



Middle Island
RESOURCES LIMITED

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ACN 142 361 608
ASX code: MDI
www.middleisland.com.au

Capital Structure:
586 million ordinary shares
38,300,000 unlisted options

Cash
\$1.84m (as at 30 June 2017)

Directors & Management:
Peter Thomas
Non-Executive Chairman
Rick Yeates
Managing Director
Beau Nicholls
Non-Executive Director
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ASX Release – 11 September 2017

Second expansion for Sandstone with option to acquire nearby Dandaraga gold project

- Middle Island has signed an Option Deed to acquire a 100% interest in the Dandaraga gold project, exercisable at any time within a three-year period upon payment of \$200,000.
- Dandaraga is situated 16km southeast of Middle Island's Sandstone gold project and processing plant, and 4km south of the haul road from the Lord Henry and Lord Nelson deposits.
- The Dandaraga geology comprises a succession of banded iron formations (BIFs), ultramafics, gabbros and, importantly, dolerites.
- The Dandaraga project incorporates a series of historic gold workings that remain untested or poorly tested by modern gold exploration.
- The more significant Agnes workings are developed on a zone of stockwork quartz veining within a dolerite unit, adjacent to which free gold has been identified in a highly brecciated, gossanous and quartz-veined BIF.
- The Dandaraga project is largely well-exposed, facilitating rapid, conventional and cost-effective exploration for additional targets.
- The Dandaraga acquisition presents both an immediate and attractive open pit exploration target at the Agnes gold prospect, and consolidates considerable exploration acreage into Middle Island's well-endowed Sandstone gold tenure.
- The transaction is entirely consistent with Middle Island's strategy to extend and enhance the proposed production schedule for the Company's 100%-owned Sandstone gold processing plant.
- It will be the second such expansion, following the Company's June signing of an option to acquire the Wirraminna gold project, situated immediately adjacent to the Sandstone project and within 1km of the processing plant.



SANDSTONE GOLD PROJECT (WA)

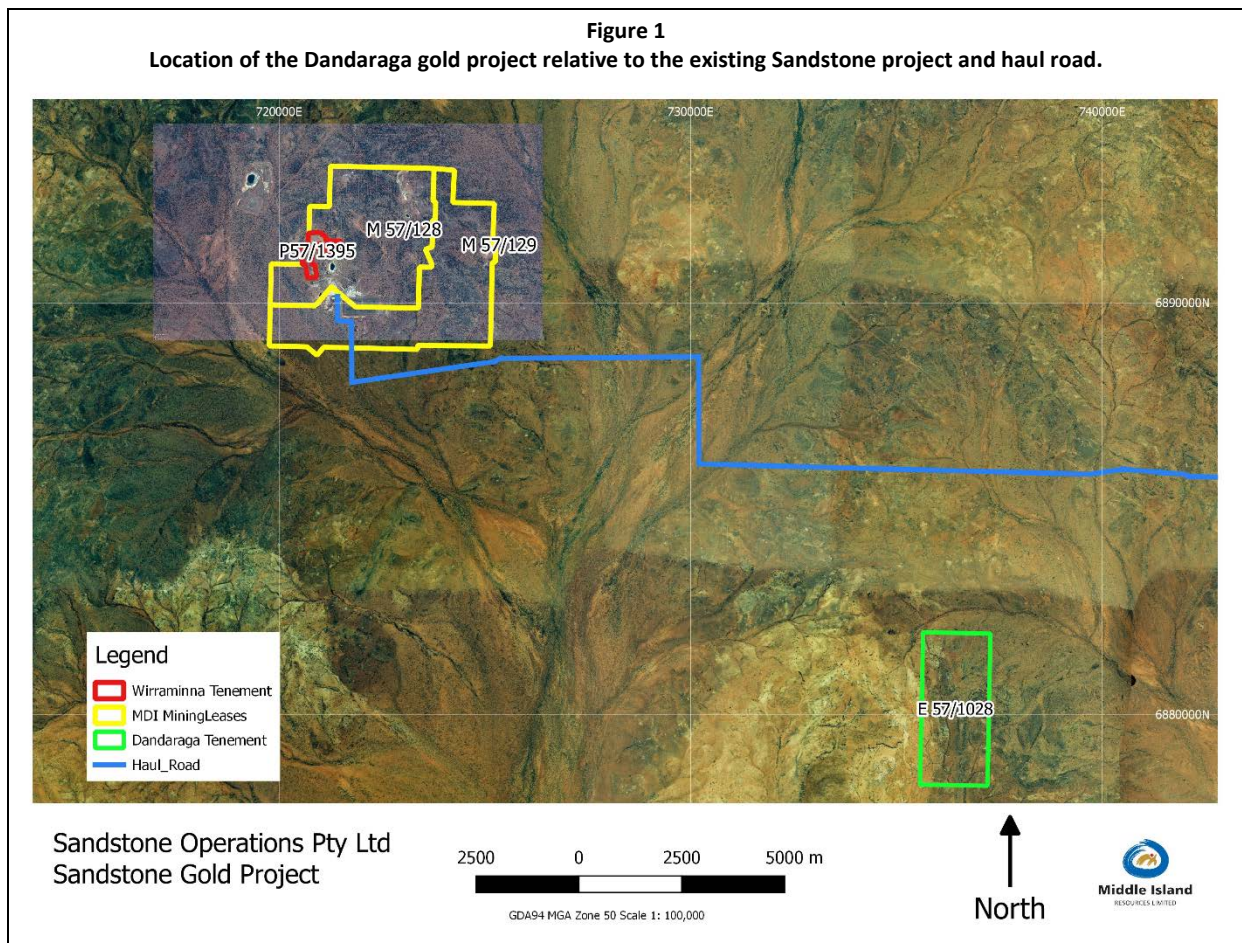
Dandaraga Transaction

Aspiring gold developer, Middle Island Resources Limited (**Middle Island, MDI or the Company**) is pleased to announce that its 100% subsidiary, Sandstone Operations Pty Ltd (**SOPL**), has executed a deed (Option Deed), whereby SOPL has the option to acquire a 100% interest in the Dandaraga gold project, comprising granted Exploration Licence E57/1028, from SLS Exploration Pty Ltd.

The Option Deed requires payment of an initial option fee of \$20,000, with the option to acquire a 100% interest exercisable at any time within the next three years on payment of a further \$200,000 in cash and/or MDI ordinary shares.

Dandaraga Gold Project

The Dandaraga gold project (E57/1028) covers an area of 605ha and lies 16km southeast of the Company's existing Sandstone gold project, as shown in Figure 1. Importantly, the Dandaraga project lies only 4km south of the historic (but well-preserved) haul road linking the Lord Henry and Lord Nelson deposits with Middle Island's 600,000tpa Sandstone gold processing plant.



The Dandaraga project geology comprises a north-south trending succession of BIFs, ultramafics, gabbros and dolerites situated in the south-eastern extremity of the Sandstone greenstone belt, immediately adjacent to a lobe of granitoid basement rocks comprising the Diemals Dome. The greenstone stratigraphy within the project appears to be repeated due to isoclinal folding to form a syncline through the central portion of the tenement.

Gold mineralisation is evidenced by historic workings at the Swede, Agnes and a further un-named prospect, which are respectively located in the northern, central and southern portions of the project. Numerous smaller gold workings and prospecting pits are dotted throughout the project area.

Historic gold exploration comprises broad-spaced and incomplete BLEG soil geochemistry. Despite this, the Swede prospect shows up as a broad, diffuse gold soil anomaly, while the Agnes prospect is represented by a more discrete, higher tenor gold anomaly. Several traverses of shallow RAB drilling, again broadly-spaced and incomplete, were undertaken by Herald Resources and Troy Resources in the 1990s and 2000s. However, in the 1980s, Western Mining Corporation (WMC) completed a more targeted RAB drilling campaign around the Swede prospect in the north. Numerous shallow costeans within ultramafic rocks attest to nickel exploration in the 1960s and 1970s.

Agnes Gold Prospect

The project's Agnes prospect and environs is of most immediate interest to Middle Island. Mineralisation is hosted within a strongly weathered and oxidised, leucocratic, granophyric dolerite that may represent a differentiated unit of a larger doleritic or gabbroic flow or sill that lies along the eastern margin of a BIF unit in the centre of the project. Modest recorded historic gold production from Agnes comprises 67oz at a grade of 13.8g/t Au. While the large, oblique quartz vein that was the apparent focus of historic production is of interest, the extensive stockwork veining within the host dolerite is of far greater significance (Figure 2).

Figure 2
Stockwork quartz veining and selvage alteration within dolerite at the Agnes Prospect





The BIF exposed immediately west of the Agnes dolerite is strongly brecciated, gossanous and quartz-veined, suggesting considerable structural dislocation (Figure 3).

Figure 3
Strongly brecciated and quartz-veined BIF adjacent to the Agnes Prospect



The extent of the dolerite and stockwork veining is difficult to determine due to scree cover from the adjacent BIF ridge. However, quartz float is ubiquitous up and down-slope from the Agnes workings, and extends for at least 200-300m along strike to include other gold workings and prospecting pits. The Agnes prospect also incorporates (or is proximal to) a number of nugget occurrences, including an exposure of coarse, primary, in-situ gold identified within the adjacent BIF (Figure 4 and Figure 5).

Figure 4
Coarse, primary gold within BIF adjacent to the Agnes Prospect



Figure 5
Coarse gold specimens derived from BIF adjacent to the Agnes Prospect



It is strongly suspected that the structural dislocation and mineralisation within the BIF is consistent with same mineralising event that generated the stockwork veining within the Agnes dolerite, and that the dolerite and BIF represent components of the same target.

While there is no evidence of any previous drilling at the Agnes prospect, records suggest that three shallow holes were completed by King Mining in 1987. However, sampling appears to be restricted to the large quartz vein.

The Agnes prospect is considered to represent an immediate exploration target, readily assessable by RC drilling.

Dandaraga Exploration Potential

In other respects the Dandaraga project is reasonably well-exposed and dominated by residual soils. This affords effective grassroots assessment via mapping and conventional soil geochemistry to quickly identify other targets of possible interest.

Dolerites (along with gabbros and feldspar-phyric basalts of similar composition) within greenschist facies metamorphic terrains are ideal hosts to gold mineralisation, being both rheologically (structurally) and chemically reactive. By way of example, this group of rocks hosts some 70% of the gold endowment within the prolific Norseman-Wiluna greenstone belt and most deposits generate high tonnages of ore per vertical metre. The Agnes dolerite and extensions therefore represent the primary focus for on-going exploration. Should the prospective Agnes dolerite persist along strike, and possibly be duplicated by folding, then significant potential exists to identify additional deposits of this style within the Dandaraga project.

Dandaraga Exploration Priorities

Subject to available funding, exploration planned for the Dandaraga project in 2017/18 includes geological mapping and soil geochemistry over the entire project area, along with initial RC drill testing of both the mineralised dolerite and BIF at the Agnes prospect.

Middle Island Managing Director, Mr Rick Yeates:

“Dandaraga represents a second consolidation for Middle Island in the space of three months, again delivering an opportunity to extend and enhance the proposed production schedule for the Sandstone gold processing operation.

“The Agnes prospect is considered to offer a significant, more immediate, exploration target, while extensions of the Agnes dolerite provide additional exploration upside, all of which can be readily and cost-effectively explored via conventional means.

“In consummating the Dandaraga transaction, Directors are pleased to again be able to deliver on our undertaking, and we look forward to keeping shareholders updated with exploration progress at Dandaraga and the broader Sandstone project.”

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Forward Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, costs, dividends, production levels or rates, prices, resources, reserves or potential growth of Middle Island, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward looking statements depending on a variety of factors.

Competent Persons’ Statement

Information in this report relates to exploration results that are based on information compiled by Mr Rick Yeates (a 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 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.