



Middle Island
RESOURCES LIMITED

Middle Island Resources Ltd

ACN 142 361 608

ASX code: MDI

www.middleisland.com.au

Investment Highlights:

- Australian and ASX listed gold exploration company focused on West Africa
- 100% of Reo Project in Burkina Faso – 1,166km² straddling junction of the Boromo & Houndé greenstone belts.
- Earning between 70% and 100% in the Sirba Project in Niger, representing 1,936km² of lightly explored Birimian greenstones.
- 100% interest in five permits and earning 75% in a sixth, collectively comprising the 3,000km² Nuon River Project in Liberia, the new gold frontier of West Africa.

Capital Structure:

125 million ordinary shares

18.5 million unlisted options

Cash

~\$6.0m

Directors & Management:

Peter Thomas

Chairman

Rick Yeates

Managing Director

Beau Nicholls

Technical Director

Linton Kirk

Non-Executive Director

Andrew Chubb

Exploration Manager – West Africa

Dennis Wilkins

Company Secretary

Contact:

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ASX Release – 18 July 2013

Middle Island Resources enters into Heads of Agreement for the Purchase of the Samira Hill Gold Mine in Niger

Perth, Western Australia, July 18, 2013 – Middle Island Resources Limited (ASX: MDI) today announced having entered into a heads of agreement for the purchase of a 100% interest in African GeoMin Mining Development Corporation Limited (“AGMDC”). AGMDC, a wholly-owned indirect subsidiary of SEMAFO Inc. (TSX:SMF), holds an 80% interest in Société des Mines du Liptako (SML) S.A. (“SML”), owner and operator of the Samira Hill gold mine. The Government of Niger owns the remaining 20% interest in SML.

Consideration for the purchase comprises a cash payment of US\$1.25 million and a fixed net smelter return (“NSR”) royalty of 1.2% on gold sold from the Samira Hill plant. The NSR is payable only if the spot price of gold is at or greater than US\$1,450 per ounce and is capped at US\$12 million.

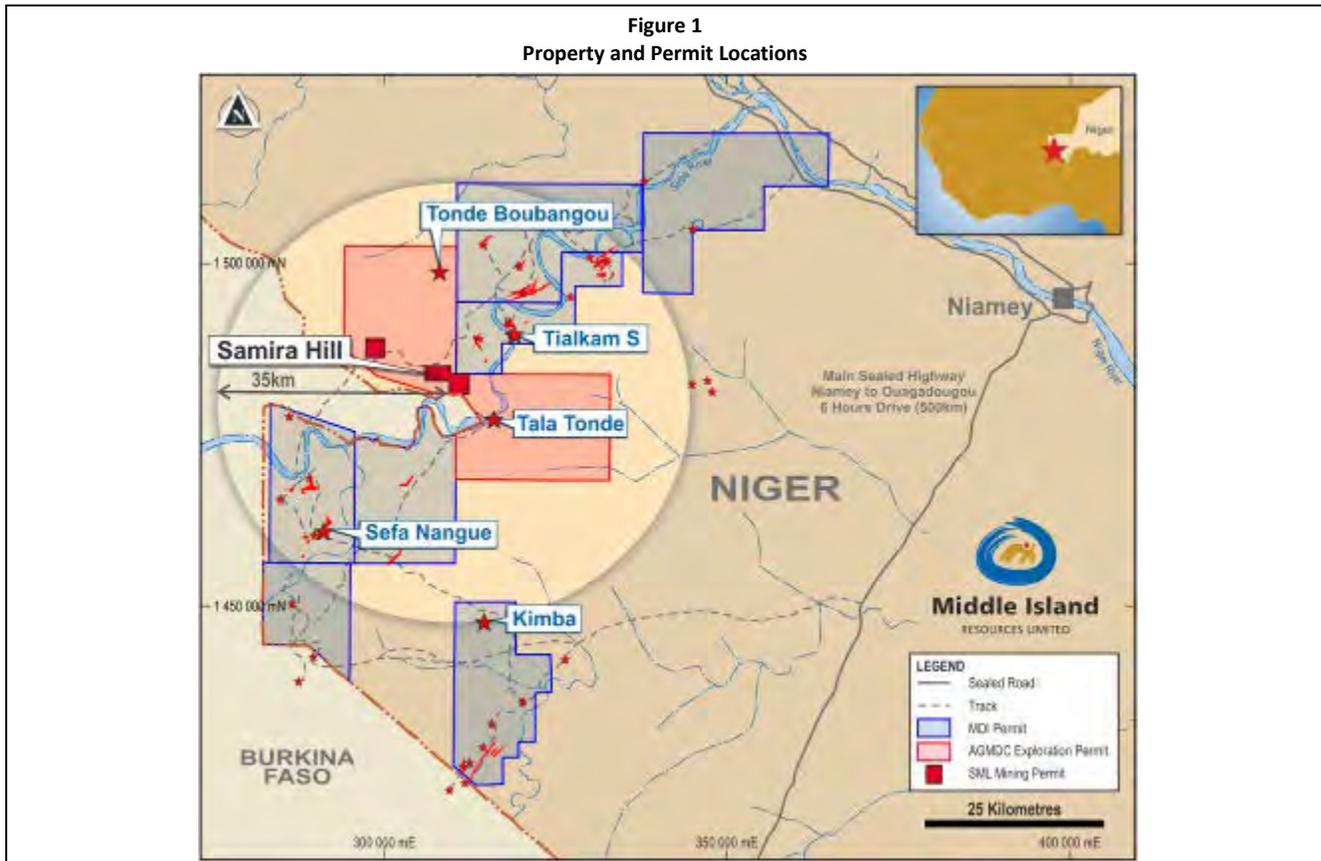
Closing of the transaction is subject to the following conditions:-

- Completion of satisfactory legal and financial due diligence by Middle Island Resources.
- Completion of mutually satisfactory transaction documents.
- Completion of an AUD\$5 million equity capital raising by Middle Island Resources.
- Grant of substitute exploration permits to Middle Island over the land presently the subject of exploration permits located in the vicinity of the Samira Hill plant in which Middle Island is currently earning an interest.
- Obtaining all required governmental and regulatory approvals.
- Transfer by SML to Semafo of certain rolling stock and mining equipment.

Subject to fulfillment of the above conditions, closing of the transaction is anticipated to take place on or prior to September 30, 2013. Each party has the right to terminate the Heads of Agreement prior to closing the transaction

Acquisition

Acquisition of the Samira Hill gold project is a transformational opportunity for Middle Island, representing the final element of a long-held strategy to consolidate the entire Sirba greenstone belt around the Samira Hill gold plant (Figure 1 below), and provide the Company with its maiden and ongoing gold cashflow.



The acquisition comprises an operating gold project that includes approximately three years Ore Reserves, Inferred Resources at Tala Tonde and Tonde Boubangou that have the potential to add a further two or more years mine life to the project, plus considerable exploration potential. In addition, the centrally located gold plant provides the opportunity to process any gold discoveries within the Company's own surrounding permit interests. The recent Tialkam South discovery represents the immediate priority in this respect, lying only 12km from the Samira Hill plant, for which a maiden resource is currently being estimated. It is anticipated that the Tialkam South Prospect, based on initial drilling completed to date, including results up to **21m at 4.89g/t Au**, has the potential to add a further 18 months of production to the Samira Hill Project.

While the remaining Reserves are not without risk, being marginal at present fluid gold prices, the transaction has been structured in an attractive manner, with greater value for the assets to Semafo being realised via a production royalty. In order to protect Middle Island's exposure, this royalty only triggers on sales above a US\$1,450/oz spot gold price, and is capped at US\$12 million in aggregate.

Samira Hill Gold Project

The Samira Hill gold project, which is to be acquired by Middle Island as a going concern, includes the following key assets:-

- A 2Mtpa oxide carbon in leach (CIL) gold processing plant in sound operating condition.
- Grid power supply with five back-up diesel generators representing installed capacity of 6MW.
- Process water reservoir with 4Mm³ storage capacity, supplemented by a pumping station on the Sirba River.
- Tailings dam with remaining capacity, subject to completing periodic lifts.
- Ancillary mobile equipment fleet.
- Warehouses, workshops, offices, laboratory, fuel storage, clinic and a 200 man camp.
- An experienced workforce.
- Extensive store of mill spares and consumables.
- Approximately 3 years Ore Reserves 7.9Mt at 1.25g/t (317,900oz), as detailed in Table 1 below.
- Additional Measured, Indicated and Inferred Mineral Resources, as detailed in Table 1 below.
- All gold in circuit (GIC).
- Considerable exploration potential within the associated Tiawa and Saoura exploration permits.

Photos showing the infrastructure at the Samira Hill Project are provided at the end of this release.

Mineral Resources and Ore Reserves

The most recent Mineral Resource and Ore Reserve (Mineral Reserve) estimates for the Samira Hill Project are those published by Semafo in accordance with NI 43-101 requirements as at 31 December 2012, provided in Table 1 below.

Table 1
Samira Hill Project Mineral Resources and Ore Reserves (as at 31 December 2012) ^{1,2,3}

MINERAL RESERVES	
Proven Mineral Reserves	
Tonnes	5,237,600
Grade (g/t Au)	1.33
Ounces ⁴	223,700
Probable Mineral Reserves	
Tonnes	2,661,400
Grade (g/t Au)	1.10
Ounces ⁴	94,200
TOTAL MINERAL RESERVES	
Tonnes	7,899,000
Grade (g/t Au)	1.25
Ounces ⁴	317,900
MINERAL RESOURCES	
Measured	
Tonnes	6,772,100
Grade (g/t Au)	1.58
Ounces ⁴	344,000
Indicated	
Tonnes	4,937,400
Grade (g/t Au)	1.23
Ounces ⁴	195,400
TOTAL MINERAL RESOURCES	
Tonnes	11,709,500
Grade (g/t Au)	1.43
Ounces ⁴	539,400
TOTAL MINERAL RESERVES AND RESOURCES	
Tonnes	19,608,500
Grade (g/t Au)	1.36
Ounces ⁴	857,300
INFERRED MINERAL RESOURCES	
Tonnes	10,161,600
Grade (g/t Au)	1.49
Ounces ⁴	487,600

¹ Mineral reserves and resources were estimated using a gold price of \$1,300 and \$1,600 per ounce respectively.

² Mineral resources are in addition to mineral reserves.

³ Mineral reserves and resources at the Samira Hill Mine represent the combined reserves and resources of SML and AGMDC. The Corporation indirectly owns 80% of SML.

⁴ Rounding of numbers to the nearest hundreds of tonnes may present slight differences in the figures representing the ounces contained.

The estimates above of mineral reserves and resources were estimated as at December 31, 2012, the whole in accordance with the provisions adopted by the Canadian Institute of Mining Metallurgy and Petroleum and incorporated into NI 43-101. These reserve and resource estimates from Samira Hill Mine were reviewed and approved by, Mr. Michel A. Crevier, P. Geo, MScA, Vice-President Exploration and Mining Geology, Semafo's "qualified person" (as defined in NI 43-101).

The above Reserves will be depleted to accommodate actual and projected mining up until 30 September 2013.

Exploration Potential

Although significant exploration has been completed within the Tiawa and Saoura permits, it is clear from termite mound geochemistry and auger drilling that several areas justify priority follow-up work, particularly along the Samira Hill horizon.

Financing

Middle Island is currently reviewing a number of financing options in order to supplement existing cash resources for on-going working capital requirements to underpin the successful operation of the Samira Hill Project until a fully sustainable cashflow is achieved. It is envisaged that an A\$5 million equity raising will provide the primary foundation of any financing.

Comment

Middle Island Managing Director, Rick Yeates commented:-

“Although representing an option on the gold price in the short term, this acquisition completes the remaining piece in Middle Island’s highly prospective Sirba Project strategy, providing the opportunity to process all deposits identified by MDI and partners within the project area itself and the wider Sirba Project at a centrally located milling facility that is in sound working order. The projected production from the project is anticipated to approximate 40,000oz to 50,000oz per year over the initial three year period, subject to further optimisation and detailed mine design.

Based on existing reserves and resources, plus the likely addition of our own Tialkam South deposit, it is easy to envisage a possible mine life of at least 8 years, with plenty of exploration upside throughout the enlarged Sirba Project to provide further additions with time.

The acquisition, we believe, also represents exceptional value to Middle Island shareholders, obviating the need for substantial capital expenditure on a new processing facility and associated infrastructure at the project.

The acquisition provides the opportunity for Middle Island to be in gold production from 1 October 2013, thereby providing cashflow in the 2013 December quarter.

Tialkam South, along with K4/K5 Prospect at Reo in neighbouring Burkina Faso, currently represent Middle Island’s two more advanced "stand alone" gold resource targets across three West African jurisdictions.”

Panorama Samari Hill Site – April 2013



Mining in Libiri NW Pit (2) – April 2013



Mill – April 2013



Power Station, Tailing Dams in background – April 2013



Front-End Loader on ROM pad – April 2013



Water Reservoir – April 2013



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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) and Mr Beau Nicholls (Member of Australian Institute of Geoscientists). Mr Yeates and Mr Nicholls have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Yeates and Mr Nicholls consent to the inclusion in the release of the statements based on their information in the form and context in which they appear.

Please note with regard to exploration targets, the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

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.