



**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 31 December 2018

### HIGHLIGHTS

**Middle Island Resources Ltd**  
ACN 142 361 608

**ASX Code: MDI**

**Office:**

Suite 1, 2 Richardson Street  
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Western Australia

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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 and liquid investments as at 31 December 2018 were A\$0.6M, subsequent to which a further A\$1.4M was raised via a successful and well over-subscribed non-renounceable Rights Issue.
- Middle Island was successful in its application for a grant of up to A\$150,000 under Round 18 of the WA Government's Exploration Incentive Scheme (EIS).
- The grant will assist in funding diamond drilling to test up to three discrete gravity targets modelled in close proximity to, and interpreted to represent analogues of, the pervasively gold-mineralised Two Mile Hill tonalite deposit at the Company's advanced Sandstone gold project in central WA.
- Infill and extension resource definition RC drilling at the Wirraminna gold deposit, located only 1km from the Company's Sandstone gold processing plant, returned better intercepts of 6m at 6.62g/t, 14m at 1.82g/t, 14m at 1.80g/t (including 1m at 18.2g/t) and 5m at 2.51g/t Au.
- Maiden reconnaissance RC drilling at the Cowan prospect within the Sandstone project confirmed a 2-3m wide quartz vein in all five holes. However, no significant gold mineralisation was encountered.



## **Operating Activities**

### **Corporate**

#### *Finances*

Aspiring gold project developer, Middle Island Resources Limited (**ASX:MDI, Middle Island or the Company**), held cash and liquid investments of A\$600,000 as at 31 December 2018, comprising A\$200,000 in cash and A\$400,000 in Tajiri Resources Corporation (TSXV:TAJ) ordinary shares.

Subsequent to 31 December, Middle Island raised a further A\$1.4 million via a successful and well over-subscribed non-renounceable Rights Issue (refer ASX Release 18 January 2019).

#### *Strategy*

The Company's activities during the first half of CY19 will continue to focus on the over-riding strategy to recommission its 100%-owned Sandstone gold processing plant at the earliest opportunity. This will involve a dual approach as follows:

- Progressing and consummating one or more of several possible consolidations of proximal third-party gold deposits within the broader Sandstone district footprint.
- Exploring already permitted, close proximity, greenfields targets in order to identify higher grade, low strip ratio, open pit deposits to enhance the front end of the proposed production schedule.

Success with either of these approaches would serve to underpin a recommissioning decision. The former is preferred, as it circumvents the time and cost required for exploration and resource definition, which activities are ideally better funded from the proceeds of gold production.

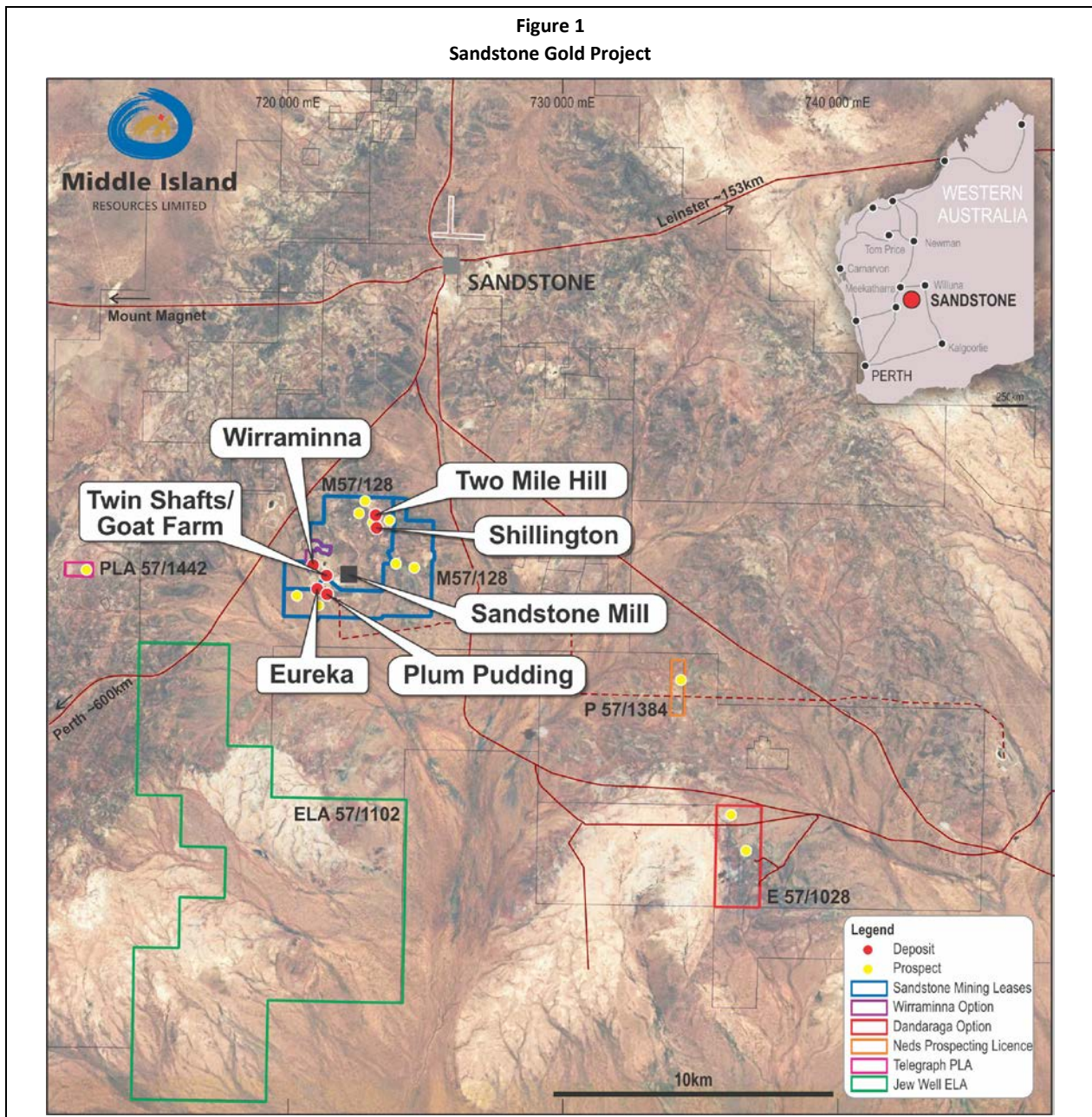
#### *Shareholder Meetings*

The 2018 Annual General Meeting of Middle Island was held in Perth on 8 November 2018. All resolutions were well supported by shareholders, with in excess of 97% affirmative votes recorded in each case (refer ASX Release dated 9 November 2018).



## **Sandstone Gold Project (100%) – Western Australia**

The Sandstone gold project is shown in Figure 1 below.



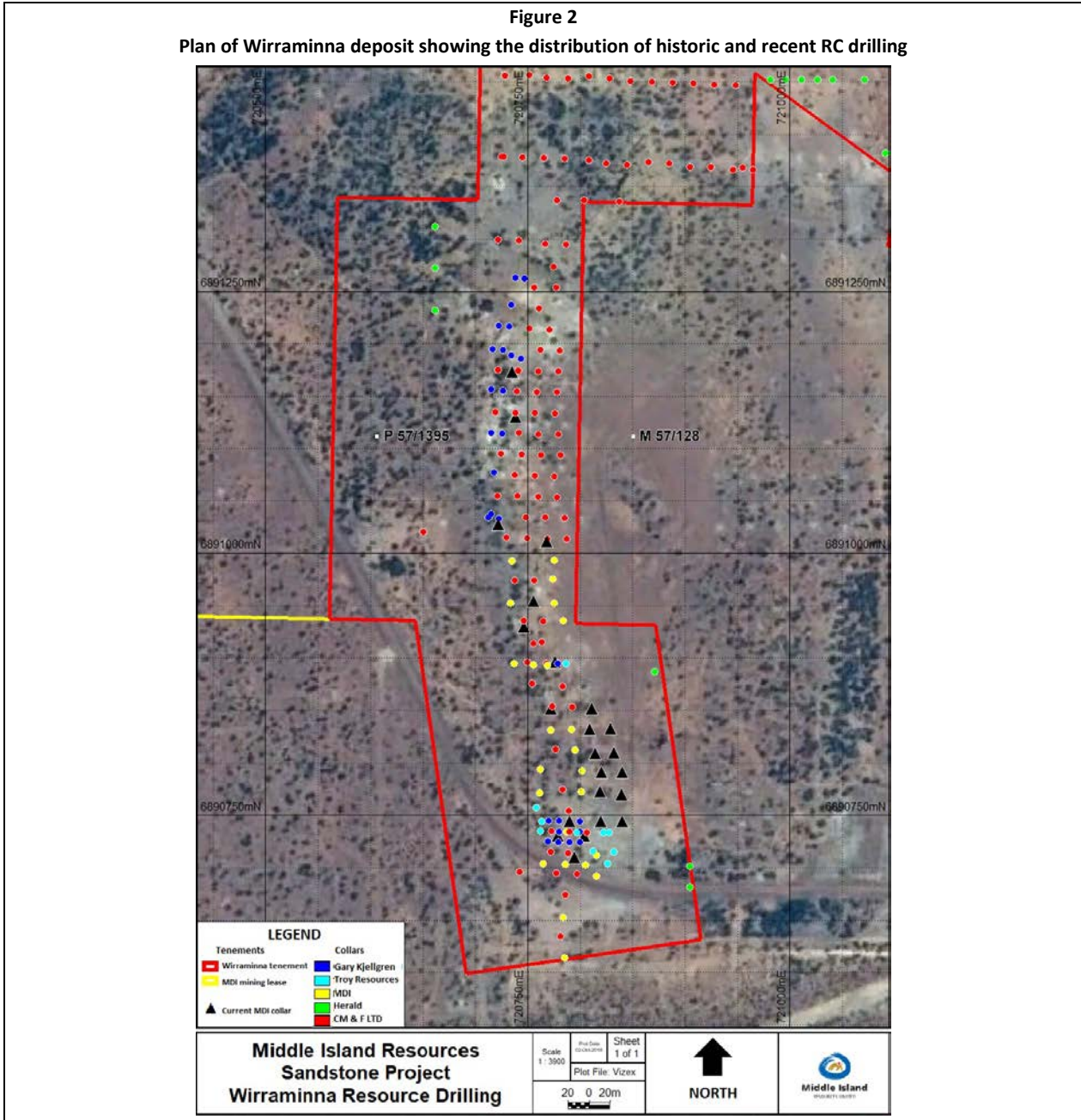
### **Wirraminna RC Drilling**

The Wirraminna deposit comprises a Mineral Resource estimate of 550,000t at 1.3g/t Au for 23,000oz gold (at a 0.5g/t Au lower cut-off grade), some 55% of which is classified as an Indicated Mineral Resource, whilst the balance is in the Inferred category (refer ASX Release dated 8 December 2017).

Wirraminna is located 1km west of the Sandstone gold processing plant. Mineralisation is associated with a steeply east dipping and north trending, ferruginous quartz lode that remains open at depth and to a lesser extent along strike.



An RC drilling programme comprising a further 23 holes (MSRC269 – MSRC291) for 1,944m (see Figure 2) was completed in August 2018 and the results reported in October 2018 (refer ASX Release dated 8 October 2018). The programme was variously designed to verify, infill and extend the existing Wirraminna gold deposit.



**Wirraminna Mineral Resource Estimate**

The Wirraminna Mineral Resource estimate was updated by independent consulting group, Ashmore Advisory Services Pty Ltd during the December quarter to incorporate the results from infill RC drilling. The updated estimate resulted in no material change to that previously reported. As such, no pit re-optimisation was considered necessary.



### **Cowan Reconnaissance RC Drilling**

The Cowan prospect is a recently discovered, northwest trending, quartz vein, located approximately 500m east of the Two Mile Hill deposit. The vein was exposed over a 100m length by the Company's tribute prospector who recovered fresh, primary gold nuggets from this location, identifying the vein as the likely source of the gold.

Five reconnaissance RC drill holes (MSRC292-MSRC296) comprising 300m, were drilled on three sections at the Cowan prospect during September 2018 (Figure 3). The holes were designed to determine the position, orientation and mineralised potential of the quartz vein.

All five holes intersected a 2-3m thick vein of translucent, white quartz, which strikes NNW and dips at ~45° to the ENE. Assays were announced in October 2018 (refer ASX Release dated 8 October 2018). Few visual indications of mineralisation were identified in drill chips and no anomalous mineralisation was encountered, with a peak value of 1m @ 0.1g/t Au from 16m depth intersected in MSRC294.

The maiden RC drilling completed at the Cowan prospect is considered to provide a reasonably comprehensive assessment and no further work is planned.

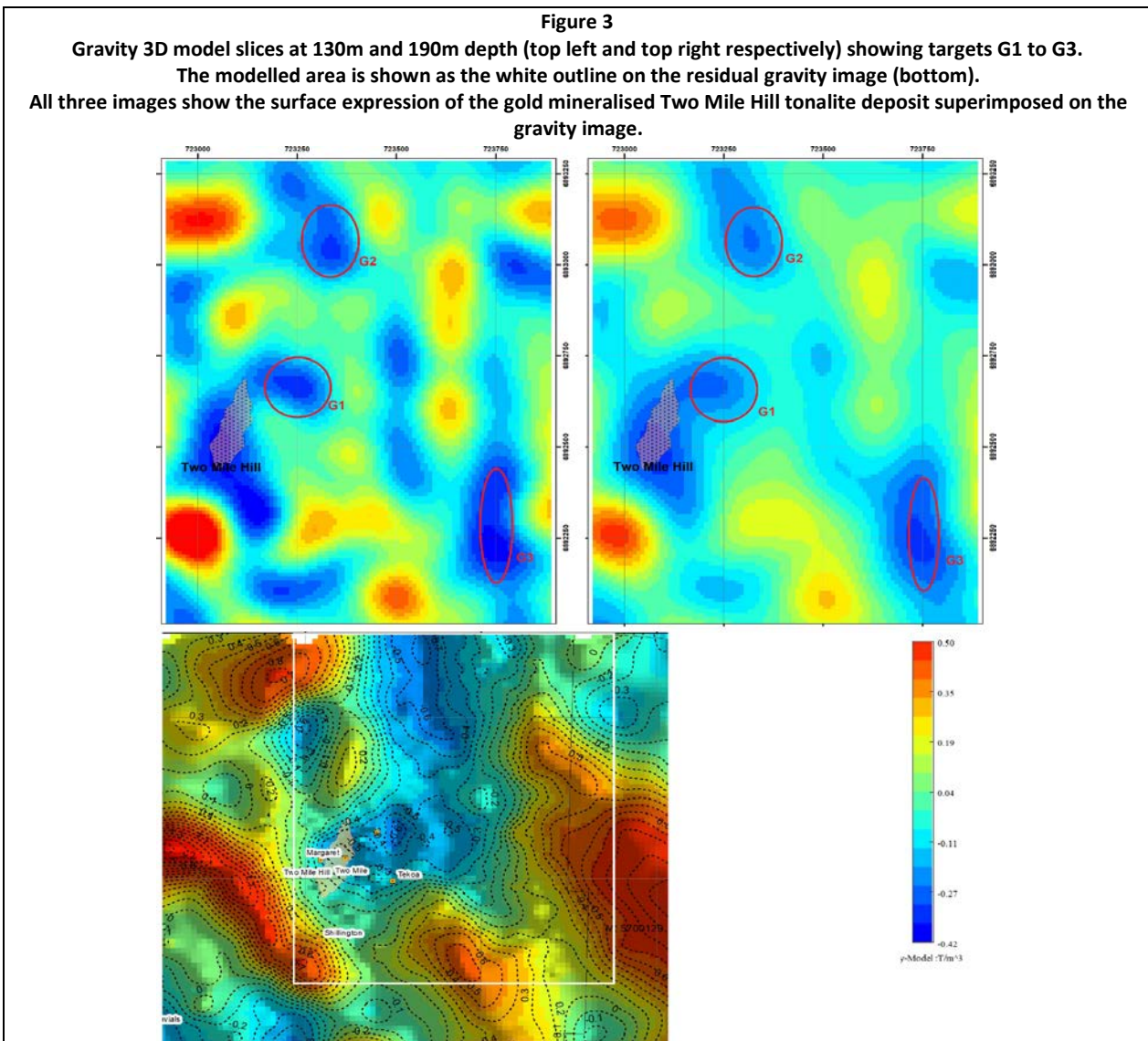
### **Successful Round 18 EIS Grant application**

Middle Island made a successful application for a grant of up to A\$150,000 under Round 18 of the WA Government's 2019 Exploration Incentive Scheme (EIS) to assess the Two Mile Hill gravity targets.

The grant comprises an estimated 50% of direct diamond drilling costs required to test up to three discrete modelled gravity targets (gravity lows) that are interpreted to represent analogues of the proximal, pervasively gold-mineralised, Two Mile Hill tonalite plug.

Middle Island wishes to acknowledge the WA State Government and Department of Mines, Industry Regulation and Safety (DMIRS) for their foresight in establishing and maintaining the EIS programme, which makes a significant direct and indirect contribution to the State and regional economies. The Company also wishes to acknowledge the expert independent panel of EIS application judges for endorsing the technical merits of these high value targets at Two Mile Hill.

Three high priority gravity targets, derived from the modelling of ground gravity data, are to be tested under the EIS grant. The targets were identified by modelling a detailed (25m x 50m) ground gravity survey shown as depth slices of modelled density in Figure 3 below.



The gravity data were corrected for elevation and terrain effects. Three-dimensional inversion and forward modelling of the gravity data was completed by the Company's independent geophysical consultant, Western Geophysics Pty Ltd. The gravity targets closely resemble the low gravity anomaly (due to the lower density tonalite) modelled over the known, gold mineralised Two Mile Hill tonalite. The model calculations incorporated a layer of deep (typically 40-60m), low density weathering, which in places is partly constrained by drilling.

While these targets may well prove to represent other plugs of tonalite (or similar) composition, it does not automatically translate that they may be mineralised. The style of gold mineralisation at Two Mile Hill is clearly epigenetic in origin, meaning that the rock was fractured and mineralised after emplacement of the tonalite intrusive. Nevertheless, given the prolific structural preparation and gold distribution within all rock types in the vicinity of Two Mile Hill, it is reasonable to assume that the targets may be mineralised.

Depending on available Company funding to match the EIS grant, it is intended to complete a single diamond drill hole into each of the three gravity targets. The primary objectives of this drilling are to, firstly, confirm the presence of a felsic intrusive body and, secondly, to determine the presence of gold mineralisation in each case.

This drilling will likely commence in the September quarter of 2019.



### **Tribute Gold Production**

There was no tribute gold nugget production derived from M57/128 and M57/129 during the December quarter.

### **Planned 2019 March Quarter Activities**

Activities planned at the Sandstone Project during the March quarter 2019 variously comprise:-

- Continue to engage, review and negotiate on proximal gold consolidation opportunities.
- Auger/aircore drill testing of 11 Weights of Evidence targets within M57/129.
- Detailed structural analysis of the Two Mile Hill tonalite deposit to assist in defining resource modelling constraints and additional exploration targets.

## **Safety, Environmental & Social**

### **Health, Safety & Environment**

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

Rehabilitation of disturbed areas at the Sandstone gold project, primarily drill sites, is being progressively undertaken in accordance with POW and environmental audit requirements.

### **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 sponsorship of various community events.

### **Comments by Managing Director, Mr Rick Yeates:**

"A recommissioning decision for the Sandstone gold operation is predicated on defining adequate gold resources, at an acceptable grade, to justify the modest recommissioning costs and ensure sustainable production. This is being progressively achieved via a dual approach; systematic exploration on Middle Island's own tenure and engagement with neighbouring companies to consolidate adjacent deposits.

"The Company's exploration to date at the Sandstone project has been largely focussed on the successful assessment of brownfields targets, such as the Two Mile Hill deposit, with the majority of greenfields targets remaining untested or inadequately tested. As such, in addition to advancing the Two Mile Hill deposit, exploration in H1CY19 is focussed on identifying and quantifying additional open pit deposits of sufficient gold grade to facilitate a recommissioning decision.

"Middle Island looks forward to progressively reporting the results of these programmes as they come to hand.

"Middle Island has quantified Mineral Resources of 537,000oz gold at the Sandstone project, along with an existing 600,000tpa, fully permitted processing plant that requires only modest capital to recommission. Despite this, and excluding any value attributed to the processing plant, the Company's enterprise value (EV) per resource gold ounce of A\$2\* compares with a peer average EV of A\$29/resource ounce\* for near-term junior gold developers and explorers. As such, Middle Island remains substantially under-valued relative to its peers and, therefore, an excellent investment, particularly against a background of a rising gold price and increasing M&A activity in the gold sector."

\*PCF Capital's Resources Thermometer – January 2019



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](http://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.





**Mining Tenements**

Middle Island Resources Limited advises the following information required under ASX Listing Rule 5.3.3 as at 31 December 2018.

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	-	Under option to divest 100%	100%	Burkina Faso
Dassa	-	Under option to divest 100%	100%	Burkina Faso
Didyr	-	Under option to divest 100%	100%	Burkina Faso
Dassa Sud	-	Under option to divest 100%	100% - extension pending	Burkina Faso
Nebya	-	Under option to divest 100%	100% - awaiting transfer	Burkina Faso
Gossina	-	Under option to divest 100%	100% - extension pending	Burkina Faso
M57/128	-	-	100%	Western Australia
M57/129	-	-	100%	Western Australia
P57/1384	-	-	100%	Western Australia
P57/1395	-	-	Option to acquire 100%	Western Australia
E57/1028	-	-	Option to acquire 100%	Western Australia
P57/1442	-	-	100% - application pending	Western Australia
E57/1102	-	-	100% - application pending	Western Australia

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, 01/05/13, 01/09/16

### Name of entity

Middle Island Resources Limited

### ABN

70 142 361 608

### Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	11
1.2 Payments for		
(a) exploration & evaluation	(296)	(924)
(b) development	-	-
(c) production	-	-
(d) staff costs	(111)	(187)
(e) administration and corporate costs	(80)	(228)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(486)</b>	<b>(1,326)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(25)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(2)</b>	<b>(25)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(4)	(4)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(4)</b>	<b>(4)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	690	1,553
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(486)	(1,326)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2)	(25)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(4)	(4)
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>198</b>	<b>198</b>

5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	158	649
5.2 Call deposits	20	20
5.3 Bank overdrafts	-	-
5.4 Other (bank guarantee deposit)	21	21
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>198</b>	<b>690</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
79
-

Item 6.1 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	Nil	Nil
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	Nil	Nil
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	300
9.2 Development	-
9.3 Production	-
9.4 Staff costs	109
9.5 Administration and corporate costs	188
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>597</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Company secretary)

Date: 29 January 2019

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. By the Company signing this Appendix 5B, the Managing Director and CFO declare that the Appendix 5B for the relevant quarter:
  - presents a true and fair view, in all material respects, of the cashflows of the Company for the relevant quarter and is in accordance with relevant accounting standards;
  - the statement given above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
  - the Company's financial records have been properly maintained and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.