



Middle Island
RESOURCES LIMITED

Middle Island Resources Limited
ACN 142 361 608

Suite 1, 2 Richardson Street
West Perth WA 6005
PO Box 1017
West Perth WA 6872
Tel +61 (08) 9322 1430
Fax +61 (08) 9322 1474
info@middleisland.com.au
www.middleisland.com.au

QUARTERLY REPORT

For the period ended 30 June 2018

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:

PO Box 1017
West Perth WA 6872
Western Australia

T: +61 8 9322 1430

F: +61 8 9322 1474

E: info@middleisland.com.au

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Capital Structure:

796 million shares
38,300,000 options

Board Members:

Peter Thomas

Chairman

Rick Yeates

Managing Director

Beau Nicholls

Non-Executive Director

Dennis Wilkins

Company Secretary

- Cash as at 30 June 2018 was A\$1.55 million which, along with other liquid assets of A\$825,000, resulted in aggregate cash and liquid assets of A\$2.38M at quarter's end. This includes the initial cash and share consideration from Tajiri Resources Corp. (TSX-V:TJ) for the Reo gold project transaction, along with gold proceeds from the mill clean-up residues derived from the Company's gold processing plant within its 100%-owned Sandstone project in WA.
- RC pre-collared, resource definition diamond core drilling of the upper half of the Two Mile Hill tonalite deeps target at Sandstone has been completed, with assays pending at quarter's end.
- The second Sandstone ore sorting campaign, including iterations around crush size and grade range, was completed late in the June quarter, with assays pending at quarter's end.
- Detailed mapping, chip sampling and soil sampling has been completed at the Dandaraga gold property, proximal to Sandstone, with assay results pending at quarter's end.
- Soil sampling has been completed at the Ned's property, also proximal to Sandstone, with assay results pending at quarter's end.
- Tajiri Resources Corp. has formally entered the Option Agreement to acquire a 100% interest in MDI's Reo gold project in Burkina Faso via aggregate cash payments of US\$335,000 and the issue to MDI of 5 million Tajiri shares, plus a 2% net smelter return (NSR) royalty that Tajiri may elect to acquire for US\$5 million.

Schedule for September quarter 2018:

- **Two Mile Hill tonalite deeps** - Reporting of ore sorting trial results; reporting of Stage I resource definition diamond drilling results; additional geotechnical testwork; update Mineral Resource estimate; update underground mining concept study; further large diameter diamond hole for ore sorting trials; possible Stage II diamond drilling.
- **Elsewhere at Sandstone** - Reporting of mapping, chip sampling and soil geochemical surveys at Dandaraga; reporting soil sampling at Ned's; infill RC drilling at Wirraminna; maiden RC drilling at Cowan; possible RC drilling at Davis and/or Agnes.



Operating Activities

Corporate

Finances

Gold project developer, Middle Island Resources Limited (**ASX:MDI, Middle Island or the Company**), had a cash balance of A\$1.55 million as at 30 June 2018.

The 30 June balance includes A\$185,000 in cash proceeds derived from the Sandstone mill gold clean-up residues, along with initial cash proceeds of A\$244,000 received from Tajiri Resources Corp. (TSX-V:TAJ) under the Reo gold project Option Agreement. Five million TAJ shares, with a value of A\$825,000 as at 30 June 2018 were also issued to MDI during the quarter, bringing cash and liquid assets to A\$2.38 million.

Strategy

At the Company's wholly-owned Sandstone gold project in WA, Middle Island continues to pursue the extension and enhancement of the proposed gold production profile in order to recommission its on-site processing plant.

The June quarter focus was on Sandstone's Two Mile Hill tonalite deeps deposit, following recognition of the deposit's amenability to pre-concentration of gold mineralisation via ore sorting, thereby reducing the mill's throughput and costs, and increasing the mill feed grade to a level compatible with the existing processing plant's capacity.

The multi-faceted, over-arching strategy was further progressed during the June quarter, variously via the following:-

- RC pre-collared, resource definition diamond drilling of the upper half of the Two Mile Hill tonalite deeps deposit.
- Further ore sorting testwork on the Two Mile Hill tonalite deeps deposit.
- Mapping, chip sampling and soil sampling at the Dandaraga property and soil sampling at the Ned's property.
- On-going review of consolidation opportunities and third-party gold deposits within the broader Sandstone district.

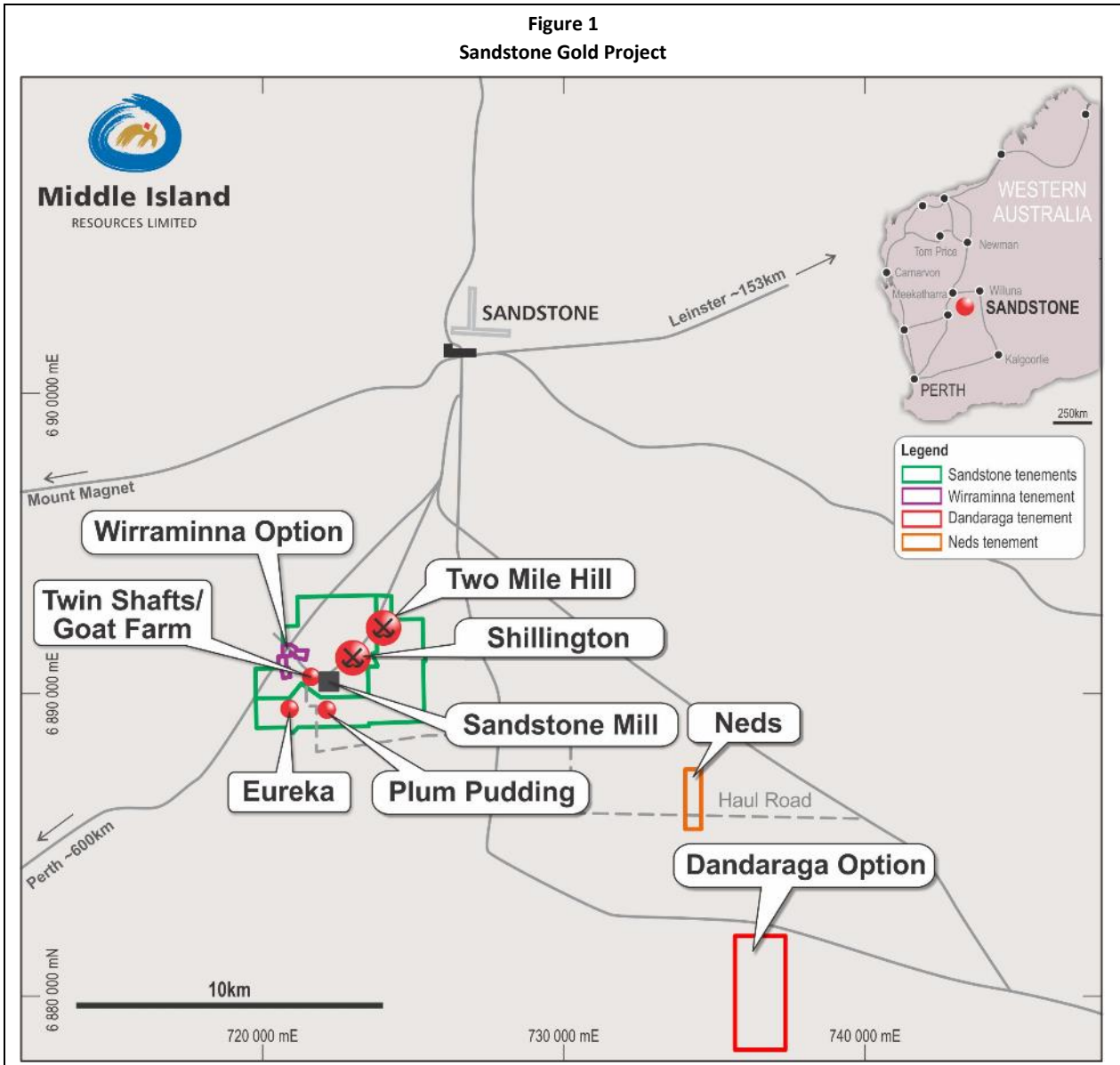
Enhanced by a greater focus on the Two Mile Hill tonalite deeps opportunity, the Company remains confident that continuing this strategic approach will ultimately lead to recommissioning and gold production at Sandstone.

A satisfactory transaction on the sale of the Reo gold project in Burkina Faso, West Africa, was consummated during the June quarter, with Tajiri Resource Corp. (Tajiri or TAJ), formalising its entry into an 18 month Option Agreement.



Sandstone Gold Project (100%) – Western Australia

The Sandstone gold project is shown in Figure 1 below.



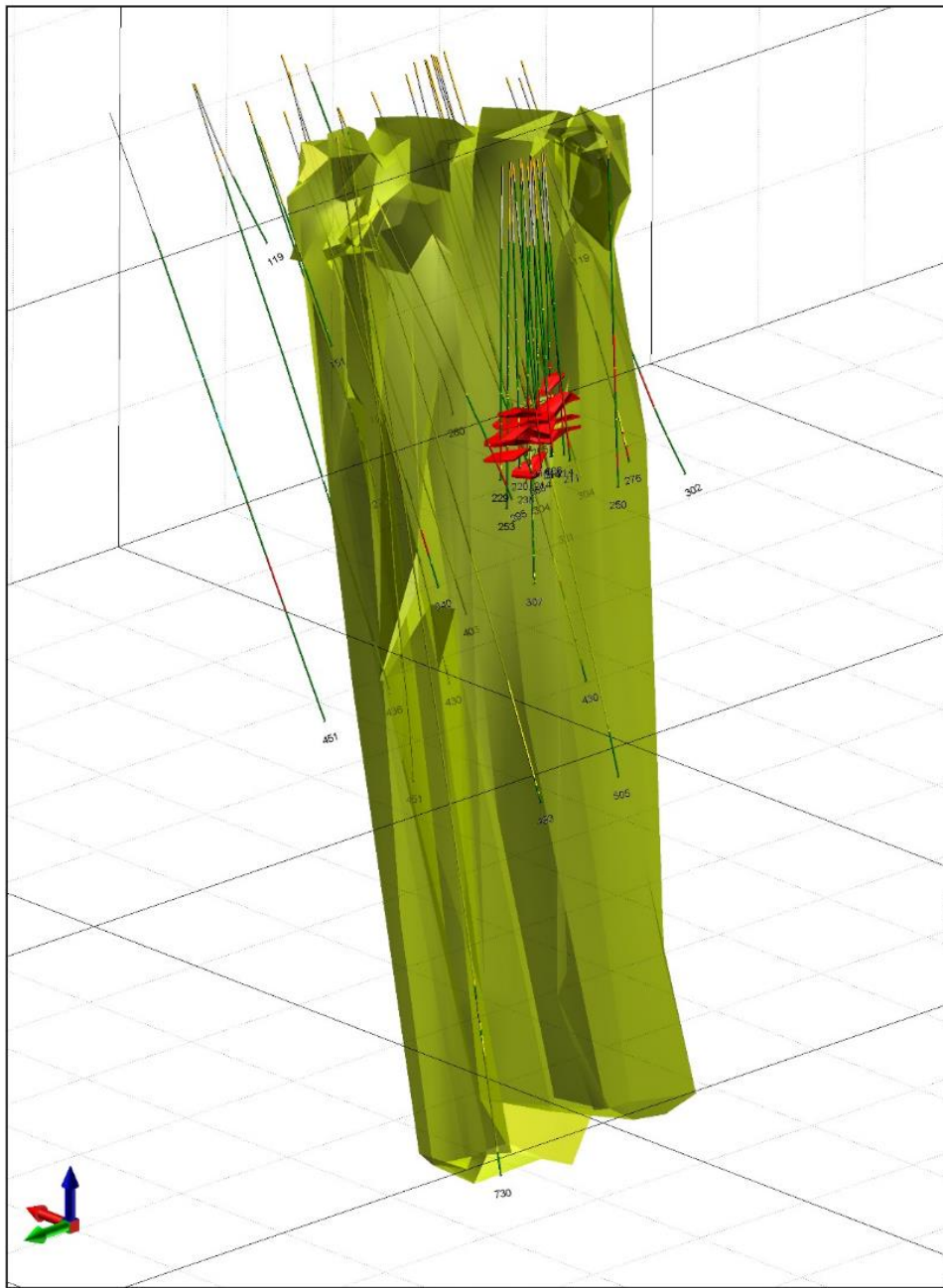
Two Mile Hill Tonalite Deeps Deposit

The Two Mile Hill tonalite deeps deposit is located 4km north (via an existing haul road) of the Company’s 600,000tpa Sandstone gold processing plant (Figure 1).

Drilling at the Two Mile Hill deeps deposit confirms the presence of a substantial and ubiquitously mineralised system measuring 250m in strike and up to 90m in width that is mineralised to at least 713m depth and remains open beneath this level (Figure 2). This latest drill intercept, along with encouraging results derived from recent metallurgical, mineralogical and ore sorting testwork, confirms the potential for underground mining beneath the proposed open-pit cutback at Two Mile Hill.



Figure 2
An isometric model of the Two Mile Hill tonalite deposit, looking southeast.



	Legend Geology Laterite Basalt Tonalite Quartz	BIF Mineralisation Tonalite Quartz	Plot Date: 28 Nov 2017 Scale: Approximate Sheet 1 of 1 Plot File: Vizex	Isometric view of Two Mile Hill Tonalite	Sandstone Operations
			20 0 20m 		

Diamond Drilling

Stage 1 of RC pre-collared, resource definition, diamond drilling on the Two Mile Hill tonalite deeps deposit has been completed. This program was focussed exclusively on the upper half of the deeps deposit (from 140m to ~420m below surface) and comprised 7 holes for 2,109.2m, including 994m of RC pre-collar drilling and 1,115.2m of NQ diamond core tails, optimising the existing drilling to the maximum extent possible.



In addition to quantifying the upper half of the current Exploration Target (24 to 34Mt at 1.1 to 1.4g/t; 900,000 to 1.5 million ounces of gold) to at least an Inferred Resource status, the holes were designed to optimise the number of intercepts of the upper two banded iron formation (BIF) units, proximal to the tonalite contacts, which are known to host high grade gold mineralisation associated with massive to semi-massive pyrite replacement of magnetite horizons.

All holes have been logged, cut and sampled and all samples have been submitted for assay. However, a significant backlog of samples at the laboratory is resulting in delays in assaying, and the vast majority of results were pending at the time of reporting.

Full details of the Stage 1 diamond drilling at the Two Mile Hill tonalite deeps deposit will be provided once assay results are received and compiled.

Ore Sorting

Initial ore sorting trials demonstrated that the Two Mile Hill tonalite deeps deposit is amenable to pre-concentration, with a high selectivity of gold mineralisation using X-ray (XRT) and Optical (Colour) sensors. The initial testwork indicated that sorting could deliver a 185%-257% increase in grade, with gold recoveries in excess of 93%, and up to 64% of the sorter feed material being rejected (refer ASX Release of 15 January 2018).

In order to confirm this outcome, a series of four primary (fresh) composites were selected from HQ and PQ diamond core derived from MSDD261, drilled in the March quarter 2018 (refer ASX Release of 26 March 2018). The composites comprise broad, single, continuous intervals of half core over three grade ranges (high grade - HG, medium grade - MG and low grade - LG). The HG composite, derived from half PQ and HQ core, was crushed into two fractions at -45mm/+15mm and -30mm/+10mm to assess the impact of crush size on sorting, while the MG and LG composites were derived from half HQ core and crushed at -30mm/+10mm.

The composites were provided to Steinert for initial sighter and scoping trials using its commercial-scale unit in Perth. Based on the sighter test results, a combination of XRT (to detect and separate higher density sulphides associated with gold) and Optical (to detect and isolate quartz, which hosts the vast majority of gold, on the basis of colour) sensors were confirmed to yield the optimum result.

Especially given the coarse, particulate nature of the majority of gold mineralisation, the various product fractions derived from each composite (along with the fines) are being assayed via multiple 2kg bottle rolls (with residue assays) to determine an average calculated head grade in each case.

While the priority remains on establishing the sorting characteristics of the primary (fresh) material, a partially oxidised composite of half PQ diamond core has also been submitted for sorting at a -45/+15mm crush size, in order to assess ore sorting on material derived from the planned Two Mile Hill open pit.

As with the primary (underground) component of the deposit, a positive ore sorting outcome on the oxide mineralisation has the potential to reduce the deposit's unit haulage and process operating costs, thereby reducing the mining cut-off grade and increasing the size of the optimum pit, resulting in a greater return.

A further scoping trial was undertaken at the Tomra facility in Sydney, prior to selection of the optimum processing route and unit to undertake the main ore sorting trial, with an Optical (Colour) sensor appearing to provide the optimum outcome. Based on the results from the scoping trials, Tomra was selected to undertake the bulk composite trials at the end of the June quarter. This work has been completed and all fractions returned to Perth for assay, with each product fraction being assayed via 5 x 2kg bottle rolls.



The results of the bulk ore sorting trials are being compiled at the time of reporting and the release of this information is imminent.

Dandaraga Mapping, Chip Sampling and Soil Sampling

The Dandaraga property comprises E57/1028, located 18km southeast of the Sandstone processing plant. Middle Island has an Option Agreement to acquire a 100% interest in E57/1028 from SLS Exploration Pty Ltd. A campaign of detailed geological mapping, chip sampling and soils sampling was completed at Dandaraga during the June quarter.

Geological mapping defined a succession of predominantly east-dipping gabbros, dolerites, basalts, ultramafics and BIFs that have been folded into a series of steeply north-northeast plunging synclines and anticlines. The eastern margin of the succession has been variably assimilated by gneissic rocks of the Diemals Dome. The metamorphic grade is predominantly greenschist facies, increasing to amphibolite facies proximal to the Diemals Dome contact. In addition to the known mineralisation and historic workings, several areas of potential economic interest were identified.

The soil sampling was completed late in the June quarter on a 160m x 40m pattern. The top of the more calcareous, 'B' horizon was targeted for sampling, with samples screened at -80# (180 microns) to generate ~200g of material at each site.

The chip samples and soil samples were submitted for assay early in July and results are pending. Details of the Dandaraga campaign will be reported once all results are received and compiled.

Tribute Gold Production

Tribute gold nugget production derived from M57/128 and M57/129 during the June quarter was 7.3oz, of which Middle Island's share was 1.1oz, the majority of which was derived from the Two Mile Hill area. This brings aggregate gold tribute production since commencing the agreement in 2017 to 282oz, of which Middle Island's share is 41.2oz.

Planned 2018 September Quarter Activities

Activities planned at the Sandstone Project for the September quarter variously comprise:-

Two Mile Hill Tonalite Deeps

- Reporting of bulk ore sorting trials.
- Reporting of Stage I resource definition diamond drilling.
- Additional geotechnical testwork, comprising strength measurements.
- Updating of Mineral Resource estimate.
- Updating of underground mining concept study to incorporate new block model, ore sorting results and geotechnical testwork.
- Commencement of a further large diameter diamond hole for further ores sorting trials.
- Dependant on positive results from the above, commencement of Stage II resource definition diamond drilling.

Dandaraga

- Report mapping, chip sampling and soil sampling results.
- Possible limited RC drilling at the Agnes gold prospect.



Ned's

- Report soil sampling results.

Wirraminna

- Additional RC drilling to infill and extend the Wirraminna deposit, and confirm historic high grade drill intercepts.
- Update the Wirraminna Mineral Resource estimate and pit optimisation.

Cowan

- Limited maiden RC drilling.

Davis

- Possible limited follow-up RC drilling.

Other

- Continue to review other proximal gold consolidation transactions.

Reo Gold Project (100%) – Burkina Faso

Option to Purchase Agreement

Middle Island executed a Heads of Agreement (HOA) to divest its 100% interest in the Reo gold project to Tajiri Resources Corp. (TSX-V: TAJ, Tajiri) via an Option to Purchase Agreement (refer ASX Release of 13 February 2018).

During the June quarter 2018, Tajiri formally notified Middle Island that it had completed due diligence to its satisfaction and wished to commence the Option (refer ASX Release of 16 May 2018). Tajiri also requested a Letter of Variation, requiring in the issue all 5 million Tajiri shares to Middle Island on commencement of the 18-month option period, rather than splitting the issue of shares equally between commencement and exercise of the Option Agreement. As such, as at 30 June 2018, Middle Island had received payment of US\$35,000 (A\$44,000) as an exclusivity fee, followed by a further US\$150,000 (A\$200,000) on commencement of the Option, along with the issue of 5 million Tajiri shares valued at A\$825,000, representing aggregate proceeds to date of A\$1,069,000.

Should Tajiri choose to exercise the Option within an 18-month period, it is required to pay Middle Island a further US\$150,000, with Middle Island retaining a 2% NSR production royalty that Tajiri may elect to acquire for US\$5 million.

Tajiri has reimbursed all costs incurred by Middle Island since Option commencement, during which period a further two permit extensions have been received from the Burkina Faso Mines Ministry. Middle Island is working closely with Tajiri to facilitate the remaining permit extensions and transfers.



Safety, Environmental & Social

Health, Safety & Environment

No injuries, safety or environmental incidents were recorded at the Company's projects and premises during the June quarter. However, the Company did host a WA Department of Mines, Industry Regulation and Safety environmental and safety audit of the Sandstone gold project during the June quarter, during which several Notices were issued. The Company has either rectified or is in the process of rectifying all Notices and more generally updating its safety protocols.

Rehabilitation of disturbed areas at the Sandstone gold project, primarily drill sites, is being progressively undertaken in accordance with POW and environmental audit requirements. Safety signage, crest bunds and restricted access areas associated with the open pits and the processing plant have been upgraded and are being regularly monitored and maintained.

Social

The Company continues to engage with the Shire of Sandstone, pastoralists and the local community. This process includes the procurement of labour, materials and services locally, wherever practically possible and, most recently, sponsorship of the annual Sandstone Open Golf Tournament.

Middle Island has taken steps to inform communities within its Reo Project of the transaction with Tajiri Resources Corp. and will do everything possible to ensure a smooth transition.

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

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 advises the following information required under ASX Listing Rule 5.3.3 as at 30 June 2018:

Mining Tenements

Tenements	Mining tenements acquired during the quarter	Mining tenements disposed during the quarter	Mining tenements held at the end of the quarter	Tenement location
Pouni II	-	Option entered to divest 100%	100%	Burkina Faso
Dassa	-	Option entered to divest 100%	100%	Burkina Faso
Didyr	-	Option entered to divest 100%	100%	Burkina Faso
Dassa Sud	-	Option entered to divest 100%	100%	Burkina Faso
Nebya	-	Option entered to divest 100%	100% - extension pending	Burkina Faso
Gossina	-	Option entered to divest 100%	100% - extension pending	Burkina Faso
M57/128	-	-	100%	Western Australia
M57/129	-	-	100%	Western Australia
P57/1395	-	-	Option to acquire 100%	Western Australia
P57/1384	-	-	100%	Western Australia
E57/1028	-	-	Option to acquire 100%	Western Australia
P57/1442	Application pending	-	100%	Western Australia

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