



Middle Island
RESOURCES LIMITED

Middle Island Resources Limited
ACN 142 361 608

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QUARTERLY REPORT

For the period ended 31 March 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
16.5 million options

Board Members:

Peter Thomas

Chairman

Rick Yeates

Managing Director

Beau Nicholls

Non-Executive Director

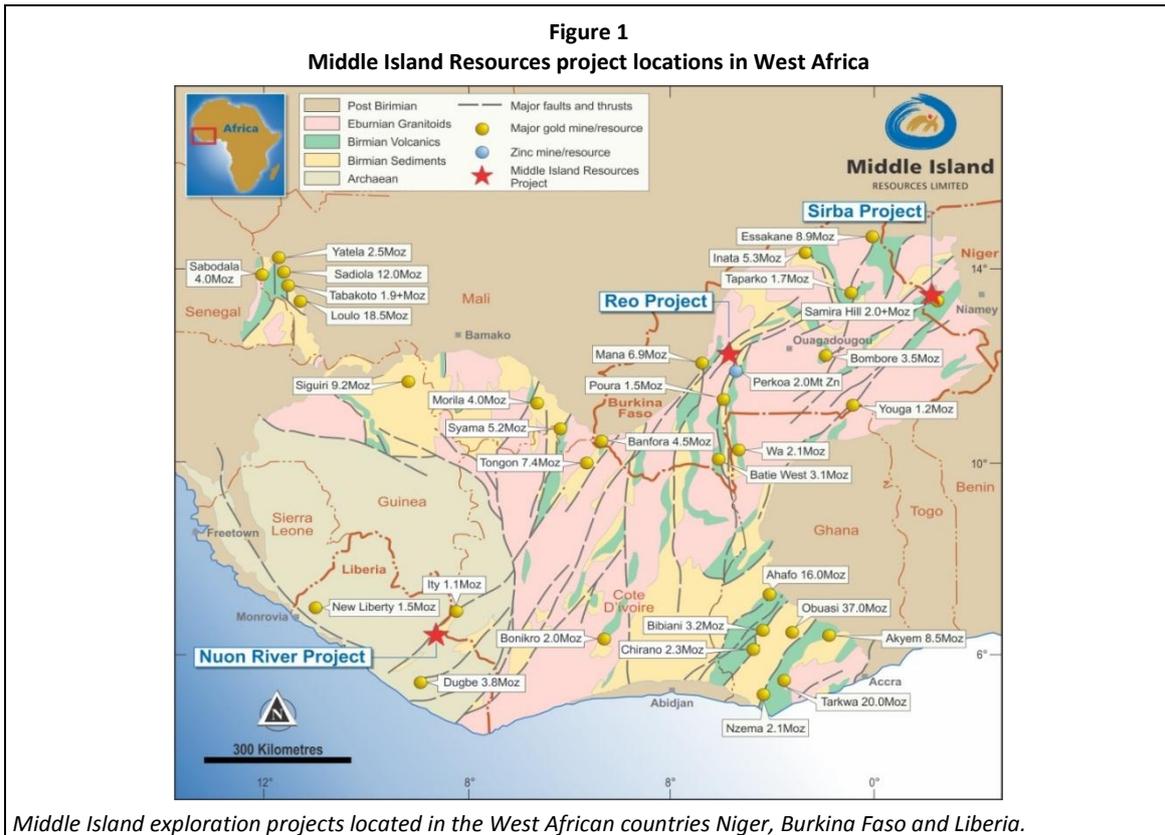
Linton Kirk

Non-Executive Director

Dennis Wilkins

Company Secretary

- Cash position of A\$2.04 million, no debt and an intact capital structure as at 31 March 2014.
- Sustained focus on preservation of capital, with a further 43% reduction in costs progressively achieved over the quarter.
- Based on projected expenditure, the Company can operate without the need for additional capital for at least a further 12-18 months.
- Mr Beau Nicholls resigned as an Executive (Technical) Director, becoming a Non-Executive Director.
- Despite limited exploration and news flow, the Company has been pursuing a number of catalysts that justify a substantial re-rating, including the possible Samira Hill acquisition or sale of Niger permit interests to the successful bidder, the Tialkam South scoping study, and attractive terms for a possible farm-out of the Company's flagship Reo gold project in Burkina Faso.



Operating Activities

Corporate

Cash Position

Middle Island held cash of A\$2.04 million and no debt as at 31 March 2014, and the integrity of the capital structure remains intact with only 125 million shares on issue.

Strategy

During the March quarter of 2014, your Company elected to focus on the preservation of capital. While this approach has substantially restricted exploration and news flow during the quarter, the preservation of capital for the potential acquisition of an interest in the Samira Hill gold project and/or feasibility programs and studies on the Tialkam South and Sefa Nangue deposits is imperative, offering the best chance for the generation of an early, self-sustaining cash flow.

Irrespective of this, your Company has been busy behind the scenes, pursuing a possible Samira Hill acquisition and permit extensions, meeting with other Samira Hill bidders, preparing strategies and programs to reflect the various possible outcomes, implementing necessary cost saving initiatives, considering possible farm-in offers on the Reo Project, and reviewing new project opportunities.

These activities reflect a number of possible outcomes that justify a re-rating of the Middle Island share price in the short term that include a Samira Hill acquisition, the Tialkam and Deba permit extensions, the Tialkam South scoping study results, the sale of all Niger permit interests to the successful Samira Hill bidder, attractive farm-out terms on the Reo Project, infill drilling of the high grade Morley Prospect at Reo, and/or a highly prospective and strategic project acquisition.



Expenditure

Various strategies have been implemented in order to conserve the Company's remaining cash. Mr Beau Nicholls generously offered to resign as an Executive (Technical) Director of the Company, becoming a Non-Executive Director. Some 22 employees, predominantly in West Africa, have regrettably been made redundant or had their status reassigned, executive and senior management salaries have been reduced by 30%, administrative functions and premises are being shared with other companies, surplus field equipment has been sold, fixed costs have been reduced by some 43%, discretionary expenditure has likewise been significantly reduced, and further cost reduction initiatives are being progressively implemented.

Notwithstanding the absence of exploration generally, expenditure during the quarter was marginally higher than anticipated due to legal costs associated with the successful arbitration in British Columbia on the Nassilé permit.

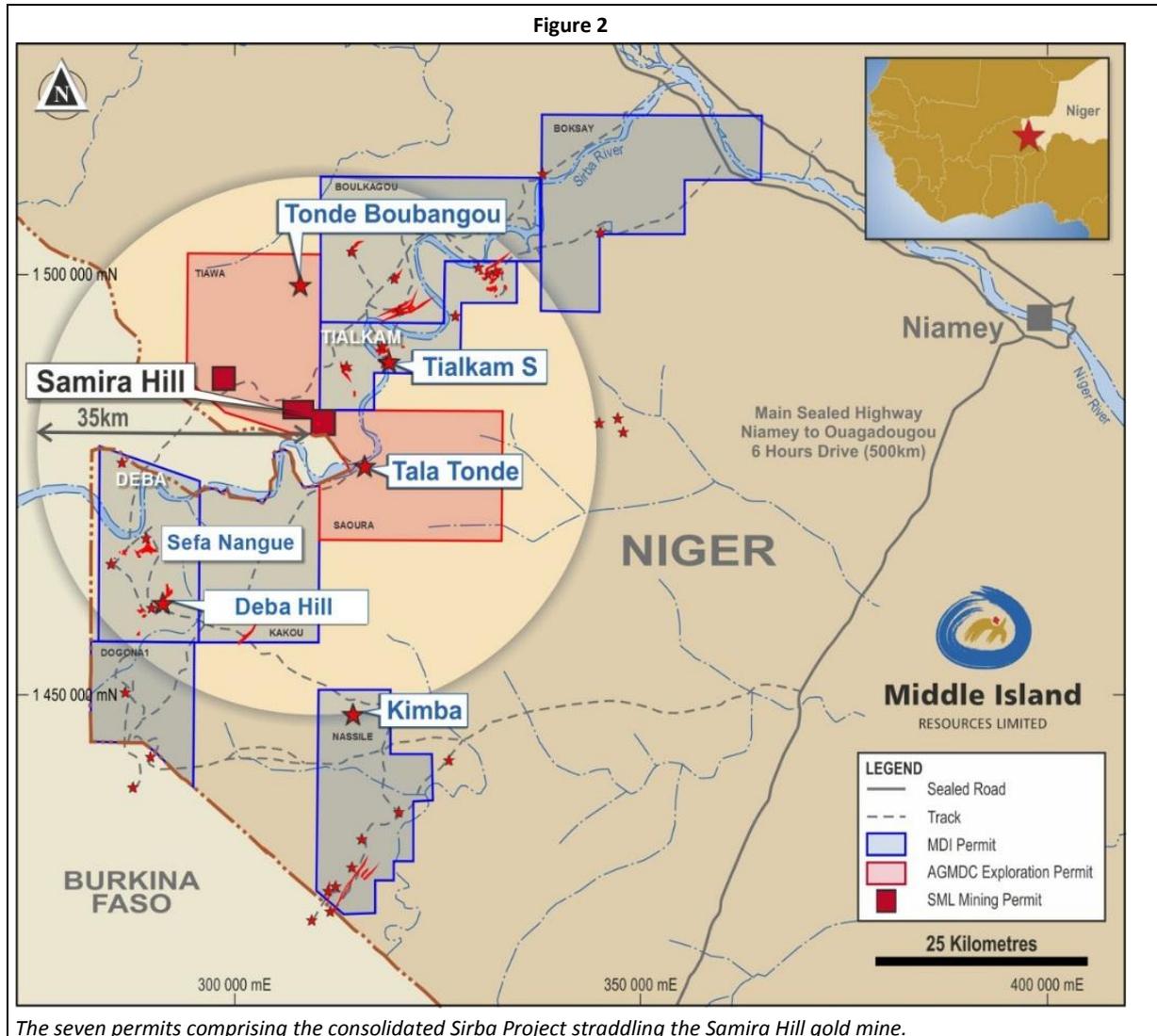
Given cash reserves and on-going cost reduction initiatives, Middle Island Resources can currently continue to operate without the need for additional equity capital for at least a further 12-18 months.

New Opportunities

Given the delays and indecision associated with a possible acquisition of an interest in the Samira Hill gold mine in Niger, the search for new project opportunities has recommenced in earnest.



Sirba Gold Project – Niger



Samira Hill Acquisition

Middle Island provided an indicative offer to SOPAMIN, the Niger Government mining agency, to acquire a majority stake in the Samira Hill gold project in early January 2014. SOPAMIN, which now owns a 100% interest in the project, is understood to have re-opened the mine in March 2014, processing stockpiles, supplemented by limited ore from the Libiri open pit.

Various meetings and discussions on Middle Island's acquisition offer have continued throughout the March quarter, however SOPAMIN has not yet made a decision on the successful tenderer.

Should Middle Island be unsuccessful in its bid to acquire a majority stake in its own right, various alternative options may include partnering with the successful bidder for an interest in the Samira Hill gold mine (with Middle Island bringing its proximal resources and the other party contributing the 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 March 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.

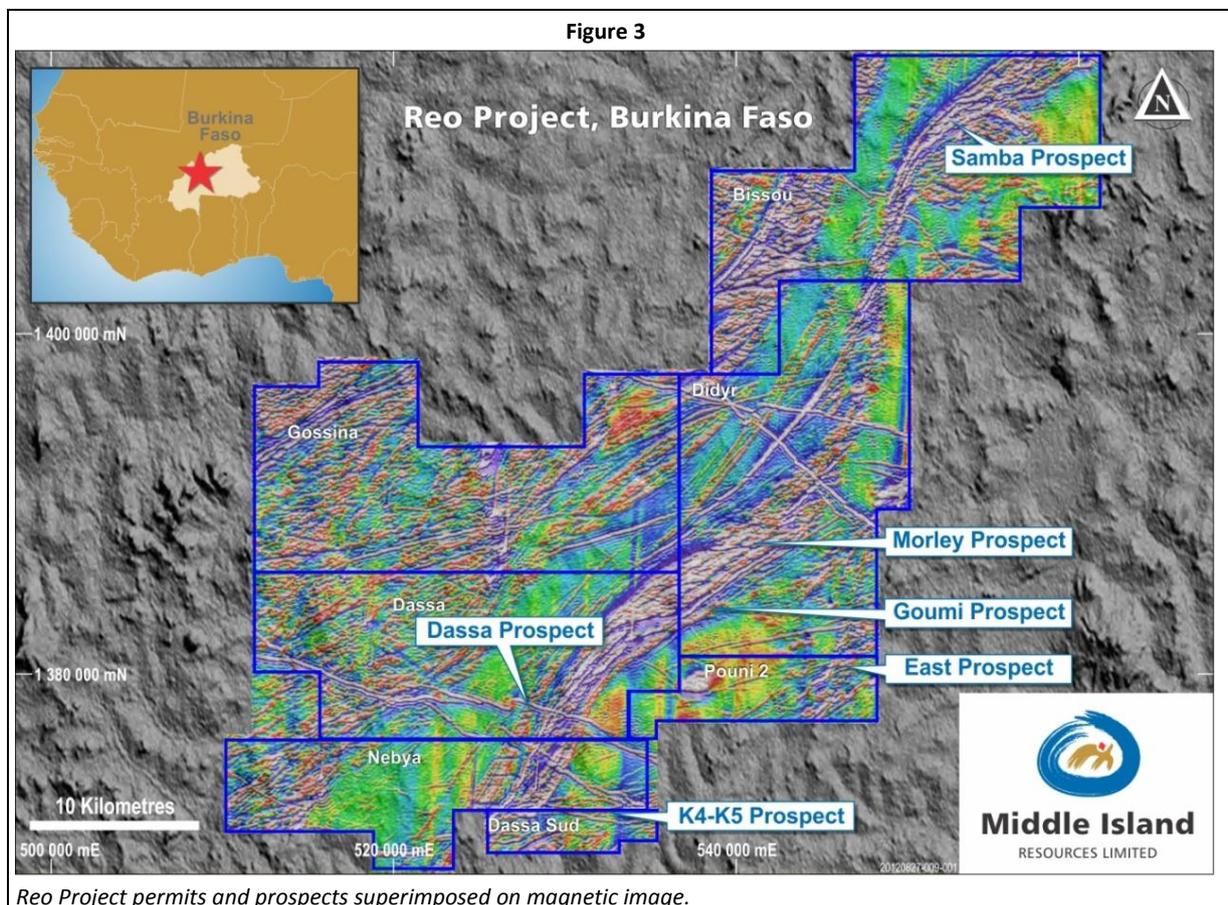
A scoping study on the Tialkam South deposit commenced during the quarter and is nearing completion.

Tenure

Extension applications for the Deba and Tialkam permits were lodged with the Niger Mines Ministry in September 2013 but, despite regular enquiry, the extensions have still not been forthcoming. Middle Island has elected not to undertake any further exploration on these permits until they are lawfully extended.

The outcome of arbitration with Desert Star Resources Limited (formerly Island Arc Exploration Corp) on its indecision to either contribute to further exploration or dilute its interest in the Nassilé permit was successfully awarded in Middle Island's favour during the quarter. Desert Star is required to dilute its interest in the permit direct to a royalty and Middle Island is now seeking a settlement for costs.

Reo Gold Project – Burkina Faso



Exploration

Exploration on the Reo Project during the March quarter was limited to the collection, cataloguing and storage of drilling reference samples.

An RC/diamond drilling proposal for the high grade Morley Prospect was also prepared. This program is directed at infill resource definition drilling and the collection a representative suite of samples for preliminary metallurgical testwork at the prospect.

Tenure

Statutory expenditure commitments on all Reo Project permits have been met for the next 18 to 36 months, and several permit renewals were lodged during the March quarter.

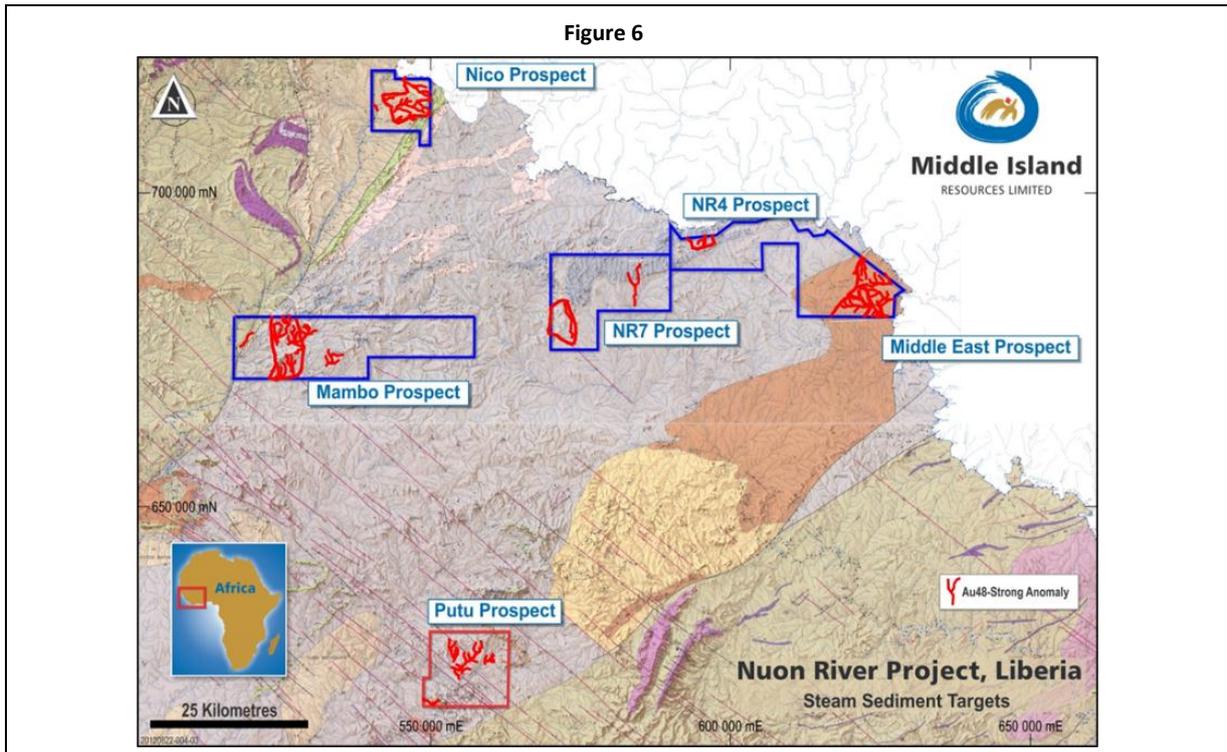
Strong enquiry has been received from a number of companies interested in farming into the Reo gold project. This option is being seriously considered by the Board with a view to funding the extensive drilling required to quantify resources at the K4/5 Prospect and progress the project to feasibility stage. Several of these parties have also expressed an interest in Middle Island managing the on-going exploration, thereby potentially preserving the integrity of the Company's exceptional technical and administrative team in Burkina Faso.

The level of interest received in a possible Reo Project farm-out represents a strong endorsement of both the technical merits of the project and of the Middle Island team.

Nuon River Gold Project - Liberia

Exploration

The Nuon River Project remained on care and maintenance during the March quarter as negotiations to divest the project continued.



Safety, Social & Environmental

Safety

No injuries or safety incidents were recorded at the Company's projects during the March 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 Burkina Faso, our partner NGO, Eau Vive, is still active in the region, making contact with stakeholders to keep up to date on the on-going impact of actions and reporting back to Middle Island. Middle Island is also in close contact with the local authorities to keep them informed of the Company's situation.

In Niger, NGO partners Eau Vive and RAIN are advancing the on-going Sustainable Education Project, with the construction of three classrooms nearing completion and outreach activities with local mentors well underway.



Figure 7



Koutougou School Garden developed by the teachers and students in Niger

Figure 8



Nassilé village women drawing water from the first well

Environmental

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

Comments

Against a backdrop of prevailing market conditions and the cash preservation strategy, I sincerely acknowledge the stoicism and understanding of colleagues who have accepted redundancies and salary reductions. They have individually and collectively made a significant contribution to Middle Island.

I particularly acknowledge Middle Island founding Director, Mr Beau Nicholls, who in the best interests of the Company, readily agreed to sacrifice his role as Executive (Technical) Director for a Non-Executive directorship. Mr Nicholls has been an integral member of the executive team since 2010 and I look forward to his valuable on-going contribution in his new capacity.

I again express my gratitude to our loyal shareholders for your on-going patience and confidence. I wish to reassure you that we are aggressively pursuing a number of catalysts to justify a substantial re-rating and will deliver a successful outcome once market sentiment returns.



COMPANY CONTACTS:

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MEDIA CONTACT:

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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")

31 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(392)	(2,709)
(b) development	-	-
(c) production	-	-
(d) administration	(149)	(1,093)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	169
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(539)	(3,633)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(15)
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	(3)	43
1.13 Total operating and investing cash flows (carried forward)	(542)	(3,590)

+ 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)	(542)	(3,590)
	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	(542)	(3,590)
1.20	Cash at beginning of quarter/year to date	2,578	5,631
1.21	Exchange rate adjustments to item 1.20	4	(1)
1.22	Cash at end of quarter	2,040	2,040

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	137
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	276	514
5.2 Deposits at call	1,764	2,064
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,040	2,578

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			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

+ 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: 22 April 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.