



**Middle Island**  
RESOURCES LIMITED

Middle Island Resources Limited  
ACN 142 361 608

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## QUARTERLY REPORT

For the period ended 30 September 2014

### HIGHLIGHTS

**Middle Island Resources Ltd**

ACN 142 361 608

**ASX Code: MDI**

**Office:**

Suite 2, 2 Richardson Street  
WEST PERTH WA 6005  
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

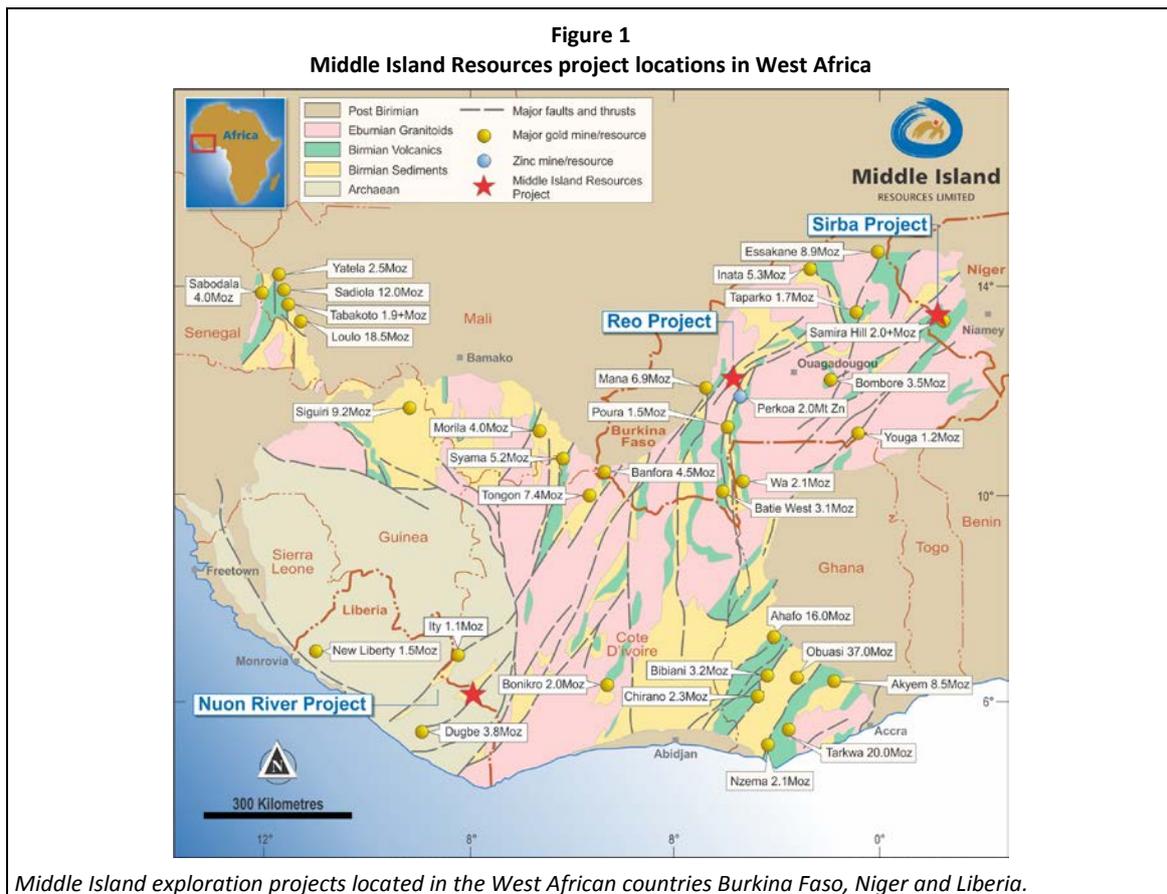
**Linton Kirk**

Non-Executive Director

**Dennis Wilkins**

Company Secretary

- Cash position of A\$1.39 million and no debt as at 30 September 2014.
- No exploration has been undertaken during the September quarter due to the monsoon season rains.
- Extension applications for the Deba and Tialkam permits have been refused by the Niger Mines Ministry, which decision Middle Island considers incorrect and not sustainable under the rule of law.
- As the first stage in an appeal process, Middle Island has lodged an Administrative Application requesting the decision be reviewed and overturned and the Company has applied for replacement permits in its own name.
- In view of the significant deterioration in the sovereign risk profile in Niger, Middle Island is seeking to sell all its Niger interests and intellectual property to the acquirer of a majority interest in the adjacent Samira Hill gold mine, should that opportunity arise.
- Continuing focus on cost reduction, with further significant savings achieved during the September quarter and additional initiatives being implemented in the December quarter.
- US\$200,000 (A\$208,000) sale of containerised sample preparation facility realised.
- No meaningful offers have been received to date for a partial divestment of the Reo gold project in Burkina Faso, however the process is continuing.
- Actively advancing negotiations on highly prospective and strategic gold project acquisition opportunities in West Africa and Australia.
- Final exploration plans for the 2014-15 field season will be partially dependent on the outcome of new project negotiations.



## **Operating Activities**

### **Corporate**

#### Cash Position

Middle Island held cash of approximately A\$1.39 million and no debt as at 30 September 2014.

Your Company has continued to implement additional cost savings during the September quarter in order to conserve the Company’s remaining cash, and further measures are being implemented during the December quarter. Middle Island also disposed of its containerised sample preparation facility in Burkina Faso during the September quarter, realising US\$200,000 (A\$208,000) in the process.

#### Strategy

During the September quarter of 2014, particularly given the absence of exploration due to the monsoon season in West Africa, your Company continued to focus on the preservation of capital and the realisation of several possible catalysts towards a re-rating.

Extension applications for the Deba and Tialkam permits were refused by the Niger Mines Ministry during the quarter. Middle Island is convinced the applications complied with the governing legislation and, accordingly, should not have been refused. The Company has lodged a *Recours Gracieux* (Administrative Application) requesting the decision be over-turned as the first stage in an appeal process and has also applied for replacement permits in its own name as an insurance policy.



In view of the significant deterioration in the sovereign risk profile in Niger, Middle Island is seeking to sell all its Niger interests and intellectual property to the acquirer of a majority interest in the adjacent Samira Hill gold mine, should that opportunity arise.

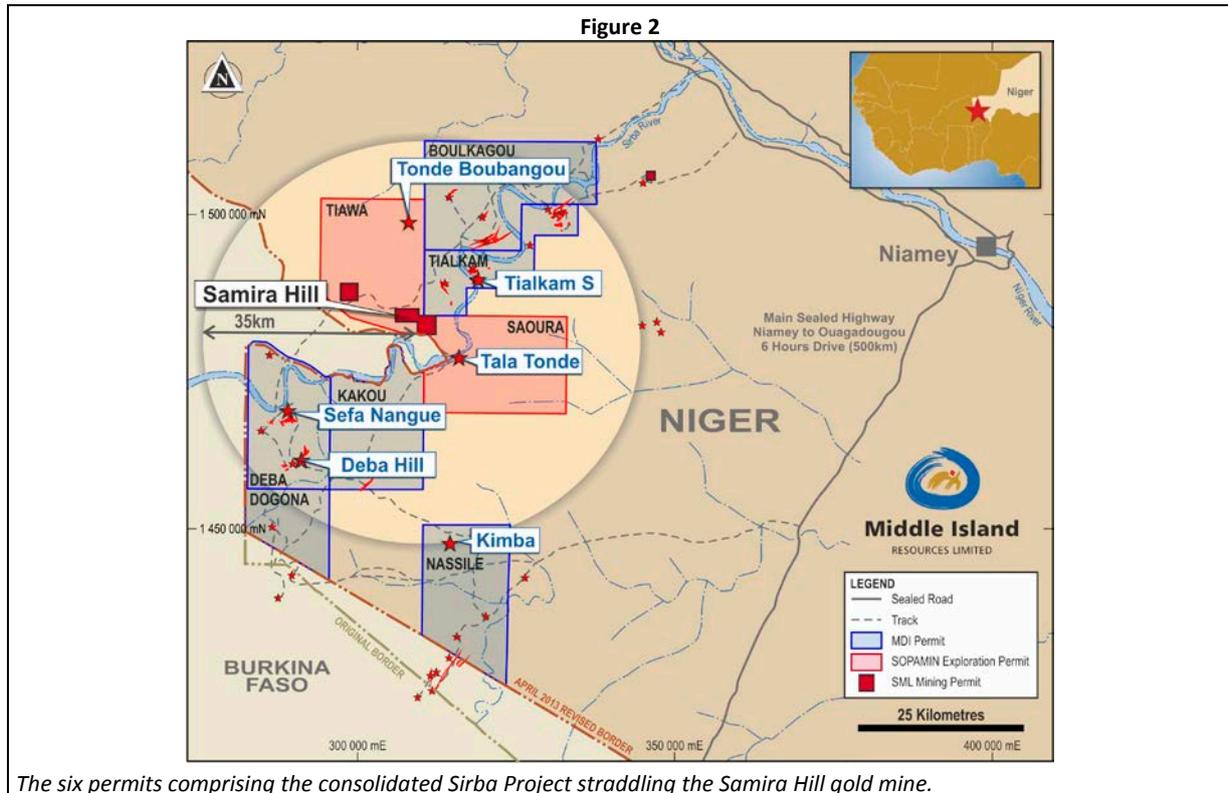
Some 14 companies have reviewed, or are in the process of reviewing, technical data on the Reo gold project in Burkina Faso with a view to a possible farm-in. While the process is continuing, it is increasingly likely that the Company will either continue to explore the project in its own right until meaningful terms can be negotiated or, alternatively, leave the project on 'care and maintenance' given all permits have recently been renewed for a further three-year term and remain in excellent standing.

On a more positive front, Middle Island is actively advancing negotiations on highly prospective and strategic gold project acquisition opportunities in West Africa and Australia, which the Company hopes to bring to fruition in the near term.

Final exploration plans for the 2014-15 field season (commencing late October 2014, given the current status of rainfall and the cropping cycle) will be partially dependent on the outcome of new project negotiations. However, detailed programs and budgets have been approved to progress the Reo Project towards a staged, lower cost, heap leach development scenario, should equity markets improve.



## Sirba Gold Project – Niger



### Exploration

No exploration has been undertaken within the Sirba Project permits during the September quarter due to the monsoon season rains.

### Tenure

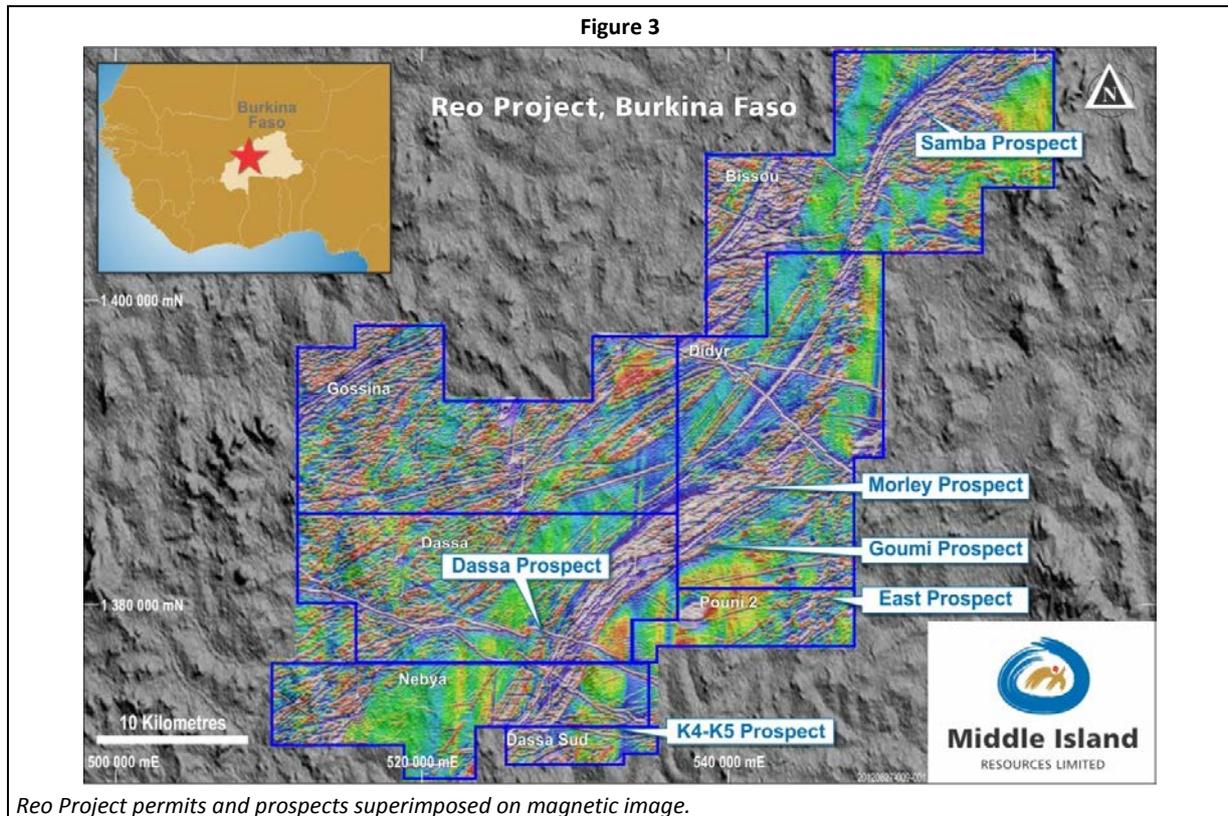
In August 2014, Middle Island received written advice from the Niger Mines Ministry that extension applications for the Deba and Tialkam permits had been refused. Middle Island is confident that the Ministry's decision is incorrect, inconsistent with the law, has appealed the decision via an Administrative Application (*Recours Gracieux*) and lodged new applications for the Deba and Tialkam permits in its own right. No advice has been received on the outcome of either the Administrative Application or the new permit applications during the quarter.

Renewal applications for the Dogona and Boulkagou permits were lodged on behalf of Cassidy Gold Limited during the September quarter. However, the renewals have not yet been forthcoming from the Niger Mines Ministry.

During the September quarter, Middle Island elected to withdraw from its farm-in agreement with AMI Resources Inc. on the Boksay permit. While still prospective, much of the Boksay permit lies under sand dunes and thick, saturated alluvial deposits associated with palaeo-valleys of the Niger and Sirba rivers, making exploration challenging and expensive. Given this and the permit's greater distance from the Samira Hill processing plant, Middle Island provided formal notification to AMI of its intention to withdraw from the Boksay farm-in agreement in August 2014.



## Reo Gold Project – Burkina Faso



### Exploration

No exploration was undertaken within the Company's 100%-owned Reo Project during the September quarter due to the monsoon rains.

No meaningful offers have been received to date for a partial divestment of the Reo gold project in Burkina Faso. However, the process is continuing.

### Tenure

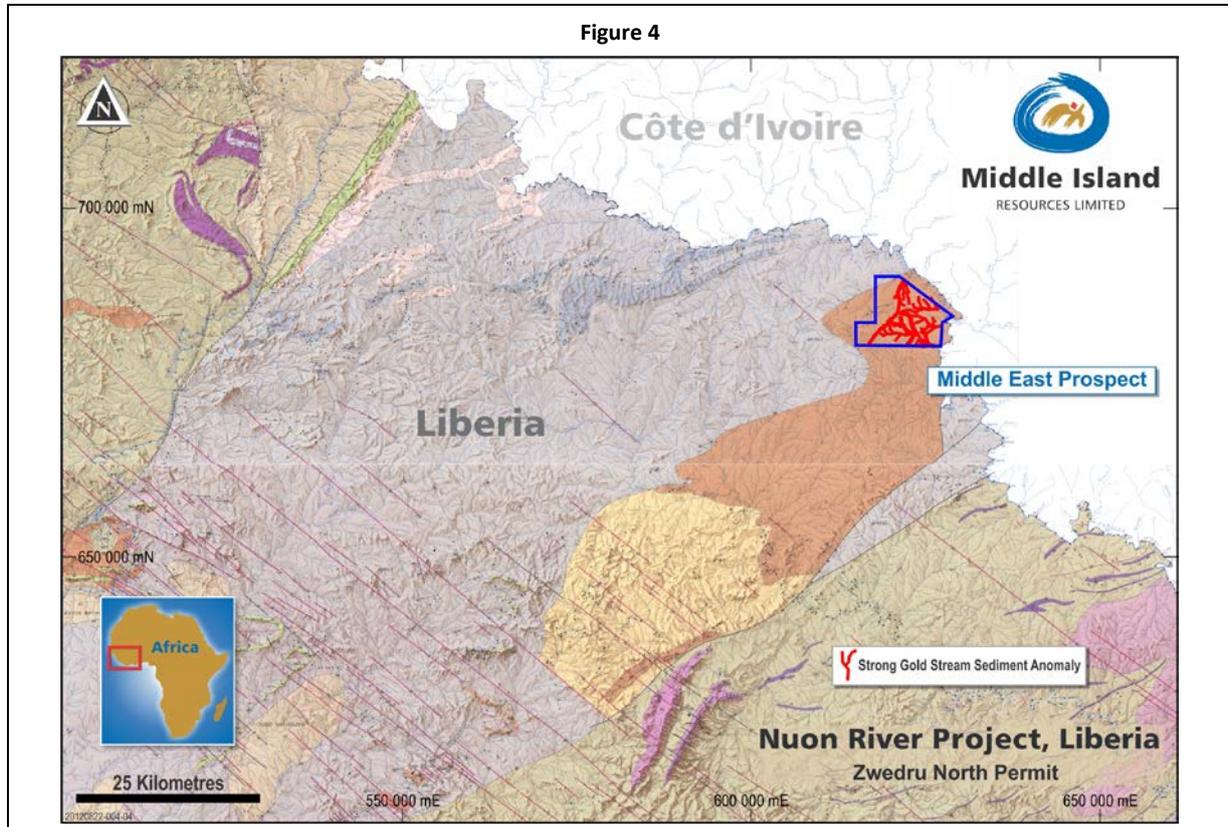
All Reo Project permits were successfully renewed during the June quarter and remain in good standing.



## Nuon River Gold Project - Liberia

### Exploration

No exploration was undertaken on the Nuon River Project during the September quarter due to the monsoon season and Ebola virus outbreak in Liberia.



### Tenure

A single 80km<sup>2</sup> permit (Zwedru North), covering the priority Middle East stream sediment gold anomaly, is all that remains of the Nuon River Project.

Divestment discussions continue with interested parties. However, the prospect of a meaningful transaction is diminishing.



## **Safety, Social & Environmental**

### *Health & Safety*

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

The Ebola virus outbreak in Liberia, Sierra Leone and Guinea is being closely monitored by the Company. The disease currently poses no threat to Middle Island staff or activities in West Africa. Having closed the Company's office in Liberia in September 2013, no staff remain in that jurisdiction and no exploration activities are planned or in progress. Similarly, no Ebola cases have been reported in either Burkina Faso or Niger, or in neighbouring countries. Regardless, the Company is regularly updating and educating staff as the outbreak evolves, and has appropriate medical and evacuation protocols in place should the outbreak impact our operational jurisdictions.

### *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 budgeted 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 September quarter.

## **Comments**

The 2014 September quarter proved yet another extremely challenging one for junior gold explorers in the West African space. Middle Island is, regrettably, no exception. This situation has been exacerbated by decisions at the hands of the Niger Mines Ministry, firstly in frustrating your Company's efforts to complete the Samira Hill gold mine acquisition from SEMAFO Inc. in 2013 and more recently its refusal to extend the Deba and Tialkam permits.

The Niger experience has proved exceedingly disappointing. However, the Company will continue to recoup what value it reasonably can for shareholders.

In relation to the 100%-owned Reo gold project in Burkina Faso, the Company's preferred position is a partial divestment to fund the resource definition drilling and feasibility stages of the project, and this divestment process is now well advanced. Should terms that deliver a reasonable outcome for MDI shareholders not be secured, however, Middle Island may undertake a more measured program toward a staged, lower cost, heap leach development scenario in its own right. This campaign will, however, be dependent on progress with new project acquisitions and an improvement in equity markets during the December quarter.

Your Company is also evaluating and negotiating possible investments in new, highly prospective and strategic gold projects in Burkina Faso and Australia, providing further opportunity for shareholders.

Whilst West Africa remains highly prospective for new gold discoveries, your Board is also conscious of the present negative market sentiment around the junior gold exploration sector in West Africa. Together with perceptions around the Ebola virus, a deterioration in the USD:AUD exchange rate and positive Federal policy changes in Australia, domestic project opportunities are becoming increasingly attractive. While the Company will continue to explore and potentially acquire gold exploration projects in West Africa, where the prospectivity is considerably higher, Middle Island is now also actively reviewing advanced gold exploration opportunities in Australia in order to accommodate changing circumstances and diversify the Company's sovereign risk profile.

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

### **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:**

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

### **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	-	Extension declined	Nil (pending appeal)	Niger
Deba	-	Extension declined	Nil (pending appeal)	Niger
Zwedru North	-	-	100%	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
Boulkagou	-	-	Earning 90%	Niger
Boksay	-	Withdrawn	Nil	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, 01/05/2013

Name of entity

**Middle Island Resources Limited**

ABN

**70 142 361 608**

Quarter ended ("current quarter")

**30 September 2014**

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(213)	(213)
(b) development	-	-
(c) production	-	-
(d) administration	(200)	(200)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(412)</b>	<b>(412)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	208	208
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>208</b>	<b>208</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(204)</b>	<b>(204)</b>

+ 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)	(204)	(204)
	<b>Cash flows related to financing activities</b>		
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)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(204)	(204)
1.20	Cash at beginning of quarter/year to date	1,589	1,589
1.21	Exchange rate adjustments to item 1.20	10	10
1.22	<b>Cash at end of quarter</b>	1,395	1,395

**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	74
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	200
4.2 Development	-
4.3 Production	-
4.4 Administration	150
<b>Total</b>	<b>350</b>

### 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	231	125
5.2 Deposits at call	1,164	1,464
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,395</b>	<b>1,589</b>

### 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	Deba	Extension declined	100%	Nil
	Tialkam	Extension declined	100%	Nil
	Boksay	Withdrawn from JV	Earning 51% to 70%	Nil
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 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	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 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (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 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (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: 27 October 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.