



# Middle Island

RESOURCES LIMITED

Middle Island Resources Limited  
ACN 142 361 608  
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## QUARTERLY REPORT

For the period ended 30 September 2016

### HIGHLIGHTS

**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:**

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Western Australia

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

**Capital Structure:**

469 million shares  
800,000 options

**Board Members:**

**Peter Thomas**

Chairman

**Rick Yeates**

Managing Director

**Beau Nicholls**

Non-Executive Director

**Dennis Wilkins**

Company Secretary

- Cash at 30 September 2016 of A\$2.53 million.
- Acquisition of the advanced Sandstone gold project in Western Australia completed successfully on 11 July 2016.
- Resampling of the Two Mile Hill banded iron formation (BIF) at Sandstone confirmed broad widths of high grade gold, representing a priority underground target. Results comprised **22m at 23.8g/t, 8m at 56.0g/t. 5m at 26.5g/t Au.**
- Geophysical modelling of the Two Mile Hill BIF target has identified the presence of two additional prospective BIF units, modelled to lie below the known, high grade, mineralised BIF.
- Modelling of previous down-hole electromagnetic (DHEM) data identified an off-hole conductor coincident with the newly identified middle BIF unit. This plate represents an immediate new target for the current diamond drilling programme.
- Infill and extension reverse circulation percussion (RC) drilling at Sandstone's Shillington, Shillington North and Two Mile Hill open pit gold deposits was completed in September. Gold intercepts are generally consistent with historic drilling, including **5m at 14.2g/t, 10m at 4.12g/t, 5m at 8.21g/t, 16m at 2.26g/t and 7m at 4.51g/t Au.**
- An updated independent resource estimate is underway, based on these new results.
- A ~1,500m diamond core drilling programme, targeting extensions to and repetitions of the high grade Two Mile BIF mineralisation, commenced in October.
- RC sterilisation drilling for the proposed Two Mile Hill/Shillington waste dump has recently commenced.
- Sandstone pre-feasibility study (PFS) underway and on schedule to be completed late in December.

## **Operating Activities**

### **Corporate**

#### Finance

Middle Island Resources Limited (ASX:MDI, Middle Island or the Company) had a cash balance of A\$2.53 million as at 30 September, which amount reflects the payment of \$1.25 million to complete the Sandstone transaction and a further \$135,000 in Stamp Duty.

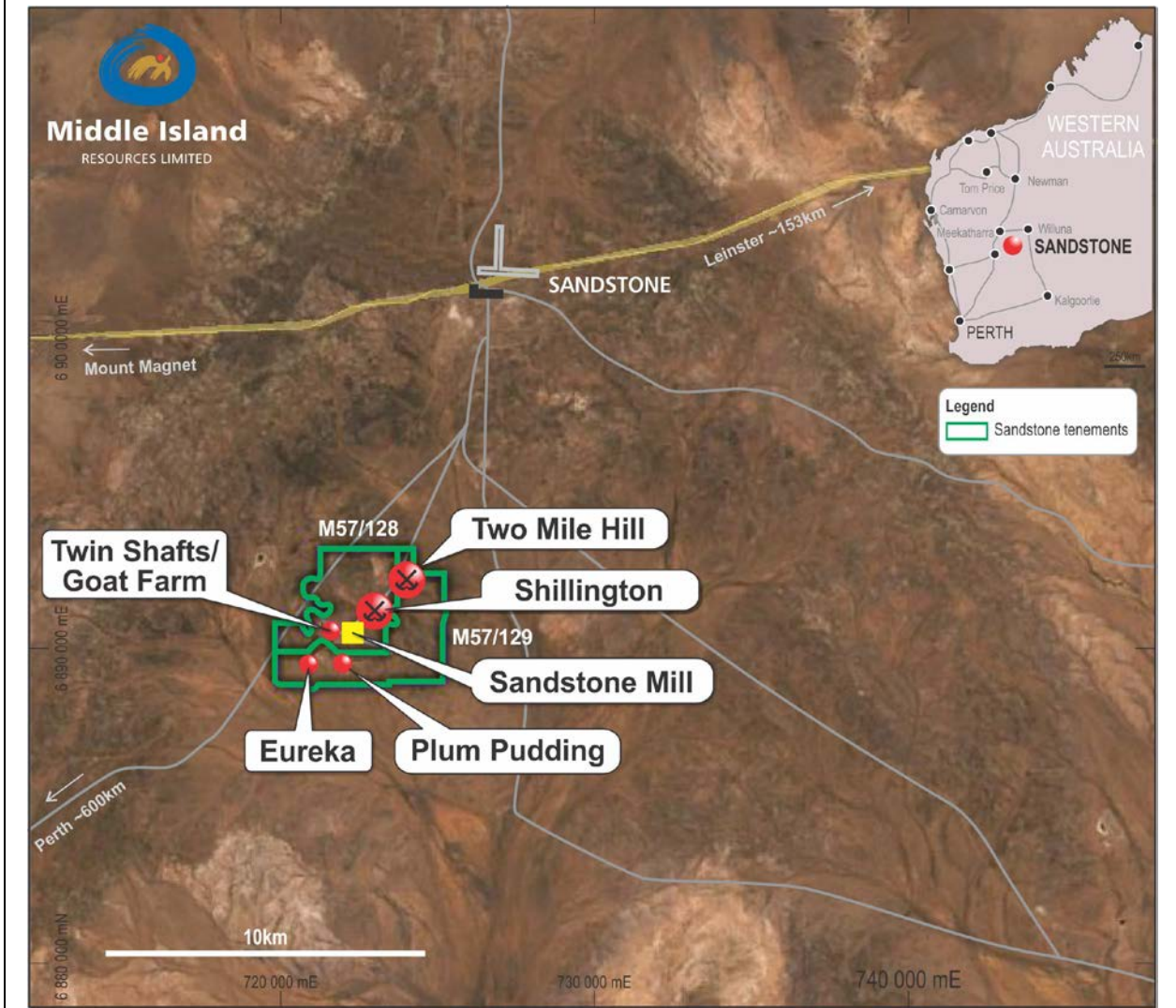
#### Strategy

Middle Island is rapidly progressing its primary strategy to recommission the Sandstone gold project in 2017. To this end, the pre-feasibility study is advancing satisfactorily towards its planned completion late in December 2016. Assuming a positive outcome, and subject to accessing adequate funding on acceptable terms, the PFS will trigger a decision to refurbish the processing plant and infrastructure, with the objective to recommence gold production in September 2017.

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 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. However, given the substantial recent 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.

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

**Figure 1**  
**Sandstone Project Location**



### **FEASIBILITY STUDY**

#### **Infill Resource Definition Drilling**

A programme of infill and extension resource definition RC drilling was completed on 19 August at the Shillington, Shillington North and Two Mile open pit gold deposits. All assay results pertaining to the programme have been received and compiled.

The drilling was designed to upgrade open pit resources not already in the Indicated category, and to provide the necessary information to re-estimate and report the resources in accordance with 2012 JORC Code guidelines. The programme comprised a total of 147 holes (4,253m), represented by 48 deeper angled infill holes at the Shillington and Shillington North deposits, and a further five deeper holes at Two Mile Hill, along with 94 shallow vertical holes at Two Mile Hill, designed to quantify peripheral laterite mineralisation.



The results are generally (and predictably) consistent with the existing RC drilling at the deposits, further confirming the veracity of the earlier work. Better intercepts include:-

**MSRC052: 5m at 14.2g/t Au (from 36m)**

**5m at 8.21g/t Au (from 64m)**

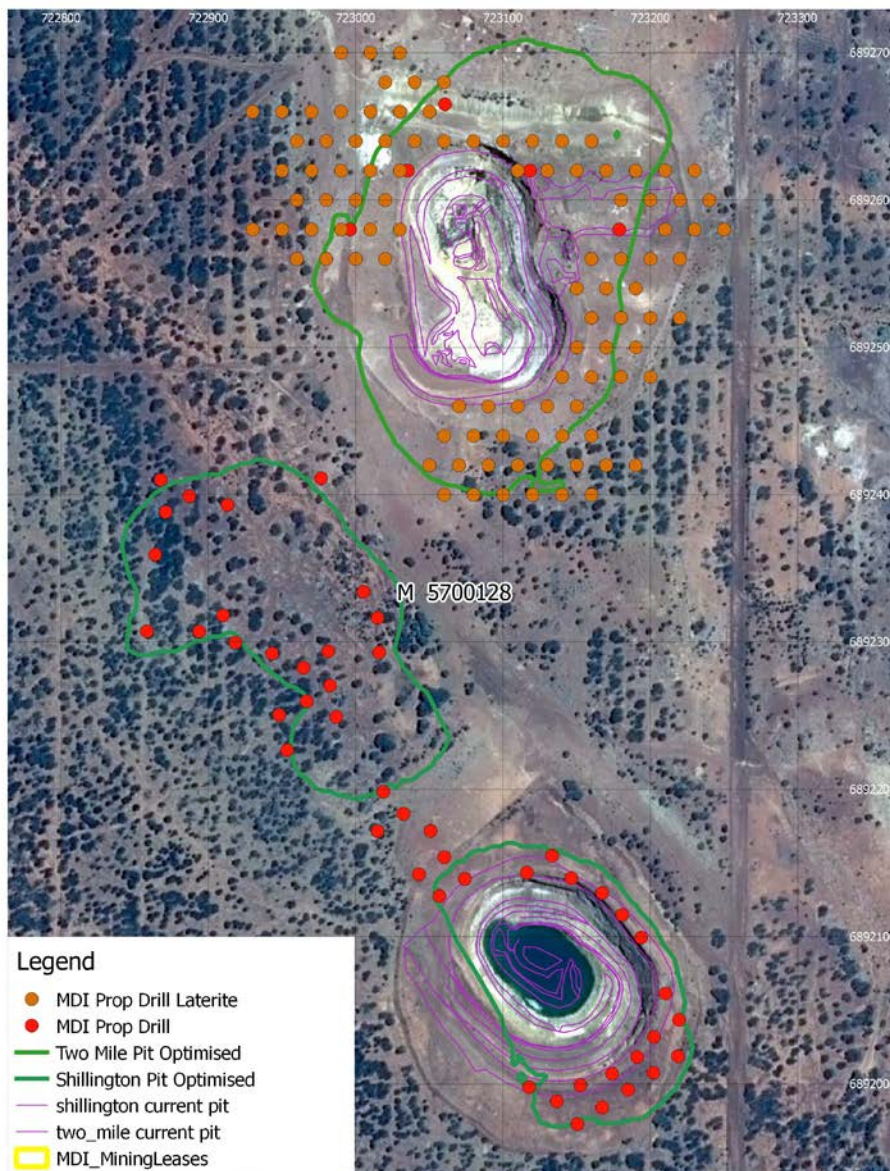
**MSRC050: 10m at 4.12g/t Au (from 78m)**

**MSRC007: 16m at 2.26g/t Au (from 61m)**

**MSRC053: 7m at 4.51g/t Au (from 101m)**

The location of infill drilling is shown in Figure 2 and a full list of more significant intercepts is included in the ASX release dated 11 October 2016.

**Figure 2**



Sandstone Gold Project  
Middle Island Proposed Drilling

50 0 50 100 m

North

### **Resource Estimation**

The full, updated datasets for the Shillington, Shillington North and Two Mile open pit deposits have been provided to EGRM Consulting Pty Ltd for independent resource estimation in accordance with the 2012 JORC Code guidelines prior to application in the PFS. It is anticipated that these three deposits will comprise the initial 2-3 years mill feed for the proposed Sandstone gold project re-commissioning.

The updated resource estimate will be available later in October.

### **Pre-feasibility Study**

The Sandstone gold project pre-feasibility study (PFS) is progressing to schedule. An owner's representative has been appointed to oversee metallurgical, refurbishment and processing aspects of the study and recommissioning. Individual consultants have also been appointed to variously complete resource estimation, geotechnical, hydrological, mine optimisation, mine design, scheduling, environmental, tailings, financial modelling and procurement aspects, all under the stewardship of Linton Kirk as Project Manager. Proposals have also been forthcoming from a number of mining contractors and process engineering groups to undertake the plant refurbishment, assuming a positive outcome from the PFS.

## **EXPLORATION**

### **Two Mile Hill BIF Target**

Of immediate exploration significance at Sandstone is the thick, high grade, Two Mile Hill BIF target. This target represents the down dip continuation of the Shillington BIF, on which the Shillington and Shillington North open pits are predicated and which, along with the Two Mile Hill open pit cutback, are to be included in the PFS.

Mineralisation associated with the Two Mile Hill BIF deposit is hosted within the Shillington BIF at a depth of ~200m where it's intruded by the mineralised Two Mile Hill tonalite. This deposit may potentially be accessed via a conventional decline from the planned Two Mile Hill or Shillington pits. The target is developed over a 50m plunge length on the western margin of the tonalite, but remains open along the balance of the western margin and is essentially un-drilled along the 250m length of the eastern margin, an aggregate potential plunge length of ~500m.

Re-logging of the existing mineralised drill core intercepts indicates that gold mineralisation within the BIF is preferentially developed proximal to the tonalite contact and the gold-mineralising fluids have clearly been sourced from or through the tonalite itself. Gold mineralisation is associated with pyrite replacement of magnetite bands within the BIF, with massive sulphide developed over substantial widths closer to the tonalite contact.

While proximity to the tonalite contact is the primary control on mineralisation within the BIF, re-logging indicates that the density of quartz veining also has a significant influence on the width and grade of mineralised intervals. This veining appears to be consistent with that developed in the adjacent tonalite.

The mineralised zone of intersection between the Shillington BIF and Two Mile Hill tonalite plunges moderately towards the north. Although drill information is limited, the mineralised BIF target is predicted to lie approximately 150m below surface at the south-western margin of the tonalite and ~300m depth at the north-eastern extremity.





The disposition of existing diamond drilling relative to the Two Mile Hill tonalite and adjacent BIF deposit is shown in Figure 3, while drill sections through both targets are provided as Figure 4 to Figure 9 below.

Figure 3

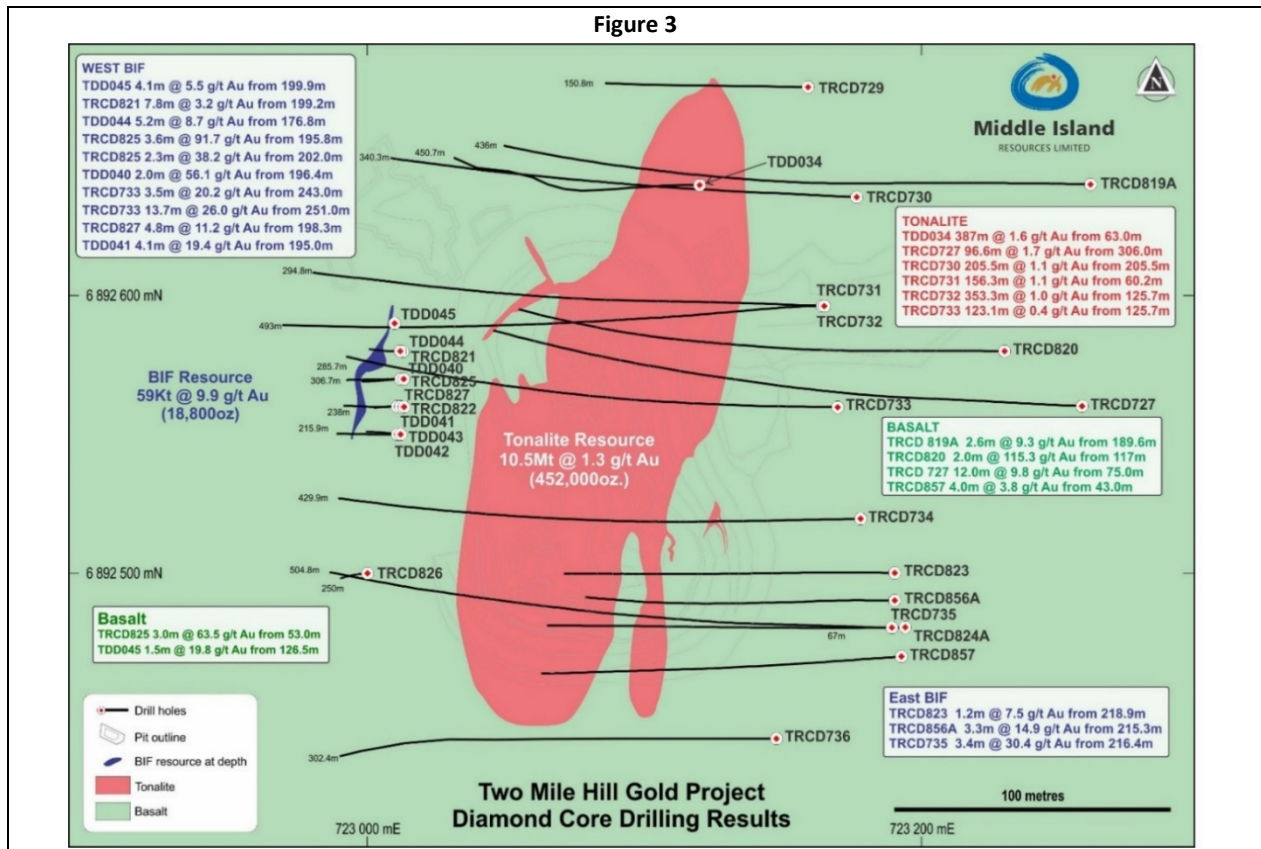


Figure 4

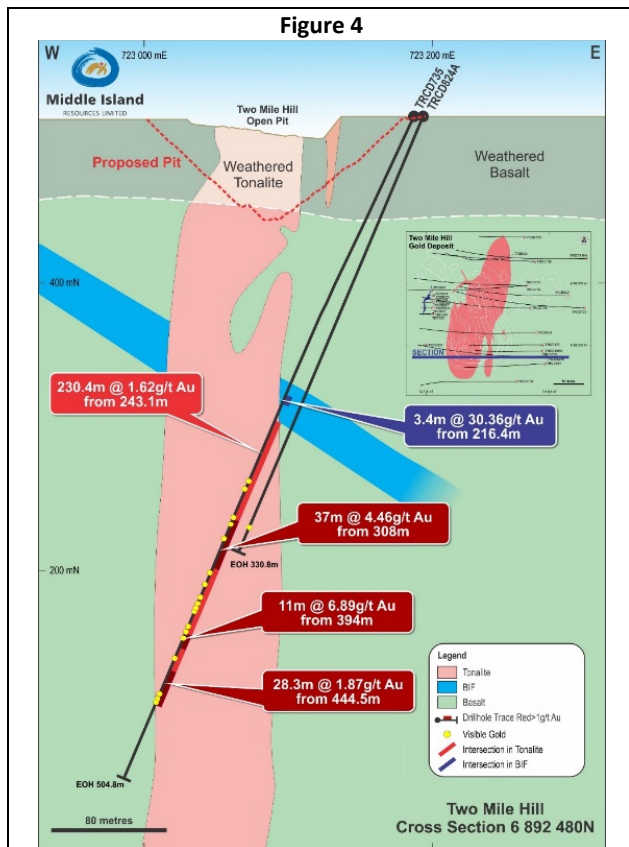
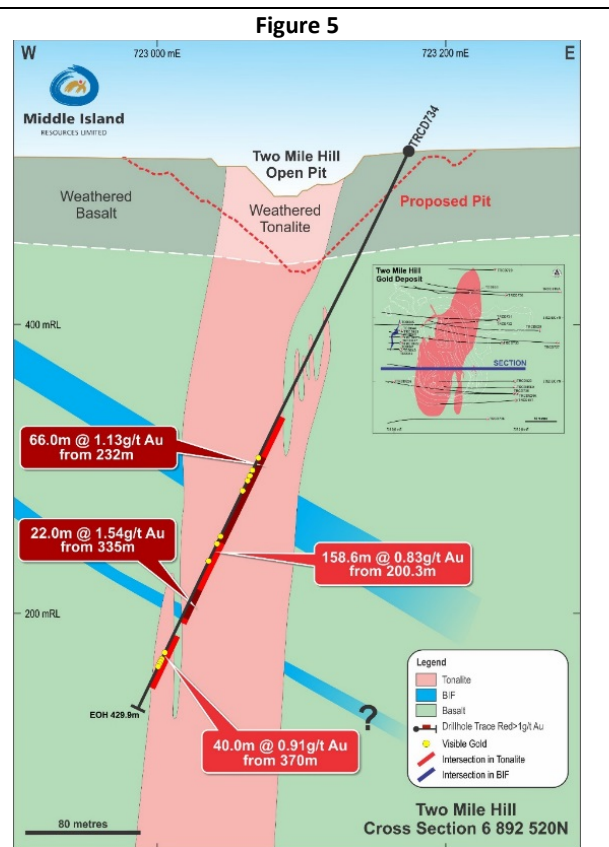
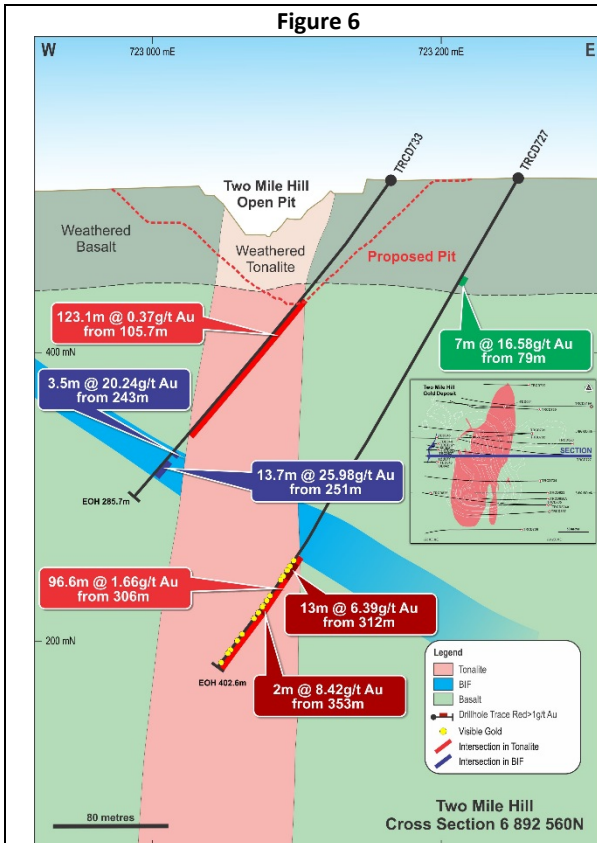


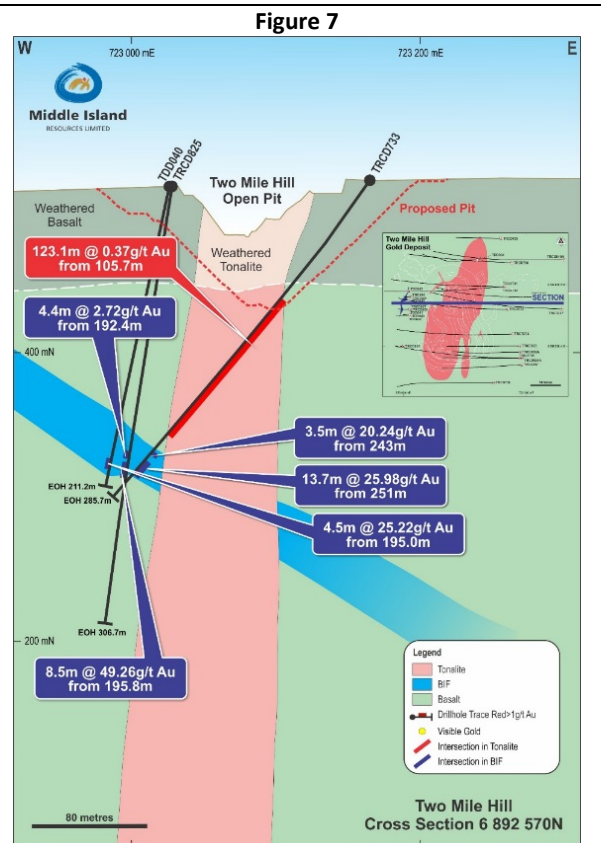
Figure 5



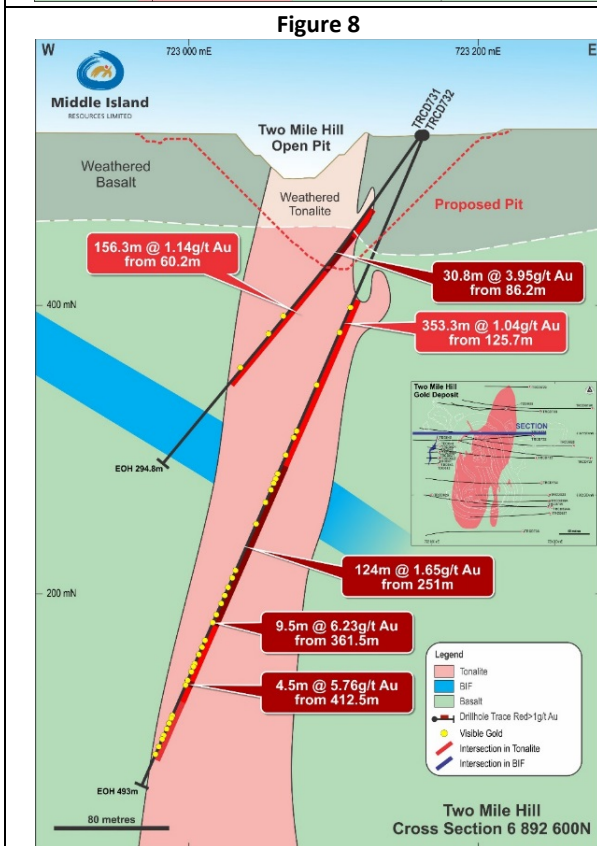
**Figure 6**



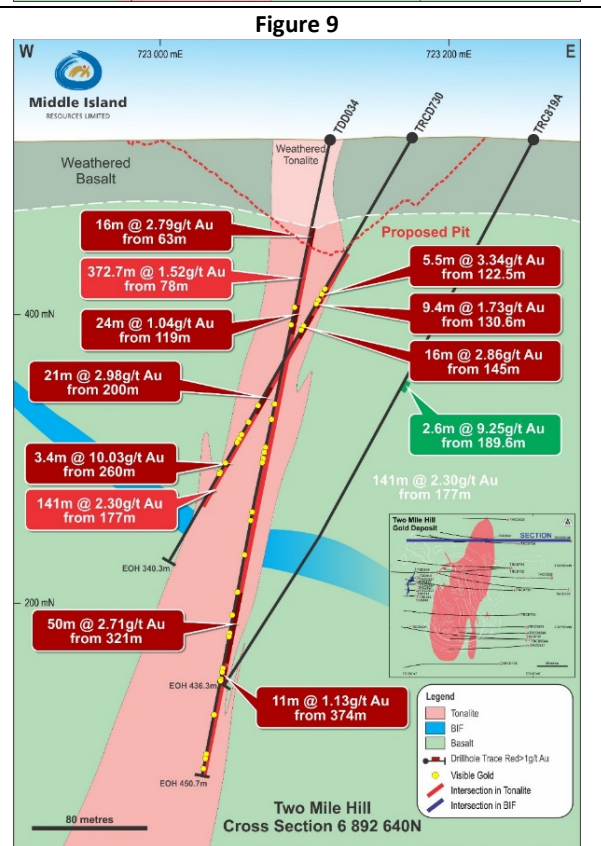
**Figure 7**



**Figure 8**



**Figure 9**



### **Two Mile Hill Tonalite Target**

Beneath the planned open pit cut-back on the Two Mile Hill tonalite itself, significant sheeted vein mineralisation is present to a depth of at least 450m. The pipe-like tonalite body is approximately 250m long and 70m wide, and plunges steeply towards the west. Aside from higher grade lenses that could be mined via a conventional underground decline, this extensive but lower grade target may be more amenable to a sub-level caving operation. The 2MH tonalite target represents a substantial, longer-term production opportunity.

### **Drill Core Re-assaying**

In order to verify previous diamond core results from the Two Mile Hill BIF target, a selection of the remaining half-core intercepts were cut, and resulting quarter-core intervals sampled and submitted for 50gm fire assay.

Re-sampling has confirmed broad widths (approximately true widths) of high grade gold mineralisation, comprising:-

**TRCD733: 22m at 23.8g/t Au from 243m**

**TDRC735: 5m at 26.5g/t Au from 216m**

**TDCD825: 8m at 56.0g/t Au from 196m**

The full list of comparative intersections is provided in ASX release dated 14 July 2016.

Particularly given the high grade nature of mineralisation, the individual assays and composited intersections demonstrate remarkable consistency with those originally assayed by Troy Resources, providing considerable confidence in the veracity of the earlier results.

### **Geophysical Surveys**

Considerable encouragement was provided by the findings of initial geological and geophysical reviews of the Two Mile Hill BIF target.

As a follow up to the review work, Phase I geophysical surveys were completed during September, comprising additional down-hole electromagnetics (DHEM), trial surface fixed loop EM (FLEM) and induced polarisation (IP) surveys. The aim of this work was to select the most effective method to refine the position and extent of high grade mineralisation prior to diamond drilling. In addition, the FLEM and IP lines were extended 400-500m beyond the known Two Mile Hill BIF deposit to identify additional targets.

Modelling and evaluation of the down-hole magnetic susceptibility and EM data shows three BIF units (rather than the one identified previously), effectively trebling the aggregate potential plunge length (to ~1,500m) of targets prospective for this style of high grade gold mineralisation.

The three trial lines of FLEM defined weak, but measurable, late-time, conductive responses that correlate well with known semi-massive to massive sulphide intersections in drilling. The location and continuity of the EM anomalies between the lines is consistent with the location of BIF-hosted sulphide mineralisation adjacent to the western and eastern margins of the tonalite. A distinctive, stronger, late time FLEM anomaly is evident on two lines approximately 100m to the southwest of the tonalite. The anomaly, which trends NW-SE, is interpreted to represent a strike extension of the BIF-hosted mineralisation at the nearby Shillington North deposit.



The trial IP lines also identified significant targets within the BIF, both proximal to and distal from the tonalite contact. The IP anomalies correlate well with the FLEM anomalies where the two surveys coincide.

The Phase II geophysical survey was completed early in October. This work comprised a detailed FLEM survey over the whole Two Mile Hill deposit and immediate surrounds in order to further refine targets for the recently commenced diamond core drilling programme. The results of the FLEM survey are currently being interpreted, but early indications are very encouraging.

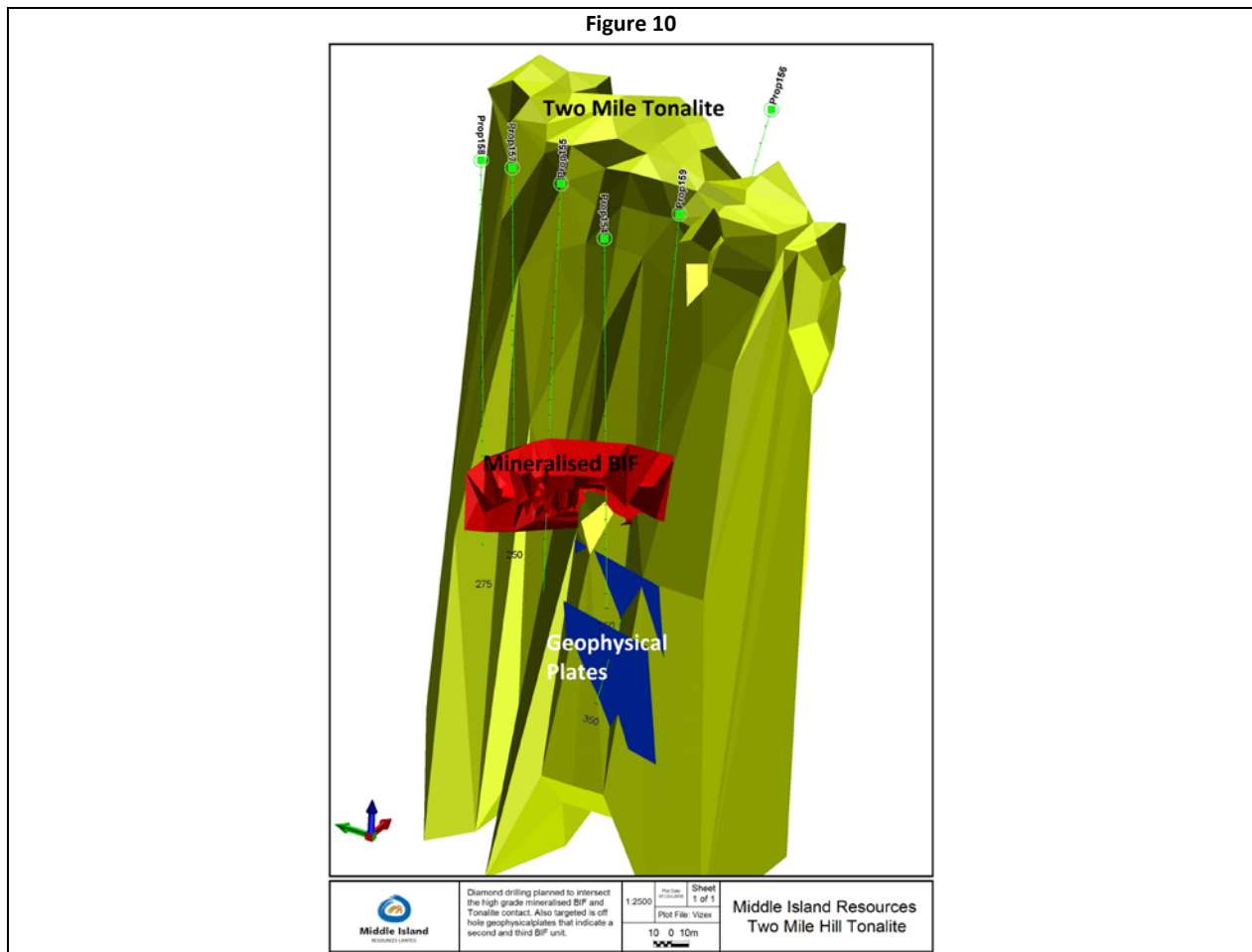
### **Diamond Core Drilling**

A diamond core drilling programme, comprising six holes for approximately 1,500m, recently commenced at Two Mile Hill. It is designed to achieve the following key objectives:-

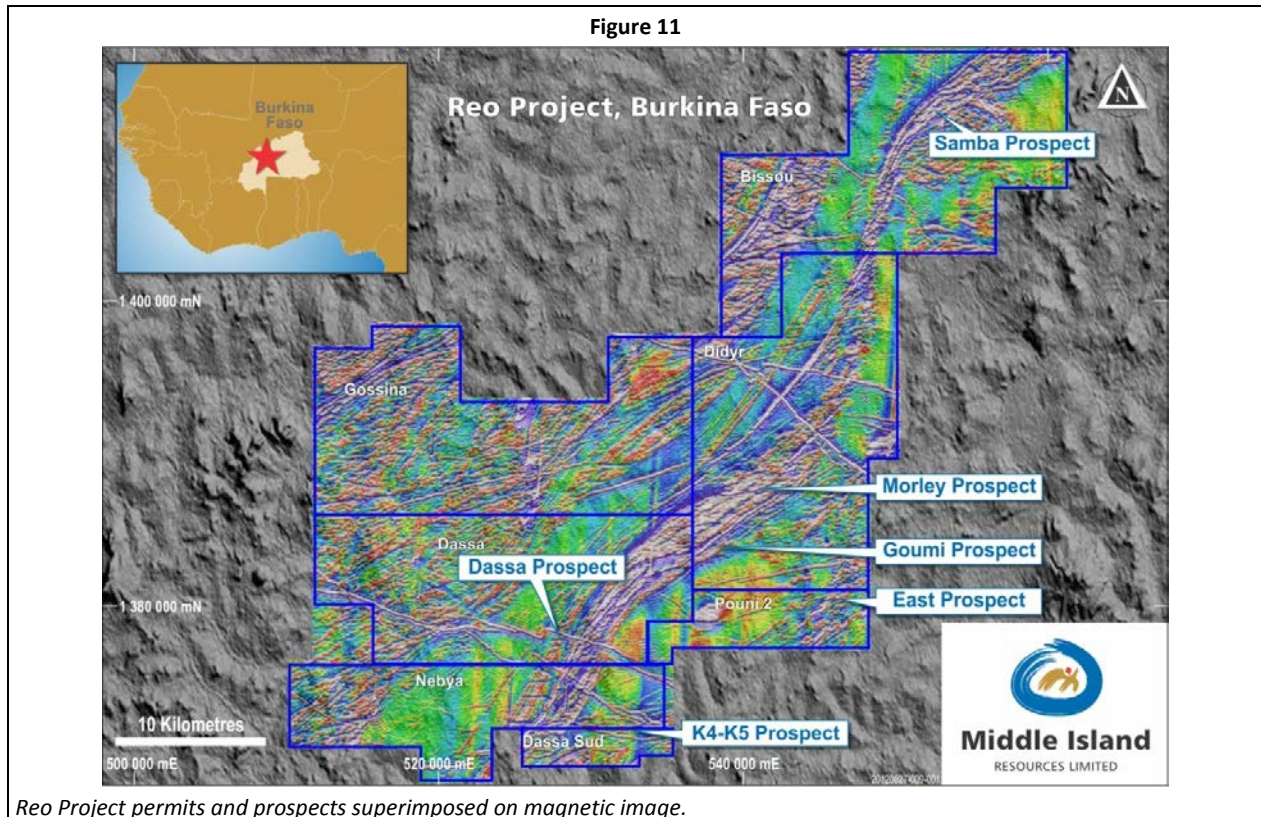
- Extend the high grade, BIF-hosted gold mineralisation (associated with massive pyrite replacement) already defined within the upper BIF.
- Assess the DHEM plates interpreted to be associated with massive sulphide within the recently identified, deeper, middle BIF unit in order to confirm a second prospective mineralised horizon along the western tonalite contact.

The diamond drilling programme (Figure 10 below) has been designed with sufficient flexibility to accommodate specific additional targets and/or refinements to existing targets that may be generated from the Phase II geophysical survey interpretation.

A limited quantity of diamond core drilling will also be undertaken to satisfy additional metallurgical sample requirements for the PFS.



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



### **Exploration**

No exploration was undertaken at the Company's 100%-owned Reo gold project in Burkina Faso (Figure 11 above) during FY16, pending the outcome of various permit extension 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, and 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**

An extension application for a further project permit was lodged during the September quarter, bringing the total to six renewal and extension applications lodged in 2016, five of which remain outstanding. Progress on the remaining 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 the September quarter.

### **Social**

The Company continues to engage with the Shire of Sandstone, providing regular updates for Council meetings and presentations as required.

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**

As you can see from the preceding report, since taking delivery of the Sandstone gold project in July, the September quarter has been extremely busy and productive. I extend my thanks to our small, but very professional team for their efforts on our behalf.

Middle Island looks forward to keeping you updated on progress on the Phase II geophysical survey, the various drilling programmes and, importantly, the PFS for the proposed Sandstone gold project recommissioning in 2017.

### **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](http://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%	Burkina Faso
Dassa	-	-	100% - extension lodged	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
Nassilé	-	-	100%	Niger
Kakou	-	-	100%	Niger
M57/128	-	-	100%	Western Australia
M57/129	-	-	100%	Western Australia

**Farm-in or Farm-out Arrangements**

Tenements	Interests in farm-in or farm-out acquired during the quarter	Interests in farm-in or farm-out disposed during the quarter	Interests in farm-in or farm-out held at the end of the quarter	Tenements location
Dogona	-	Renewal pending	Earning 90%	Niger
Boukagou	-	Renewal pending	Earning 90%	Niger

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

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(503)	(503)
(b) development	-	-
(c) production	-	-
(d) staff costs	(84)	(84)
(e) administration and corporate costs	(542)	(542)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	5
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,124)</b>	<b>(1,124)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(1,415)	(1,415)
(c) investments	-	-
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
	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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,415)</b>	<b>(1,415)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	1,455	1,455
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	-	-
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,455</b>	<b>1,455</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,613	3,613
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,124)	(1,124)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,415)	(1,415)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,454	1,454
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,528</b>	<b>2,528</b>



<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	2,508	3,593
5.2 Call deposits	20	20
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,528</b>	<b>3,613</b>

**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

<b>Current quarter \$A'000</b>
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

<b>Current quarter \$A'000</b>
-
-

## Mining exploration entity and oil and gas exploration entity quarterly report

**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
Nil	Nil
Nil	Nil
Nil	Nil

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

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.

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**9. Estimated cash outflows for next quarter****\$A'000**

9.1	Exploration and evaluation	1,500
9.2	Development	-
9.3	Production	-
9.4	Staff costs	100
9.5	Administration and corporate costs	100
9.6	Other (provide details if material)	-
<b>9.7</b>	<b>Total estimated cash outflows</b>	<b>1,700</b>

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: *Stephen Jones* Date: 27 October 2016  
(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.
4. By the Company signing this Appendix 5B, the Managing Director and CFO declare that the Appendix 5B for the relevant quarter:
  - presents a true and fair view, in all material respects, of the cashflows of the Company for the relevant quarter and is in accordance with relevant accounting standards;
  - the statement given above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
  - the Company's financial records have been properly maintained and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.