



Middle Island
RESOURCES LIMITED

Middle Island Resources Limited
ACN 142 361 608

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QUARTERLY REPORT

For the period ended 30 June 2014

HIGHLIGHTS

- Cash position of A\$1.59 million, no debt, an intact capital structure and a strong register as at 30 June 2014.
- Continuing focus on cost reduction, with further significant savings achieved over the June quarter.
- In the absence of Niger Mines Ministry decisions, the Company has elected to draw a line under Niger, manage the Sirba gold project assets in isolation, and progress its other gold projects and opportunities in Burkina Faso.
- Progress on a partial divestment of the Reo gold project in Burkina Faso is well advanced, with a back-up strategy in place for Middle Island to advance the project towards a possible lower cost, staged, heap leach development.
- Pending a successful farm-out of the Reo Project, negotiations are progressing on a new, highly prospective and strategic gold project acquisition opportunity in Burkina Faso.

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ASX Code: MDI

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Capital Structure:

125 million shares

16.5 million options

Board Members:

Peter Thomas

Chairman

Rick Yeates

Managing Director

Beau Nicholls

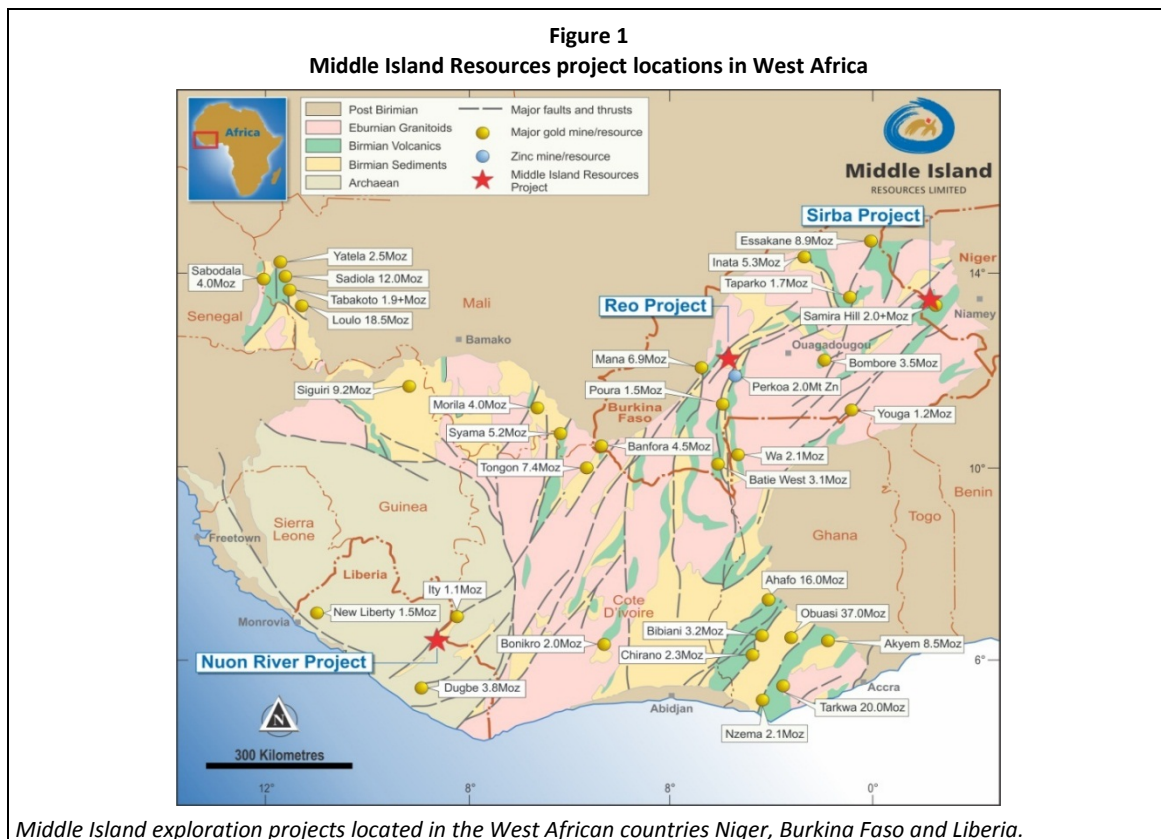
Non-Executive Director

Linton Kirk

Non-Executive Director

Dennis Wilkins

Company Secretary



Operating Activities

Corporate

Cash Position

Middle Island held cash of A\$1.59 million and no debt as at 30 June 2014, and the integrity of the capital structure remains intact with only a tight 125 million ordinary shares on issue.

Strategy

During the June quarter of 2014, your Company continued to focus on the preservation of capital and the realisation of several possible catalysts for a re-rating.

In relation to the Sirba gold project, Niger Mines Ministry decisions on extension applications for the Deba & Tialkam permits and the sale of a majority interest in SOPAMIN's proximal Samira Hill gold project have still not been forthcoming. The Company has elected to draw a line under the Sirba Project in Niger and focus on continuing to progress its other assets and opportunities in Burkina Faso. Middle Island has been managing the Niger situation as it sees best in attempting to maximise shareholder value. However, it has been patiently pursuing proper Niger Governmental decisions (and preserving capital to apply to these decisions) for almost 12 months without reward. The Board has determined it is now time to refocus in the best interests of shareholders.

While the preservation of capital to apply to Niger Mines Ministry decisions has restricted exploration and news flow over the past field season, your Company has been busy behind the scenes preparing strategies, programs and budgets for the 2014-15 field season. These strategies include a possible partial divestment of the Reo gold project in Burkina Faso in order for a partner to fund that project through to feasibility.



Nine potential partners are under confidentiality agreements and have reviewed or are reviewing the data.

If divestment terms that represent reasonable value for shareholders cannot be secured, Middle Island will undertake a more modest exploration program in its own right to progress resource definition drilling on the Reo gold project's K4/K5 and Morley gold prospects with a view to defining sufficient resources to evaluate a staged, lower cost, heap leach development option.

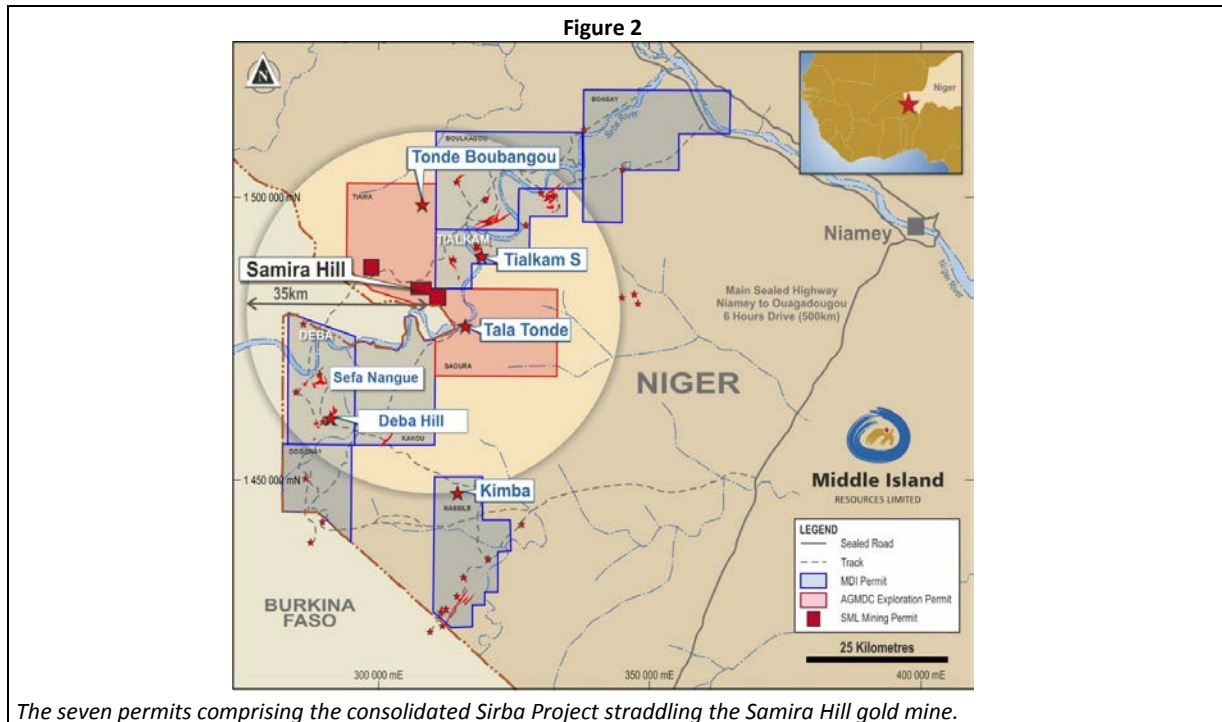
Your Company has also been actively reviewing other highly prospective and strategic gold project acquisition opportunities in West Africa over the June quarter.

Expenditure

Further strategies have been implemented in order to conserve the Company's remaining cash. Directors' fees and salaries have been reduced again, a further six employees have, due to the Niger Mines Ministry's stance, regrettably been made redundant (bringing total redundancies to 28 staff), administrative functions are being shared with other companies, discretionary expenditure has been further reduced, and an offer to purchase the Company's substantially under-utilised sample preparation facility is under serious consideration.



Sirba Gold Project – Niger



Samira Hill Acquisition

SOPAMIN, the Niger Government mining agency, is still yet to divest a majority stake in the Samira Hill gold project. It is understood that SOPAMIN, which now owns 100% of the Samira Hill gold project, continues to operate the mine on a restricted basis and thus deplete its value proposition to Middle Island.

Should SOPAMIN divest a majority stake, various options for Middle Island still include partnering with the successful bidder for an interest in the Samira Hill gold mine (with Middle Island bringing its proximal gold resources and the other party contributing capital), toll milling of Middle Island's proximal resources regardless of who owns the mine, or the sale of all Middle Island gold assets in Niger to the successful bidder.

Exploration

No meaningful exploration has been undertaken within the Sirba Project permits during the June quarter in order to preserve funds for a possible Samira Hill acquisition, and/or feasibility programs and studies on the Tialkam South and Sefa Nangue deposits once the relevant permits have been extended.

Tenure

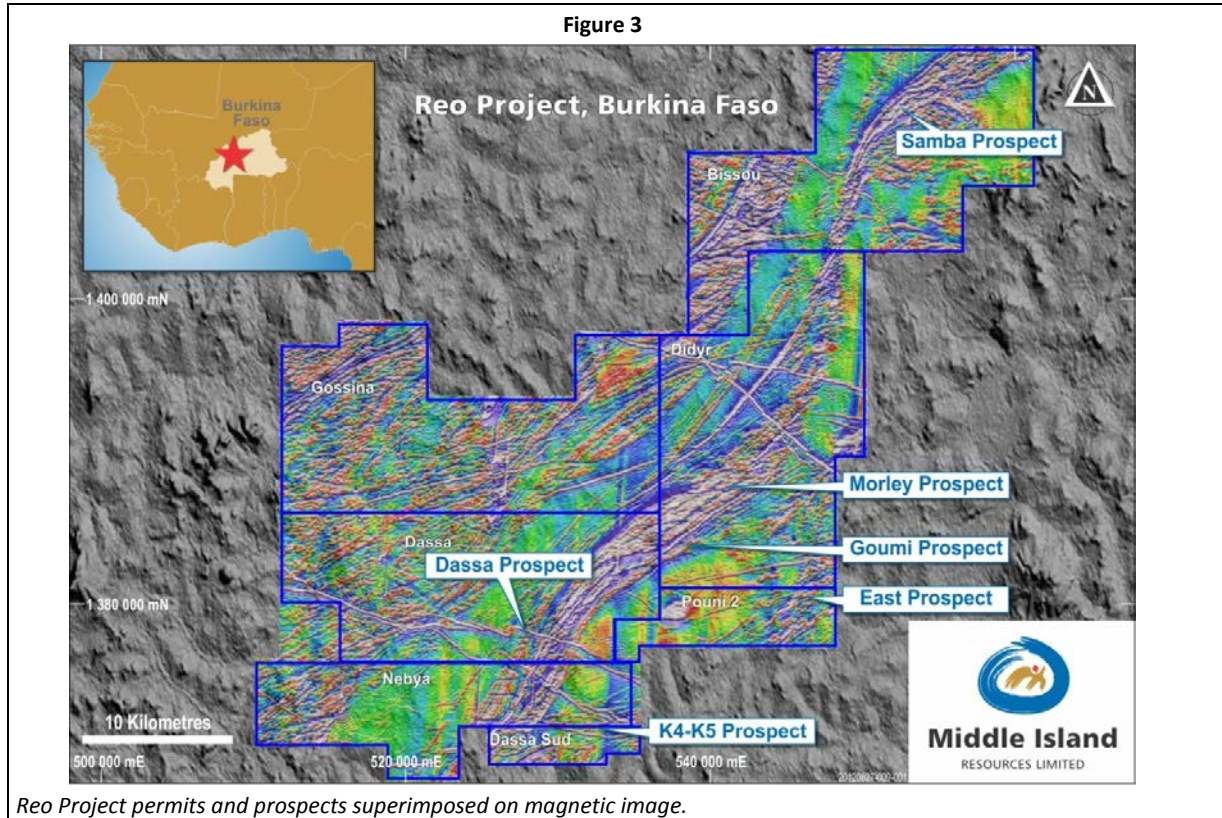
Extension applications for the Deba and Tialkam permits were lodged with the Niger Mines Ministry in August 2013 but, despite on-going regular enquiry, the extensions have still not been approved. Middle Island has elected not to undertake any further exploration on these permits or release the results of the Tialkam South scoping study until they are lawfully extended.

The decision in the arbitration regarding Desert Star Resources Limited's (formerly Island Arc Exploration Corp's) indecision to either contribute to further exploration or dilute its interest in the Nassilé permit was delivered in Middle Island's favour during the March quarter. As a result, Desert Star was required to dilute its interest in the permit direct to a royalty. Given Desert Star was unlikely



to be able to settle all costs in cash, settlement involved a C\$50,000 cash payment to Middle Island and agreement to reduce the 1.5% NSR royalty buyout price from US\$1M to US\$50,000.

Reo Gold Project – Burkina Faso



Exploration

No exploration was undertaken on the Company's 100%-owned Reo Project during the June quarter, with the focus being on hosting visits and facilitating data access for companies interested in partnering on the project. The high level of interest received in a possible Reo Project farm-out represents a strong endorsement of the technical merits of the project.

In the event meaningful farm-out terms cannot be secured with an appropriate partner, a more modest program of infill auger drilling, infill reverse circulation and diamond core resource definition drilling, and preliminary heap leach metallurgical testwork is being finalised for the K4/K5 and Morley prospects prior to the 2014-15 field season as an alternative strategy for the Reo Project.

Tenure

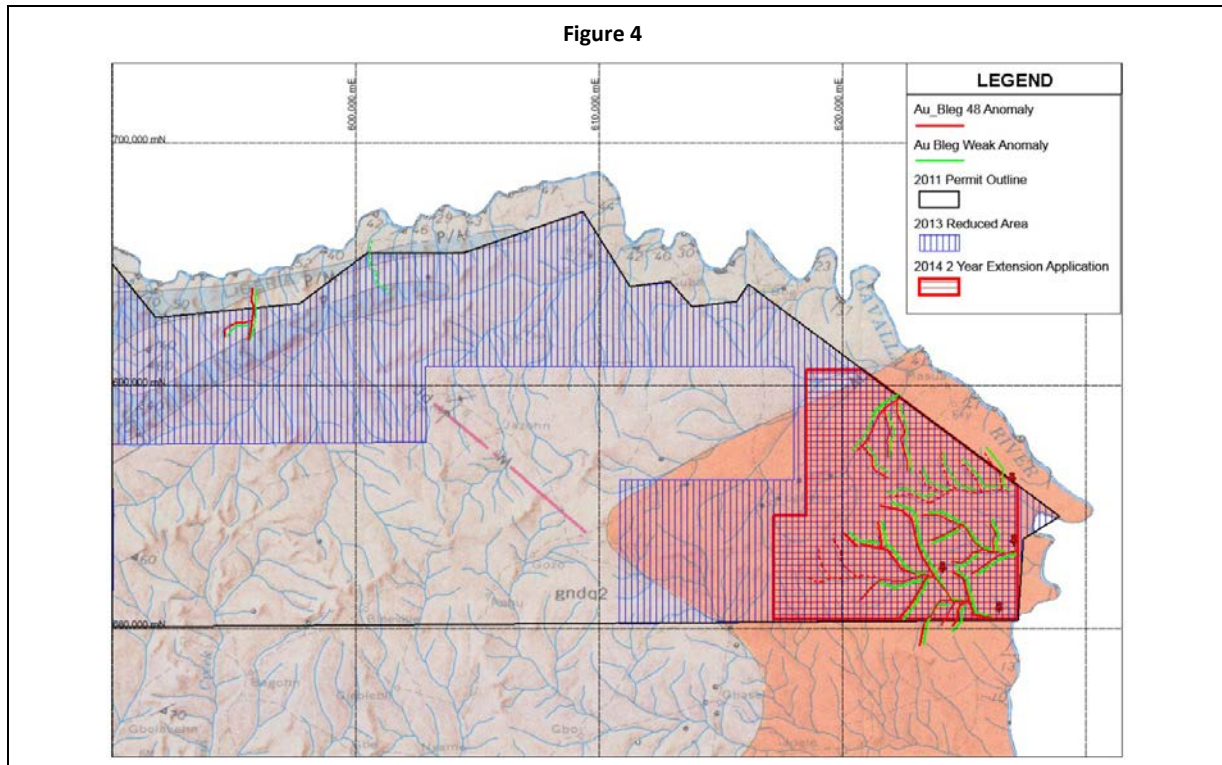
Renewals for all Reo Project permits have been received during the quarter and the Nebya permit is in the process of being transferred into Middle Island's name.



Nuon River Gold Project - Liberia

Exploration

No exploration was undertaken on the Nuon River Project during the June quarter, with the focus being on potential divestment and rationalising the tenure to minimise costs on what represents the Company's least advanced targets in its most expensive jurisdiction.



Tenure

Being unable to divest the Nuon River Project to date, the tenure has been further reduced from 1,135km² to 80km² to minimise costs. All permits have been surrendered with the exception of a small area of the Zwedru North permit covering the highest priority, Middle East, stream sediment gold anomaly.

Divestment discussions continue with interested parties.

Safety, Social & Environmental

Safety

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

Social

Despite the hiatus in exploration activity, Middle Island continues to maintain crucial community relations at all its projects, consistent with the Company's policy and objectives.

In Niger, partner NGOs Eau Vive and RAIN have successfully completed the Sustainable Education project. School classrooms and latrine blocks have been built in three separate villages, furnished and equipped with a set of stationery supplies. In parallel to the construction activities, the mentor programme focused on training local women to encourage schooling, particularly of girls, and the project instigated the creation of two school gardens with drip irrigation systems to provide revenues for the school management structures which also received training and support through the project. In line with our partnership approach, this project also benefited from the support of the Australian High Commission in Abuja, and Eau Vive partners, Eau Sans Frontières and RAIN.



In Burkina Faso, a visit in May from a representative of the Australian High Commission in Accra was the opportunity to visit the Pouni Nord site and see the ongoing positive impact of the Company's projects. Despite the completion of these projects, the partnership we helped to instigate between the High Commission and the local community is on-going and it has launched a similar market garden project to the one in Dassa. The visit was an opportunity to keep the community informed of Middle Island's current status and to see that the Pouni water management committee is able to put its training to use in the management of the water supply system.

Funding of the Company's community development initiatives is proportional to exploration expenditure. Now that these runoff programs have been completed, and given the hiatus in exploration, no further expenditure is budgeted until exploration recommences. Irrespective of this, close contact with our host communities will be 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 June quarter.

Comments

While naturally disappointed and frustrated with the Niger Mines Ministry, we firmly believe that the Company's decision to draw a line under Niger and manage the Sirba Project assets in isolation is currently in the best interests of shareholders. We have continued to pursue these government decisions patiently for almost 12 months, and have preserved our capital to apply to these, but the Company now needs to refocus attention on its excellent existing assets in Burkina Faso and new West African gold opportunities.

The strategy being finalised for the 2014-15 field season (commencing in September-October 2014) is centred on the Reo gold project in Burkina Faso in the first instance. The Company's preferred position in the current market environment is to identify a suitable partner to fund the resource definition drilling and feasibility stages of the project, and this process is well advanced. Should reasonable terms not be agreed, however, the alternative strategy involves Middle Island defining sufficient resources prior to assessing a possible lower cost, staged, heap leach development. These alternatives are equally valid, although additional capital will ultimately be required to achieve the latter option.

Pending a successful partial divestment of the Reo Project, your Company is also evaluating and negotiating highly prospective and strategic gold project acquisitions elsewhere in West Africa, providing a further significant opportunity for shareholders.

Despite the extended period of negative market sentiment in the junior exploration sector, the fundamentals of your Company remain positive. Middle Island holds more cash than the majority of its peers, the capital structure remains completely intact, the share register is extremely tight and strong, the core of an excellent technical and administrative team has been preserved, and the Company's gold projects remain extremely prospective.

COMPANY CONTACTS:

Rick Yeates – Managing Director +61 (0)401 694 313
Kate Manning – Administration Manager +61 (0)418 883 959

MEDIA CONTACT:

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

WEBSITE:

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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.

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, 01/05/2013

Name of entity

Middle Island Resources Limited

ABN

70 142 361 608

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration & evaluation	(288)	(2,997)
(b) development	-	-
(c) production	-	-
(d) administration	(205)	(1,298)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	27	196
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
- Dispute Settlement	50	50
Net Operating Cash Flows	(416)	(4,049)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(17)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	58
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(2)	41
1.13 Total operating and investing cash flows (carried forward)	(418)	(4,008)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(418)	(4,008)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(418)	(4,008)
1.20	Cash at beginning of quarter/year to date	2,040	5,631
1.21	Exchange rate adjustments to item 1.20	(33)	(34)
1.22	Cash at end of quarter	1,589	1,589

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	82
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
4.3 Production	-
4.4 Administration	150
Total	300

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	125	276
5.2 Deposits at call	1,464	1,764
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,589	2,040

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Cestos South	Relinquished	100%	Nil
	Cestos North	Relinquished	100%	Nil
	Zwedru	Relinquished	100%	Nil
	Zwedru North	Reduced to 80km ²	100%	100%
	Putu	Relinquished	100%	Nil
6.2 Interests in mining tenements and petroleum tenements acquired or increased	Nassile	Subject to royalty	70%	100%

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	124,987,349	124,987,349		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	250,000 15,000,000 250,000 250,000 275,000 200,000 300,000	- - - - - - -	<i>Exercise price</i> 25 cents 25 cents 37.5 cents 50 cents 51 cents 53 cents 56 cents	<i>Expiry date</i> 31 December 2014 30 June 2015 31 December 2014 31 December 2014 1 November 2014 1 November 2014 15 December 2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: 
(Company secretary)

Date: 28 July 2014

Print name: **Dennis Wilkins**

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.