiations on acquiring adjacent permits that host quantified resources and exploration potential during the quarter.
- The above activities are entirely consistent with Middle Island's objective of extending and enhancing the planned production profile at the Sandstone project with a view to re-commissioning the gold operation at the earliest opportunity.

Operating Activities

Corporate

Finance

Middle Island Resources Limited (ASX:MDI, Middle Island or the Company) had a cash balance of A\$2.75 million as at 31 March 2017.

Middle Island completed a Placement on 1 March 2017 to existing institutional and sophisticated shareholders of 117,256,757 fully paid ordinary shares at A\$0.015 per share to raise \$1,758,851 before costs. The proceeds from the Placement are being used to advance the revised exploration and development strategy for the Company's wholly-owned Sandstone gold project in Western Australia, and for working capital.

Strategy

The primary objective of Middle Island's current strategy is to recommission the Sandstone gold operation at the earliest opportunity. The initial priority is to identify near-term, higher grade resources that can be incorporated into the front end of the proposed PFS production schedule.

This strategy is being progressed via a multi-faceted approach in order to increase the likelihood of success, variously via the following:-

- A Targeting Study;
- An underground mining Concept Study;
- RC drilling of greenfields gold targets;
- Diamond core drilling of brownfields targets;
- Assessment of adjacent permits which host additional quantified resources and exploration potential, and
- Reviews of third-party gold deposits within the broader Sandstone district.

While not all aspects of the strategy can be expected to prove successful, the Company remains confident that a combination of these approaches will ultimately lead to recommissioning and gold production. Each aspect of the strategy is being regularly reassessed to ensure funding is directed appropriately.

Substantial progress was made on each of these strategic elements during the March quarter.

At the Reo gold project in Burkina Faso, West Africa the focus has been on securing permit renewals and extensions, following which the Company will continue to evaluate appropriate divestment opportunities or recommence exploration in its own right.

Sandstone Gold Project (100%) – Western Australia

Sterilisation RC Resampling

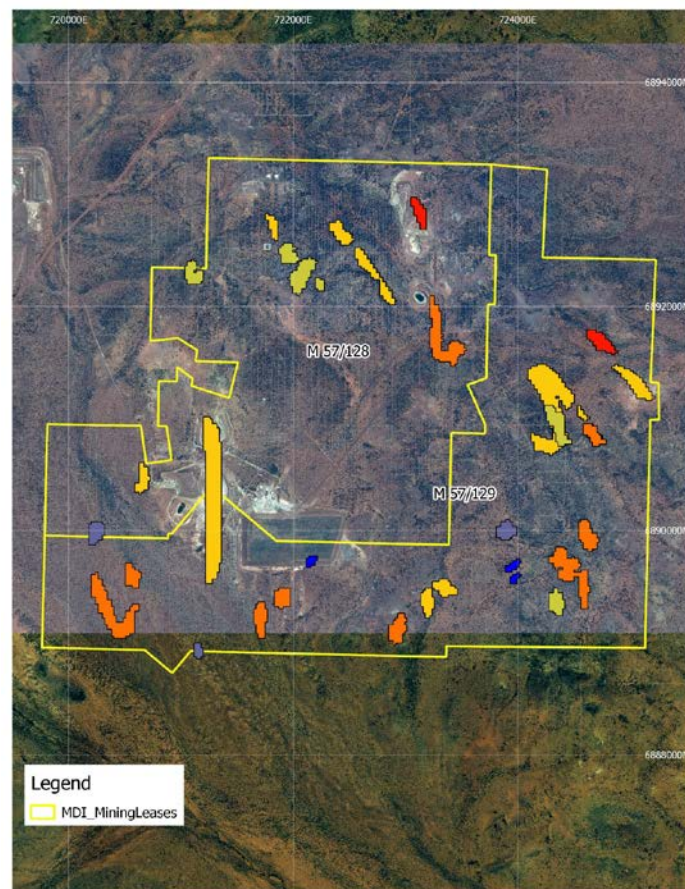
Resampling of the composite interval of **4m at 17.6g/t Au (duplicate of 4m at 21.6g/t Au)** generated during sterilisation RC drilling of the planned Two Mile Hill waste dump extension, returned an intercept of **1m at 161g/t Au** from a down-hole depth of 48m.

Mineralisation is associated with a folded chert horizon within basalts to the northwest of the Two Mile Hill deposit at the Turley prospect that will be the subject of planned infill RC drilling later in the year. **Although unexpected, the result is indicative of the prolific nature of high grade gold mineralisation encountered throughout the Sandstone Project.**

Targeting Study

A weights of evidence targeting study completed during the March quarter has identified multiple new targets within the Sandstone Project, including two larger, higher-weighted targets (see Figure 1). The first and highest priority target lies to the south of the Twin Shafts, Eureka and Plum Pudding deposits in the southwest corner of the project, beneath a veneer of alluvial sheet-wash. The second key target, also of significant extent, lies to the southeast of the Shillington deposit.

Figure 1
Weights-of-evidence heat mapping, with higher priority targets exhibiting hotter colours.



Middle Island Resources
 Sandstone Operation
 WOE Targeting Study
 GD484 MGA Zone 50

500 0 500 1000 m

North



The above targets, along with numerous smaller or lower priority opportunities are being reviewed against the exploration database to determine the extent and veracity of existing exploration results (if any), and the optimum approach to on-going exploration. Once this process has been completed, all opportunities will be assessed to ensure exploration priorities are recalibrated where required.

Infill Gravity Survey

A ground gravity survey, designed to infill the existing 400m x 200m survey on a 100m x 50m pattern, was also completed during the March quarter at the Sandstone gold project. The infill survey was a key recommendation of the recently completed targeting study, in order to refine the resolution of known and interpreted syntectonic, felsic intrusive bodies that have been identified as a key element controlling the location of gold mineralisation within the project.

The survey was undertaken over the north-western half of the project, with two rounds of infill surveying completed over higher priority targets. The results are being processed and the interpretation will be finalised in the June quarter.

RC Drilling – Macintyre Prospect

Reverse circulation percussion (RC) drilling commenced at the Macintyre prospect late in the March quarter. The programme (including minor infill drilling at the north-eastern extremity of the Two Mile Hill open pit deposit) comprised 33 holes (2,335m) in two adjacent areas, where previous RAB drilling identified shallow, sub-horizontal to shallow northeast dipping, gold mineralisation hosted within structurally disrupted, south-eastern extensions of the Shillington BIF sequence.

The RC drilling programme is designed to identify and quantify additional shallow gold mineralisation that may contribute towards the early re-commissioning of the Sandstone gold processing operation.

The programme was completed in mid-April and assay results are anticipated to be finalised later in the June quarter.

Diamond Drilling – Two Mile Hill Prospect

Diamond drilling commenced at the Two Mile Hill prospect late in the March quarter. The programme comprised two deep holes of 450m and 500m respectively (see Figure 2 below) designed to achieve two key objectives.

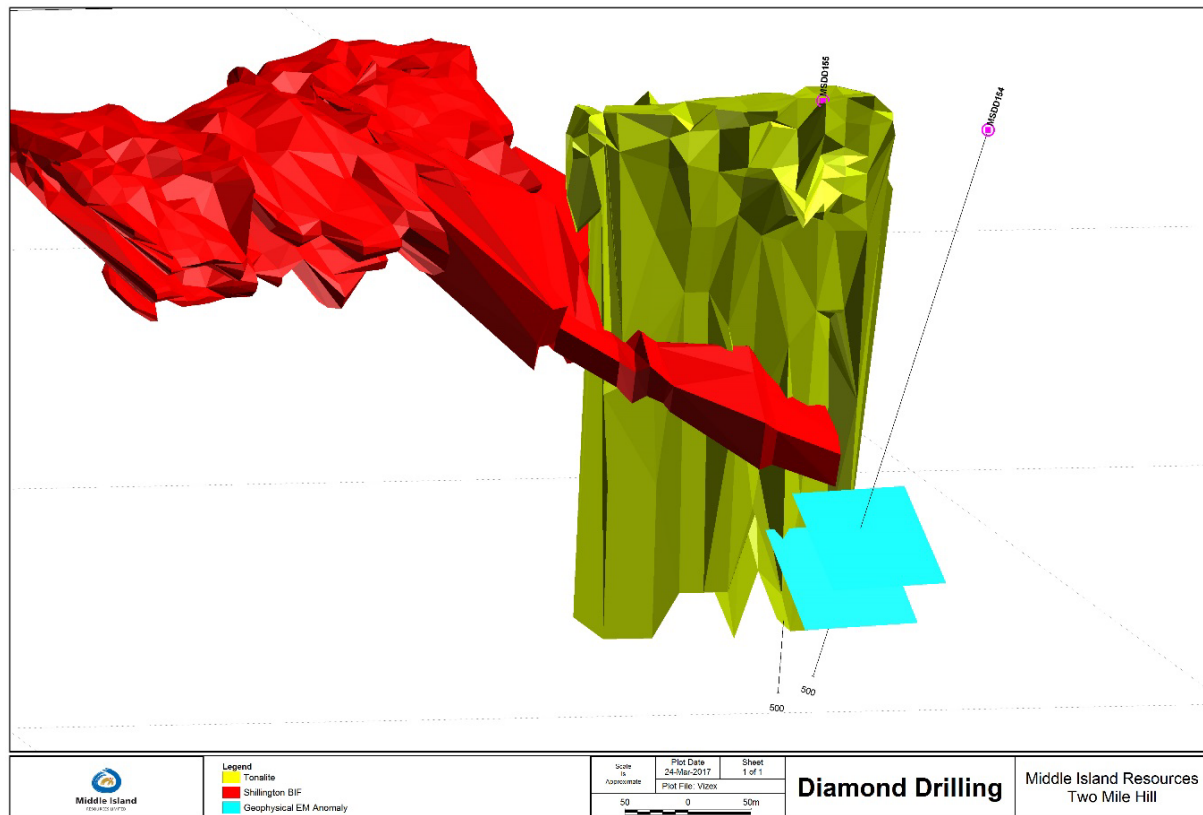
The first hole (MSDD154) was targeted on dual electromagnetic (EM) plates that are interpreted to represent lenses of massive pyrite replacement associated with gold mineralisation within the deeper elements of the Shillington BIF package, adjacent to (and intruded by) the north-eastern contact of the Two Mile Hill tonalite. This style of mineralisation is consistent with broad intervals of high grade gold encountered along the western margin of the tonalite.

The second hole (MSDD155) was designed to test the depth extent of sheeted vein/stockwork gold mineralisation within the northern extremity of the Two Mile Hill tonalite, below the realms of any open pit cutback, with a view to confirming the persistence of gold mineralisation at considerably greater depth than previous drilling and assess the target's potential as a possible sub-level caving (underground mining) opportunity.

The diamond drilling represents the initial phase of the Company's successful Exploration Incentive Scheme (EIS) application, under which 50% of the direct drilling costs (to a maximum of \$150,000) are to be reimbursed by the State Government.

The diamond drilling programme was completed in mid-April and assay results should be finalised later in the June quarter.

Figure 2
Isometric view of the Two Mile Hill area showing the Shillington BIF package (red), the tonalite stock (green) and the dual EM plates (blue), along with traces of the two planned diamond drill holes.



Two Mile Hill Deeps Resource Update & Mining Concept Study

Updated resource estimates, consistent with the 2012 JORC Code guidelines, are in progress on deeper portions of the Two Mile Hill tonalite-hosted mineralisation (below 140m depth), along with the high grade BIF-hosted deposit situated along the western contact of the tonalite.

The updated resource estimates will feed into an underground concept study to look at selective mining (notionally via a decline from the proposed Two Mile Hill open pit cutback) of the high grade, BIF-hosted mineralisation in the first instance and, in the second instance, a high level review of the potential for underground mining (via sub-level caving) of the prolific tonalite-hosted gold mineralisation beneath the planned open pit cutback.

Reo Gold Project (100%) – Burkina Faso

Exploration

No exploration was undertaken at the Company's 100%-owned Reo gold project in Burkina Faso during the March quarter, pending the outcome of various permit extension and renewal applications.

Subject to tenure being confirmed, the continuing focus will be on identifying an appropriate partner to help fund the project through to feasibility. However, should a suitable transaction not be forthcoming, the Company plans to recommence exploration at Reo in its own right.

Tenure

Progress on the permit renewal and extension applications continues to be closely monitored.

Safety, Environmental & Social

Health, Safety & Environment

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

Drill sites in and around the Shillington and Two Mile area are being progressively rehabilitated in accordance with POW requirements.

Social

The Company continues to engage with the Shire of Sandstone, providing regular updates for Council meetings and presentations as required. The Company also sponsored a community cricket match at Sandstone in mid-April.

Contact with our host communities at the Reo project in Burkina Faso is being maintained to ensure they are informed of Middle Island's status.

Comment

I am very pleased to report that significant work was completed or commenced during the March quarter in progressing your Company's strategy to enhance and/or extend the planned production profile at the Sandstone gold project.

With respect to the recently completed RC and diamond drilling programmes, the proof will be in the assay results which, due to a significant gold fire assay backlog within the commercial laboratories, are not expected to be finalised until later in the June quarter.

I take this opportunity to once again extend the Board's thanks to our loyal shareholders for supporting the recent capital raising to advance the Company's strategy.

I look forward to updating shareholders with further progress on our strategy during the June quarter as results and opportunities come to hand.

COMPANY CONTACTS:

Rick Yeates – Managing Director +61 (0)401 694 313

MEDIA CONTACT:

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WEBSITE: www.middleisland.com.au

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 have been 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.



Middle Island Resources Limited (**Company**) advises the following information required under ASX Listing Rule 5.3.3:

Mining Tenements

Tenements	Mining tenements acquired during the quarter	Mining tenements disposed during the quarter	Mining tenements held at the end of the quarter	Tenements location
Pouni	-	-	100% - extension pending	Burkina Faso
Dassa	-	-	100% - extension pending	Burkina Faso
Didyr	-	-	100% - extension pending	Burkina Faso
Dassa Sud	-	-	100%	Burkina Faso
Nebya	-	-	100% - extension pending	Burkina Faso
Bissou	-	-	100% - extension pending	Burkina Faso
Gossina	-	-	100% - extension pending	Burkina Faso
M57/128	-	-	100%	Western Australia
M57/129	-	-	100%	Western Australia

Visit www.middleisland.com.au for further information and announcements.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Middle Island Resources Limited

ABN

70 142 361 608

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(324)	(1,809)
(b) development	-	-
(c) production	-	-
(d) staff costs	(79)	(266)
(e) administration and corporate costs	121	(510)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	11
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(280)	(2,574)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(4)	(1,419)
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(4)	(1,419)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,759	3,213
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(88)	(88)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,671	3,125

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,358	3,613
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(280)	(2,574)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(1,419)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,671	3,125
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,745	2,745

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,704	1,338
5.2 Call deposits	20	20
5.3 Bank overdrafts	-	-
5.4 Other (bank guarantee deposit)	21	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,745	1,358

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

67

-

Item 6.1 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	Nil	Nil
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	500	500
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Other – Vendor Finance under the Deferred Payment Agreement (Sandstone Acquisition). The vendors have agreed for a part of the acquisition consideration (\$500,000) to be deferred for 18 months from completion or 11 January 2018.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	700
9.2 Development	-
9.3 Production	-
9.4 Staff costs	100
9.5 Administration and corporate costs	140
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	940

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: *"sent electronically without signature
original signed version retained on
file"* Date: 28 March 2017
Chief Financial Officer

Print name: ...Stephen Jones

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.