



Middle Island

RESOURCES LIMITED

Middle Island Resources Limited
ACN 142 361 608

Suite 1, 2 Richardson Street
West Perth WA 6005
PO Box 1017
West Perth WA 6872
Tel +61 (08) 9322 1430
Fax +61 (08) 9322 1474
info@middleisland.com.au
www.middleisland.com.au

QUARTERLY REPORT

For the period ended 30 June 2019

HIGHLIGHTS

- Aggregated cash and liquid investments as at 30 Jun 2019 of A\$945,000.
- Takeover Offer for adjoining Sandstone gold play, Alto Metals Limited (Alto), extended to 30 September 2019.
- Current offer for Alto comprises an all scrip, off-market offer of 6 Middle Island ordinary shares for every 1 Alto ordinary share.
- Directors strongly believe the combined Middle Island-Alto gold assets offer shareholders of both entities a substantial growth opportunity via low start-up cost, near-term gold production, utilising Middle Island's existing Sandstone processing plant, along with significant, proximal resource upside and exploration potential.
- Geochemical aircore drilling program over Sandstone's southern Weights of Evidence (WoE) targets generated three cohesive gold anomalies, within 2.5km of the Company's 600,000tpa Sandstone gold processing plant.
- Subject to available funding, further aircore and reconnaissance RC drilling is planned to respectively extend and test the WoE anomalies.
- Initial reconnaissance RC drilling completed at the Agnes and Corktree targets, within the proximal Dandaraga property at Sandstone, with results expected during the September quarter.

Middle Island Resources Ltd
ACN 142 361 608

ASX Code: MDI

Office:

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

Postal Address:

PO Box 1017
West Perth WA 6872
Western Australia

T: +61 8 9322 1430

F: +61 8 9322 1474

E: info@middleisland.com.au

www.middleisland.com.au

Capital Structure:

1.047 billion shares
379 million options

Board Members:

Peter Thomas

Chairman

Rick Yeates

Managing Director

Beau Nicholls

Non-Executive Director

Dennis Wilkins

Company Secretary

Operating Activities

Corporate

Finances

Aspiring WA gold project developer, Middle Island Resources Limited (**ASX:MDI, Middle Island or the Company**), held aggregated cash and liquid investments of A\$945,000 as at 30 June 2019, comprising A\$565,000 in cash and A\$380,000 in Tajiri Resources Corporation (TSXV:TAJ) ordinary shares.

Takeover Offer by MDI for Alto Metals

Middle Island extended its Takeover Offer for fellow Sandstone regional gold play, Alto Metals Limited (**ASX:AME, Alto**) to 30 September 2019 (refer Fifth Supplementary Bidder's Statement of 26 July 2019). The **all scrip off-market takeover offer was also increased** from, initially, 5 Middle Island ordinary shares for every 1 Alto ordinary share (refer ASX Release of 1 March & Bidder's Statement of 10 April) to 6 Middle Island ordinary shares for every Alto ordinary share (refer Fourth Supplementary Bidder's Statement of 27 June 2019).

Alto's Mineral Resources are all located within 30km of Middle Island's Sandstone gold processing plant and are situated on, or proximal to, former haul roads that can be readily upgraded and re-permitted. This offers the potential to economically mine, haul to and process the Alto deposits at the Sandstone gold plant.

Middle Island Directors strongly believe the combined Middle Island-Alto gold assets offer a substantial growth opportunity for current and future shareholders of the Combined Group via low start-up costs and near-term gold production, utilising Middle Island's existing processing plant, along with the consolidation of significant gold resource upside and exploration potential within the combined entity's existing tenement footprint.

Middle Island believes that consolidating MDI's and AME's resources under a combined gold entity makes plain, commercial sense as it anticipates that this will:-

- Provide the critical mass of gold resources to further underpin the strategy to refurbish and recommission the Sandstone gold plant.
- Unlock and deliver value from the collective resources to deliver a new, self-sustaining WA gold mining company.
- Facilitate rational, production-funded exploration for the residual gold endowment of the Sandstone greenstone belt.
- Result in a synergistic increase in market profile, market capitalisation and liquidity, all leading to improved access to capital markets to fund growth opportunities.

Tenure

At the Sandstone Project, the Telegraph Prospecting Licence application (P57/1442) and Jew Well Exploration Licence application (E57/1102) were formally granted during the June quarter.



Strategy

The Company's activities during the June quarter 2019 continued to focus on the primary strategy, being to recommission its 100%-owned Sandstone gold processing plant at the earliest opportunity. This continues to involve a dual approach as follows:-

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

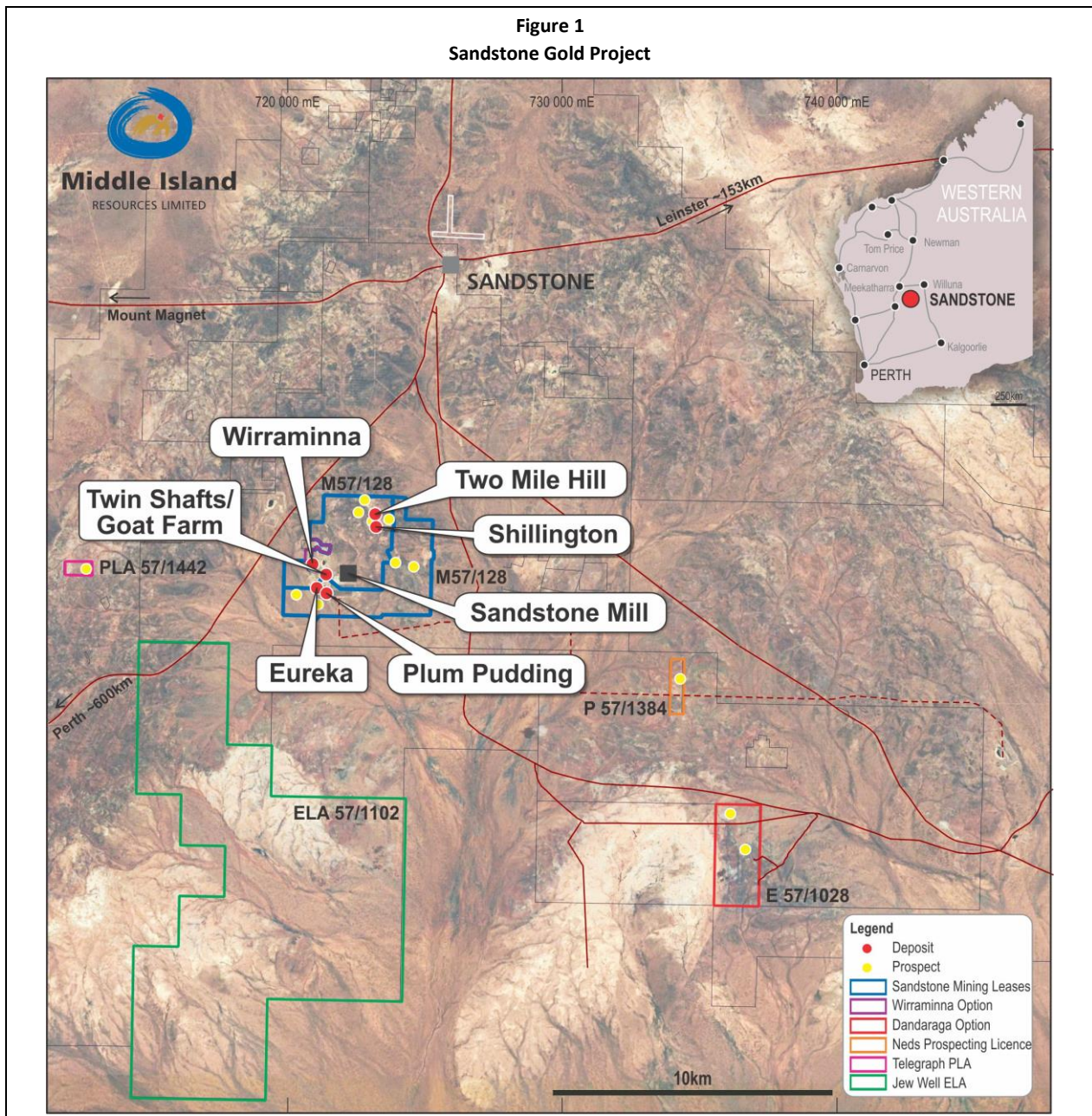
Success with either of these approaches would likely serve to underpin a recommissioning decision. The former, consolidation route, is currently preferred, as it circumvents the time and cost required for exploration and resource definition, with such activities in the current challenging equity market being better funded from the proceeds of gold production.

The takeover offer to Alto shareholders is entirely consistent with this strategy and affords Alto shareholders an unambiguous opportunity to join in a realistic, pragmatic and commercially sensible journey, at a time of ongoing sustained gold price strength, with the potential to realise a considerable additional premium over and above that inherent in the share ratio the subject of the offer.



Sandstone Gold Project (100%) – Western Australia

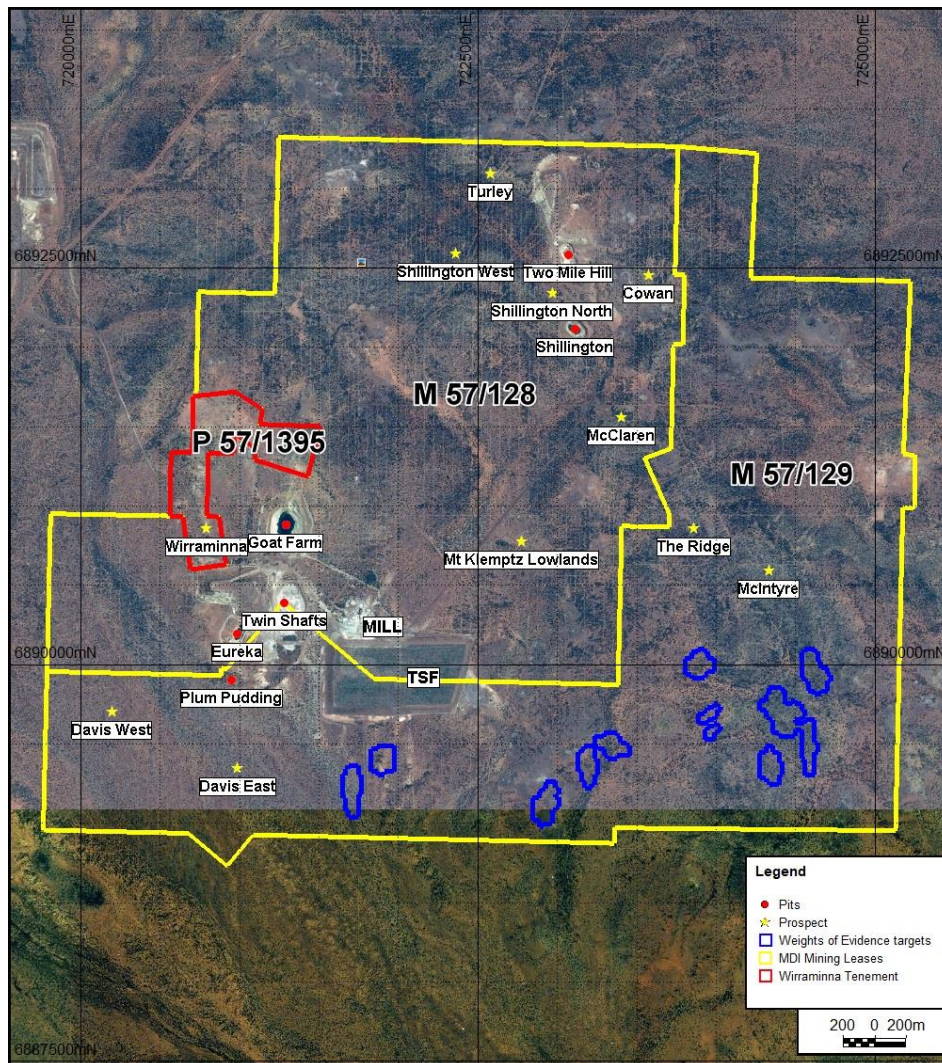
The Sandstone gold project is shown in Figure 1 below.



Weights of Evidence (WoE) Aircore Geochemical Drilling

During the June quarter, Middle Island completed a geochemical aircore drilling program at Sandstone to investigate 11 Weights of Evidence (WoE) targets in the project's southern area, generated from a targeting study completed by structural geologist, Dr Brett Davis of Orefind Pty Ltd, in 2017. These targets are situated in close proximity to five known gold deposits (Goat Farm, Twin Shafts, Eureka, Plum Pudding and Wirraminna) as shown in Figure 2 and, like the successful testing of the nearby Davis WoE targets, lie beneath a significant blanket (5-15m) of transported sheetwash cover that has discouraged previous exploration.

Figure 2
Location of the tested Weights of Evidence (WoE) targets



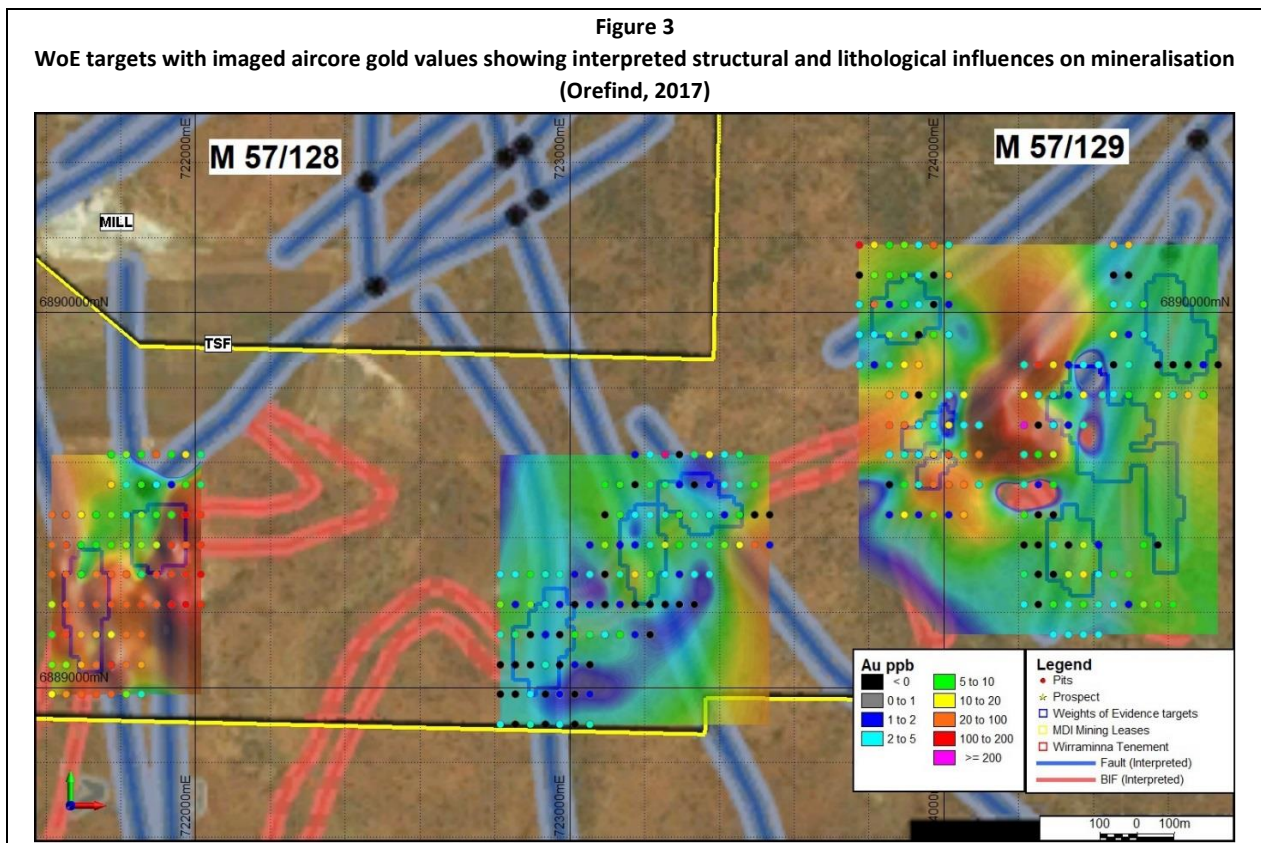
Phase 1 of an aircore geochemical sampling programme was completed over the southern WoE targets in order to penetrate the sheetwash cover to sample the interface between the transported and residual profiles – in effect, a soil sampling survey of the palaeo-surface. Drilling was completed on a 40m x 80m grid pattern in order to ensure adequate coverage over what can be small but, especially significant for MDI, very high grade gold targets in this vicinity.

Assay results for this work were received, compiled and reported early in the June quarter (refer ASX Release dated 18 April 2019).

The imaged gold geochemistry (Figure 3) demonstrates three significant anomalies, two to the south of the rehabilitated tailings storage cells (TSF) and a third in the eastern sampled area to the south of the McIntyre prospect. Each gold anomaly has a peak value exceeding 100ppb Au (0.1g/t Au), with maximum individual results up to 337ppb Au (0.34g/t Au). Individually, the anomalies have a minimum strike length of ~160m, but some remain open beyond the sampled areas.

The position and orientation of the anomalies closely coincide with interpreted banded iron formation (BIF) units dislocated by faulting, which are considered significant controls on the distribution of gold mineralisation within the project area.

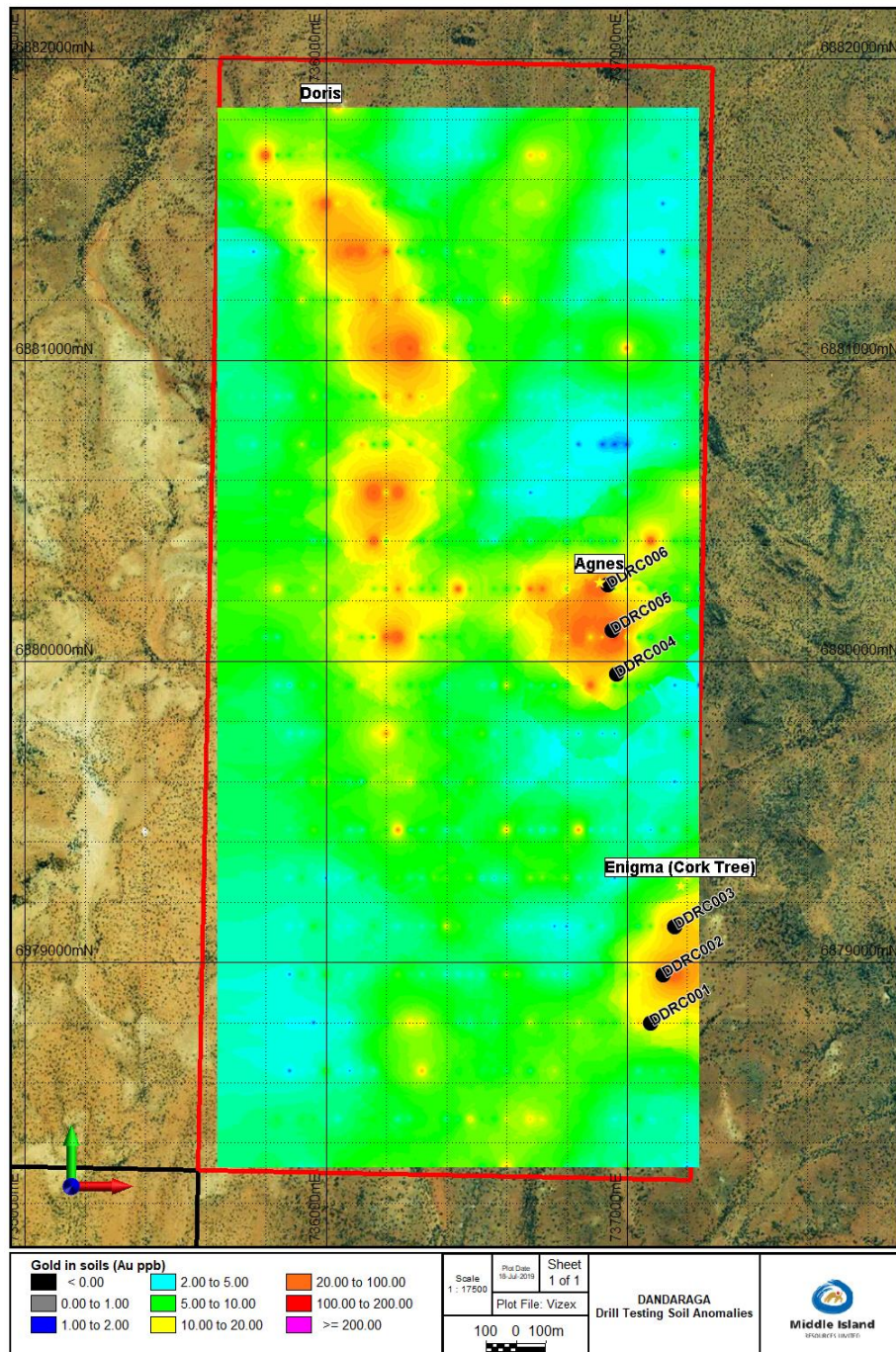
Further aircore drilling will be required to extend and close off the defined anomalies, and a modest program of RC drilling is planned to test the nature and tenor of the saprolitic source of gold mineralisation as funds permit.



Reconnaissance RC Drilling - Dandaraga

A program of reconnaissance RC drilling was completed over the Agnes and Corktree targets at the Dandaraga property, located 16km southeast of the Sandstone processing plant, during the June quarter. The program comprised 3 holes (126m) at the Agnes target and 3 holes (111m) at the Corktree target (Figure 4).

Figure 4
Dandaraga property showing recently completed reconnaissance RC drilling superimposed on imaged gold soil geochemistry.



The Agnes and Corktree (Enigma) targets represent two of three cohesive gold anomalies defined by soil geochemical surveys at Dandaraga in 2018.

Assays relating to the reconnaissance RC drilling program completed during the June quarter are anticipated during the September quarter.



Two Mile Hill Structural Study

Orefind Pty Ltd was commissioned to undertake a detailed structural study of the Two Mile Hill environs, including the tonalite deeps deposit, the results of which were provided in the June quarter. On the basis of structure, this study was designed to:-

- Assist in better understanding the architecture and paragenesis of the highly gold-mineralised Two Mile Hill area.
- Identify possible resource modelling constraints to apply in estimation of the Two Mile Hill tonalite deeps deposit.
- Generate and prioritise additional exploration targets within the vicinity of Two Mile Hill.

The results suggest that the Two Mile Hill (TMH) tonalite plug was emplaced during D2 phase of structural development, parallel with the axial plane of the earlier formed north-south trending F2 folds. Gold mineralisation occurred during the later D3 structural phase, with bedding-parallel mineralisation in BIF and basalt also occurring at this stage. However, this does not rule out BIF-hosted gold mineralisation occurring pre-tonalite, as pyrite emplacement during D2. The shallow dipping orientation of veins within the TMH tonalite suggests their formation is the result of vertical extension of the tonalite plug after its consolidation.

Although a hint that better mineralised quartz veins may be preferentially developed through the tonalite adjacent to assimilated banded iron formation (BIF) units, the evidence is far from conclusive. As such, the study failed to identify any clear structural constraint on the disposition of gold mineralisation within the tonalite deeps deposit.

In terms of additional exploration targets within the Two Mile Hill area, while the study was useful in enhancing an understanding of the paragenesis of gold mineralisation, it did not specifically identify any opportunities of which the Company is not already aware and, subject to available funding, is progressively testing.

In a broader project context, the study did, however, confirm that the Two Mile Hill environs (specifically the NNW-trending D2 fold axis corridor) and the north-south trending Goat Farm (Goat Farm, Twin Shafts, Eureka, Wirraminna) area are priorities, consistent with the 2017 Orefind study.

Two Mile Hill tonalite Hyperspectral Study

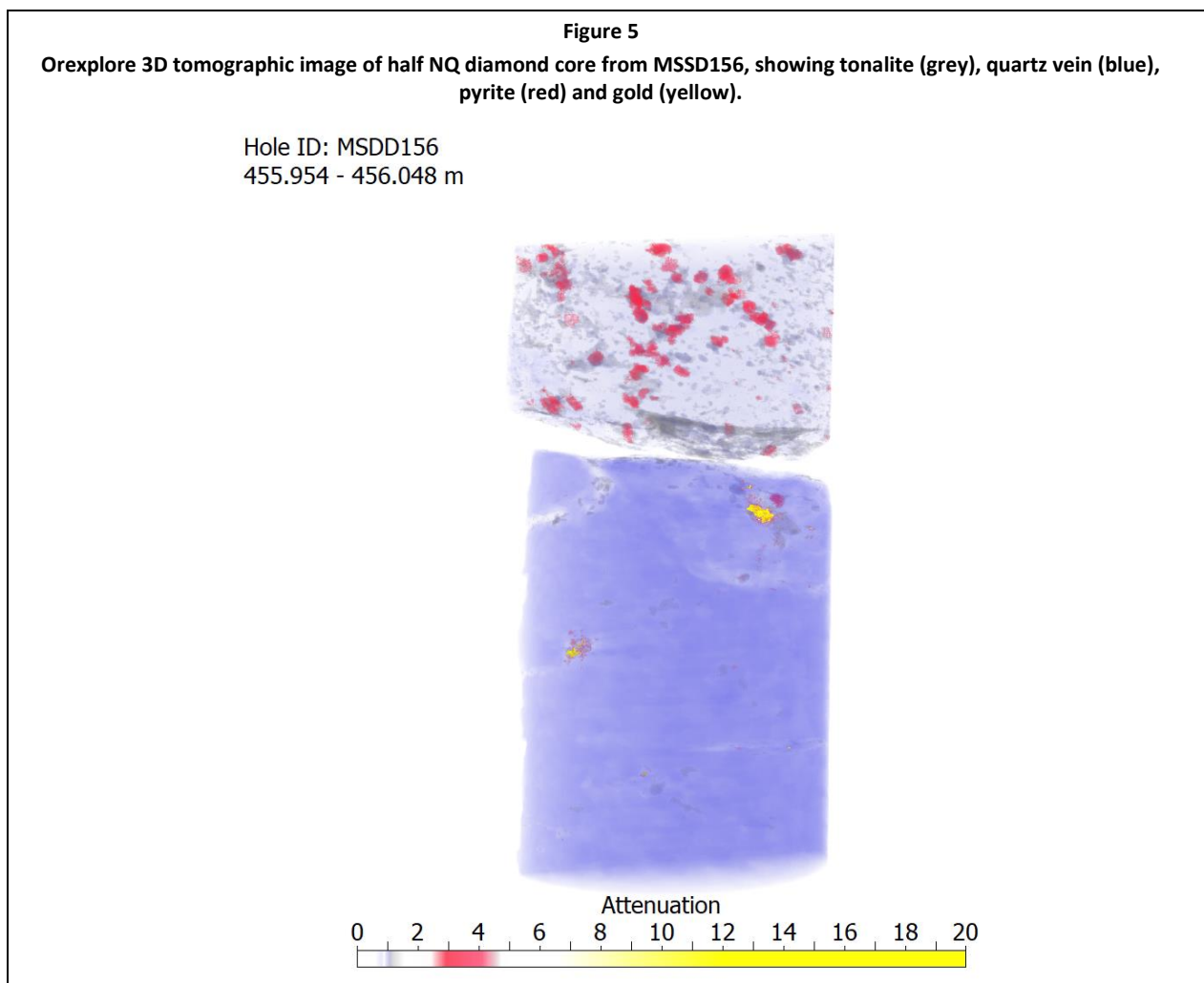
During the June quarter, Spectral Geoscience was contracted to carry out a review of the hyperspectral data collected from diamond drill hole MSDD156 by the Hylogger system at the State core library. The aim of the hyperspectral review was to supplement the structural study by identifying targeting vectors for mineralisation, assist in resolving a para-genetic model for the Two Mile Hill tonalite deeps gold deposit and potentially discerning resource modelling constraints, based on alteration mineral assemblages not otherwise visible to the naked eye.

The results of this study were still pending at quarter's end.

Two Mile Hill tonalite Orexplore 3D Tomography Study

Consultancy Orexplore carried out a trial investigation of a representative interval of half NQ diamond core from the Two Mile Hill tonalite deeps gold deposit. The selected material included intervals of weakly, moderately, and strongly gold mineralised and quartz veined core derived from diamond hole MSDD156.

The core was assessed using the proprietary Orexplore 3D tomographic scanning system, which provided a three-dimensional examination of the distribution and morphology of various mineral species within the volume of the core (Figure 5), affording the identification and measurement of structures, fabrics and mineral associations that are not otherwise evident on the core surface.





The data and viewing software have been received, but had not yet been fully queried at quarter's end. It is clear, however, that the benefits of this system with regard to structural fabric, mineral distribution and morphological properties of mineralisation, will be enhanced by longer intervals of whole core from Two Mile Hill tonalite, along with intervals of the adjacent basalt and BIF that the tonalite intrudes.

Collectively, a review of the tomographic, hyperspectral and structural studies may prove to be of considerable benefit in better understanding the Two Mile Hill tonalite deeps deposit.

Tribute Gold Production

Limited tribute gold nugget production of 22.6oz was realised from M57/128 and M57/129 during the June quarter, of which Middle Island's share is 3.33oz. Prospecting activities during CY2019 have focussed around the 3 Mile Hill area, at the eastern extremity of M57/129, with recent results suggesting the September quarter tribute gold production should be somewhat higher.

The tribute gold production agreement has been extended by a letter of variation to include the recently granted Jew Well exploration licence (E57/1102).

Planned 2019 September Quarter Activities

Subject to available funding, activities planned at the Sandstone Project during the September quarter 2019 may variously comprise:-

- Initial assessment and re-prioritising of the combined Middle Island-Alto gold assets at Sandstone, should the Company's takeover offer prove successful.
- Further aircore drilling to extend and close off defined southern WoE anomalies (POW approved).
- Reconnaissance RC drilling at the new WoE anomalies (POW approved).
- Reconnaissance RC drilling at the Davis prospect (POW approved).
- Wirraminna laterite aircore drilling (POW pending).
- RC pre-collared EIS diamond drilling of one or more of the Two Mile gravity targets (POW approved).
- On-going evaluations and discussions on various alternative consolidation opportunities.

Reo Gold Project (divesting 100%) – Burkina Faso, West Africa

Divestment Update

On 18 June 2019, Tajiri Resources Corporation (TSX-V:TAJ, Tajiri) provided written notice to Middle Island of its intention to exercise the option with Middle Island to complete its acquisition of the Reo Gold Project in Burkina Faso, West Africa. The acquisition will be effected via a residual cash payment of US\$150,000 in July/August 2019, after which Middle Island will retain a 2% net smelter return (NSR) royalty that Tajiri may acquire at any time for US\$5 million.

Safety, Environmental & Social

Health, Safety & Environment

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

Rehabilitation of disturbed areas at the Sandstone gold project, primarily drill sites, is being progressively undertaken in accordance with POW and environmental audit requirements.

Social

The Company continues to engage with the Shire of Sandstone, pastoralists, prospectors and the local community. This process includes the procurement of labour, materials and services locally, wherever practically possible, and sponsorship of various community events, most recently including the annual Sandstone Open golf tournament to be held in September.

Comments by Managing Director, Mr Rick Yeates:

"The June quarter of 2019 has seen Middle Island working to advance consolidation opportunities, primarily via the increased and extended takeover offer for Alto, but also advancing possible alternative transactions that potentially may achieve a similar objective.

"We have witnessed a significant recent increase in the gold price, which finally appears as though it may be more sustained than on previous occasions. As a consequence, the mid-tier ASX gold producers are again fully valued (some suggest over-valued). Despite this, investor interest in the near-term gold developers and junior explorers remains seriously challenging.

"In these circumstances, Middle Island has (I believe entirely appropriately) elected to prioritise consolidation over exploration, seeing this as the more direct route to recommissioning the Sandstone gold project and generating a cash flow from which to fund future exploration.

"However, we also balance this approach by continuing to advance (towards the same objective) a plethora of priority exploration targets in our own right, in the process meeting our statutory and contractual expenditure obligations."

COMPANY CONTACTS:

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

MEDIA CONTACT:

Kevin Skinner Field Public Relations +61 (0)8 8234 9555 / +61 (0)414 822 631

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.



Mining Tenements

Middle Island Resources Limited advises the following information required under ASX Listing Rule 5.3.3 as at 30 June 2019.

Tenements	Mining tenements acquired during the quarter	Mining tenements disposed during the quarter	Mining tenements held at the end of the quarter	Tenement location
Pouni II	-	Under option to divest 100%	100%	Burkina Faso
Dassa	-	Under option to divest 100%	100%	Burkina Faso
Didyr	-	Under option to divest 100%	100% - under reapplication	Burkina Faso
Dassa Sud	-	Under option to divest 100%	100%	Burkina Faso
Nebya	-	Under option to divest 100%	100% - awaiting transfer	Burkina Faso
Gossina	-	Under option to divest 100%	100%	Burkina Faso
M57/128	-	-	100%	Western Australia
M57/129	-	-	100%	Western Australia
P57/1384	-	-	100%	Western Australia
P57/1395	-	-	Option to acquire 100%	Western Australia
E57/1028	-	-	Option to acquire 100%	Western Australia
P57/1442	-	-	100% (now granted)	Western Australia
E57/1102	-	-	100% (now granted)	Western Australia

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