



Middle Island
RESOURCES LIMITED

Middle Island Resources Limited
ACN 142 361 608

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QUARTERLY REPORT

For the period ended 31 December 2014

HIGHLIGHTS

Middle Island Resources Ltd
ACN 142 361 608

ASX Code: MDI

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Western Australia

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Capital Structure:

125 million shares
16.8 million options

Board Members:

Peter Thomas

Chairman

Rick Yeates

Managing Director

Beau Nicholls

Non-Executive Director

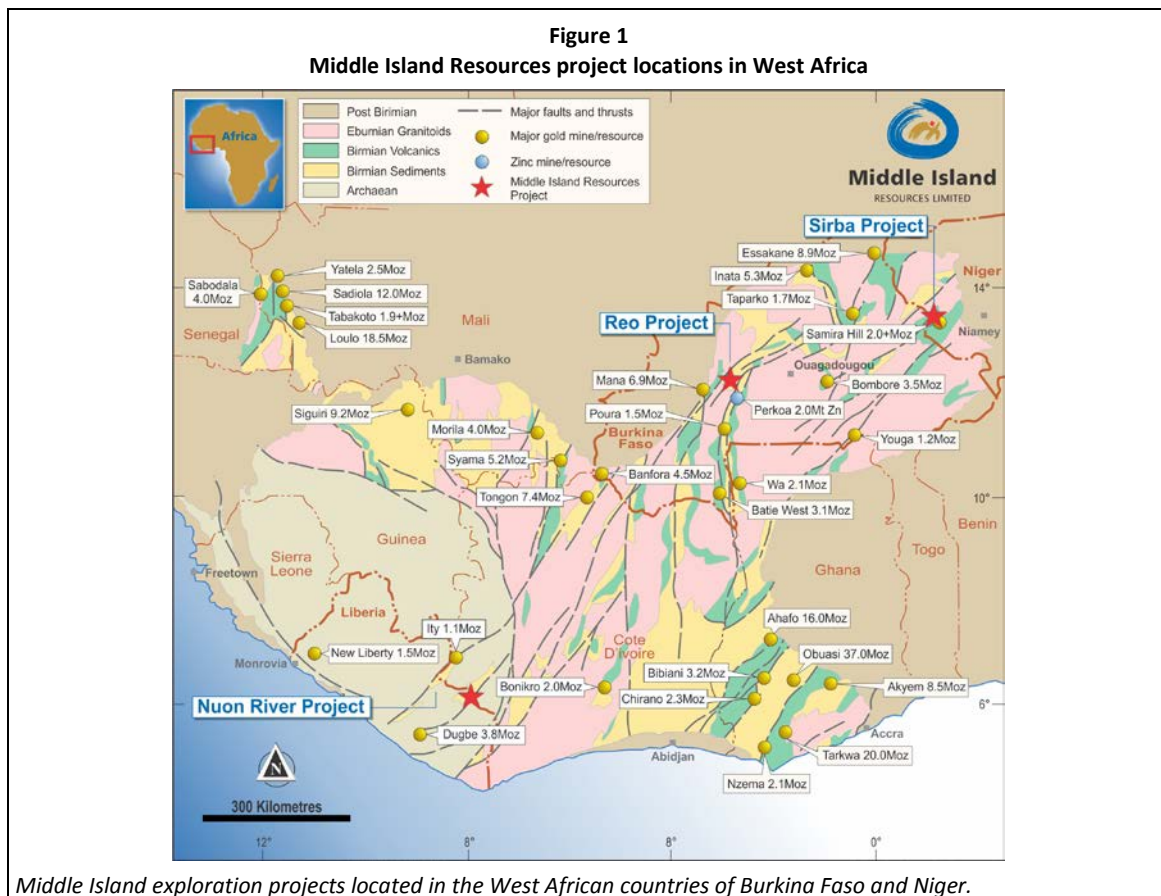
Linton Kirk

Non-Executive Director

Dennis Wilkins

Company Secretary

- Cash position of A\$1 million and no debt as at 31 December 2014.
- No gold exploration has been undertaken during the December quarter.
- The Company's focus has been on implementing further cost efficiencies, seeking a partner for the Reo gold project in Burkina Faso, and the identification and review of new project opportunities.
- There has been no positive change in the status of the Deba and Tialkam permits in Niger, with no decision forthcoming from the Mines Ministry in relation to the appeal process or the granting of replacement permits.
- As a consequence, the Niger office has been closed, the remaining staff regrettably made redundant, and associated field and office equipment sold or transported back to Burkina Faso.
- The Company's exploration headquarters in Ouagadougou, Burkina Faso has been relocated to smaller premises, resulting in further significant cost savings.
- With the exception of two part-time personnel, all staff in Burkina Faso have also been made redundant, many of whom will remain available to the Company on an 'as needed' contract or consulting basis.
- No meaningful offers have been received to date for a partial divestment of the Reo gold project in Burkina Faso. However, interested parties continue to review the data.
- In the interim, Middle Island is reviewing plans to recommence field activities on a limited basis, with a focus on the K5 Prospect at the Reo Project.
- Reviews and negotiations continue on highly prospective gold project acquisition opportunities in West Africa and Australia.



Operating Activities

Corporate

Annual General Meeting

The Annual General Meeting of Middle Island was held in Perth on 24 November 2014. All resolutions were overwhelmingly supported by shareholders, with in excess of 99% affirmative votes in each case.

Cash Position

Middle Island held cash of approximately A\$1 million and no debt as at 31 December 2014.

Your Company has continued to implement additional cost savings during the December quarter in order to conserve the Company's remaining cash, including closure of the Niger office, relocation of the Burkina Faso office to smaller premises, and further redundancies in both Burkina Faso and Niger.

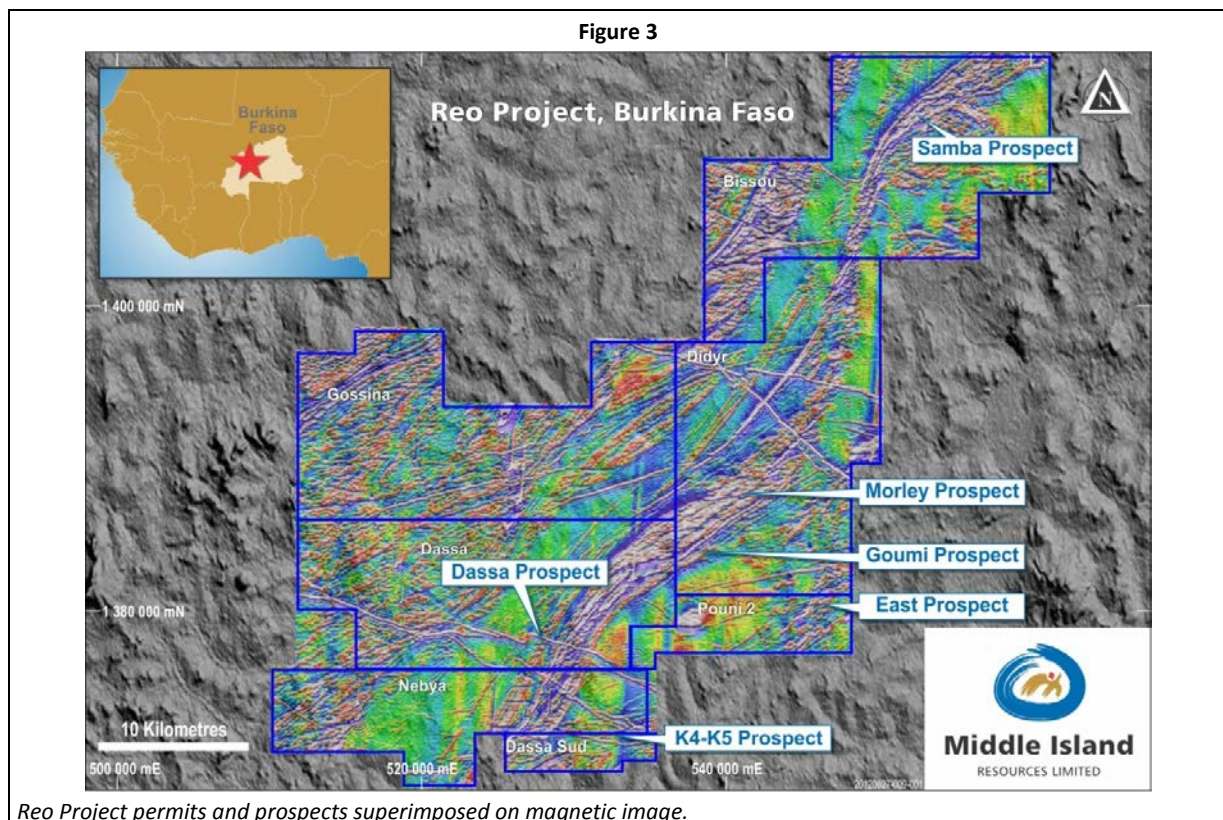
Strategy

In the absence of positive progress on the status of the Deba & Tialkam permits in Niger and in view of the significant deterioration in the sovereign risk profile, Middle Island has closed its Niger office, regrettably making the remaining staff redundant, and has sold or relocated the associated field and office equipment.

Several companies continue to review technical data on the Reo gold project in Burkina Faso with a view to a possible farm-in. However, Middle Island is considering recommencing limited exploration in its own right in the interim. In these circumstances, exploration during the 2015 March and June quarters at the Reo Project would entail geochemical auger drill testing of the high tenor induced polarisation (IP) geophysical anomaly, lying parallel to and immediately southeast of the Madi Zone at the K5 Prospect, and limited infill resource definition aircore and RC drilling on the Madi Zone itself.

In addition, Middle Island continues to actively review and negotiate on highly prospective gold project acquisition opportunities in West Africa and Australia. While West Africa remains the most prospective jurisdiction for new gold discoveries, the declining AUD (relative to the USD and its equivalents in West Africa) and a diversification of political and sovereign risk, make Australia an increasingly attractive investment destination. Hundreds of project opportunities have been reviewed in both jurisdictions, a limited number of which fulfil the Company's strict criteria and have been or are being investigated in detail. Negotiations have commenced in two instances.

Reo Gold Project – Burkina Faso



Exploration

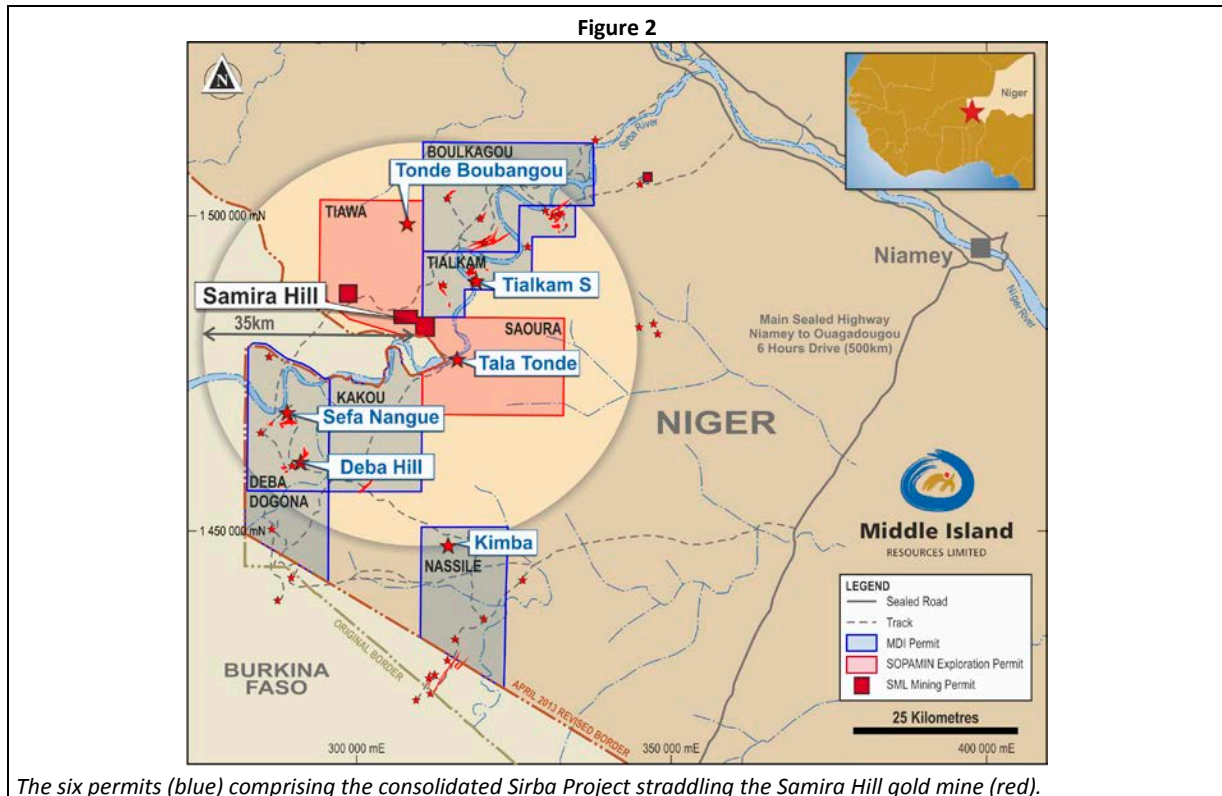
No exploration was undertaken within the Company's 100%-owned Reo gold project during the December quarter, with the focus being on identifying an appropriate partner for the project.

Tenure

All Reo Project permits remain in good standing.



Sirba Gold Project – Niger



Exploration

No exploration has been undertaken within the Sirba Project permits during the December quarter.

Tenure

The status of the Deba and Tialkam permits remains unchanged. No advice has been received on the outcome of either the appeal to have the permits reinstated or the new permit applications, during the quarter.

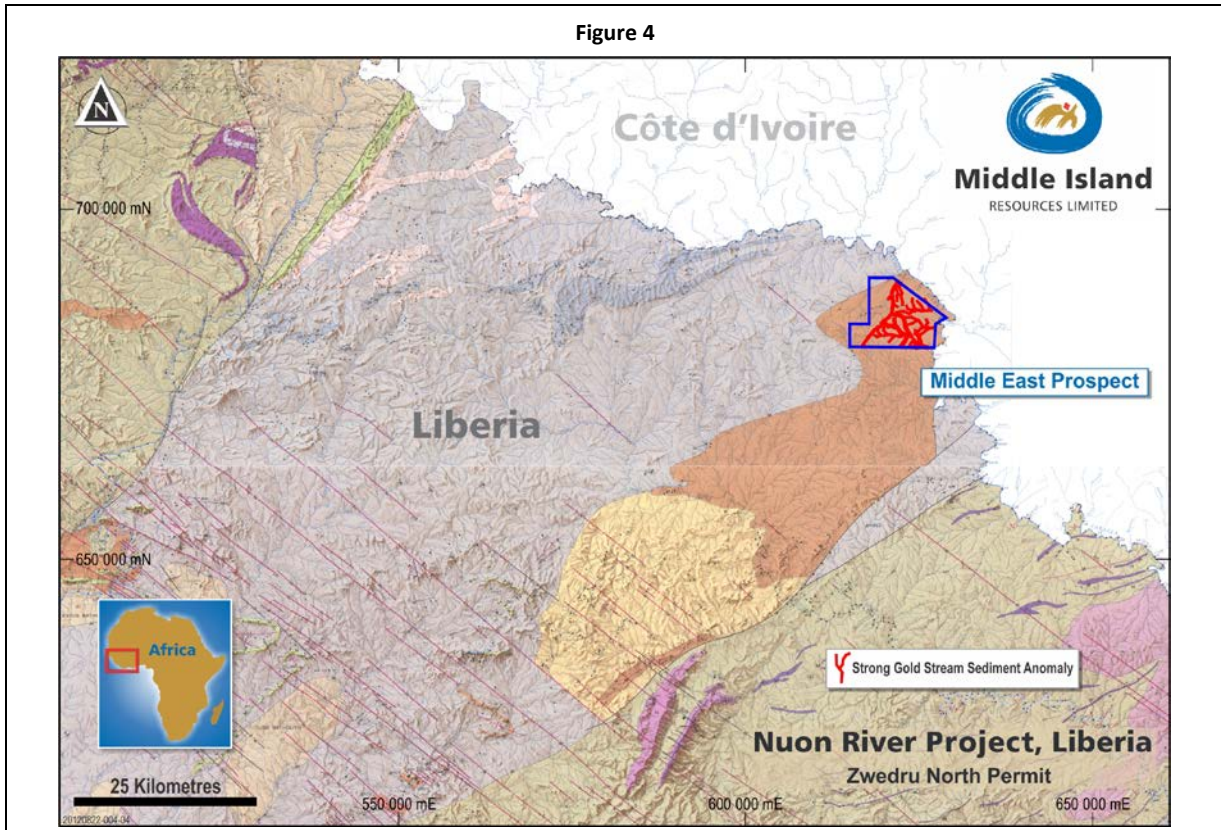
Similarly, renewal applications for the Dogona and Boulkagou permits, lodged on behalf of Cassidy Gold Limited, are still pending.



Nuon River Gold Project - Liberia

Exploration

No exploration was undertaken on the Nuon River gold project during the December quarter due to the continuing Ebola virus outbreak in Liberia and the decision to relinquish the sole remaining permit.



Tenure

Having not identified a suitable partner for the Nuon River gold project, the single remaining permit (Zwedru North) has regrettably been relinquished.



Safety, Social & Environmental

Health & Safety

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

The Ebola virus outbreak in Liberia, Sierra Leone and Guinea continues to be closely monitored. However, the disease currently poses no threat to Middle Island staff or its activities in West Africa.

Social

Funding of the Company's community development initiatives is proportional to exploration expenditure. Given the hiatus in exploration, runoff programs have now all been completed and no further expenditure is planned until exploration recommences. Irrespective of this, close contact with our host communities is being maintained to ensure they are kept appropriately informed of our situation and plans.

Environmental

No environmental incidents were recorded on the Company's projects during the December quarter.

Comments

While equity markets showed little or no improvement during the December quarter, green shoots in the gold sector are reappearing early in 2015. However, it will take more time to establish if this improvement can be sustained.

Perceptions around West Africa remain challenging for junior explorers. All are being ‘tarred with the Ebola brush’, regardless of jurisdiction, and political issues are ever-present.

The recent populist revolution to overthrow the President in Burkina Faso was rapid and relatively painless. While the former President has overseen a long period of political stability that has enabled the mining and service sectors to prosper, his legitimacy has long been questioned. Although the status of Burkina Faso as an investment destination should be measured more by the speedy resolution of the crisis and the mature manner in which the representative interim government was installed, international perceptions will inevitably remain negative and, what may ultimately prove a good outcome for Burkina Faso, will be viewed as another example of unacceptable political risk.

Perceptions or otherwise, your Company does understand how they arise and recognises the need to accommodate them in our strategic deliberations. Whilst West Africa remains highly prospective for new gold discoveries, your Board is also conscious of perceptions around the Ebola virus, political events, sovereign issues in Niger, and a further deterioration in the USD:AUD exchange rate. As such, domestic project opportunities are becoming increasingly attractive. While the Company will continue to maintain a presence in West Africa, where the prospectivity and opportunity for material discoveries are considerably higher, Middle Island is now also actively reviewing and negotiating advanced gold exploration opportunities in Australia in order to accommodate changing circumstances and diversify the Company’s risk profile.

In relation to the 100%-owned Reo gold project in Burkina Faso, the Company’s preferred position remains a partial divestment to fund the resource definition drilling and feasibility stages of the project, and this process is continuing. In the interim, Middle Island is considering recommencing a more measured program toward a staged, lower cost, heap leach development scenario in its own right. The extent and duration of this campaign will, however, be dependent on progress with new project acquisitions, tenure status and further improvements in equity markets.

Your Board is continuing to seek a balance between preserving the integrity and value of your Company whilst also meeting its primary objectives.

COMPANY CONTACTS:

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Competent Person's Statement

Information in this report relates to exploration results or mineral resources 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.

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.

Middle Island Resources Limited (**Company**) advised 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%	Burkina Faso
Didyr	-	-	100%	Burkina Faso
Dassa Sud	-	-	100%	Burkina Faso
Nebya	-	-	100%	Burkina Faso
Bissou	-	-	100%	Burkina Faso
Gossina	-	-	100%	Burkina Faso
Nassilé	-	-	100%	Niger
Kakou	-	-	100%	Niger
Tialkam	-	-	Nil (pending appeal)	Niger
Deba	-	-	Nil (pending appeal)	Niger
Zwedru North	-	100%	Nil	Liberia

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	-	-	Earning 90%	Niger
Boukagou	-	-	Earning 90%	Niger

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