



Middle Island

RESOURCES LIMITED

Middle Island Resources Limited
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Middle Island Resources Ltd
ACN 142 361 608
ASX code: MDI
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Capital Structure:

469 million ordinary shares
38,300,000 unlisted options

Cash

\$1.36m (as at 31 December 2016)

Directors & Management:

Peter Thomas

Non-Executive Chairman

Rick Yeates

Managing Director

Beau Nicholls

Non-Executive Director

Dennis Wilkins

Company Secretary

Linton Kirk

Sandstone Project Manager

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ASX Release – 18 January 2017

Sandstone Gold Project (WA) - Update

- Rotary Air Blast (RAB) and reverse circulation percussion (RC) drilling programmes planned for the Sandstone-project's Macintyre, Shillington West and Turley gold prospects are planned to commence in February 2017.
- RC drilling is planned to assess the Macintyre Prospect (incorporating the former Mt Klemptz and Ridge prospects), which comprises an extensive, high tenor, gold soil anomaly associated with structurally disrupted, sub-horizontal BIF horizons to the southeast of the Shillington deposit.
- Previous limited RAB and RC drilling at the Macintyre Prospect includes intercepts of:-
 - 30m at 1.84g/t Au from 21m depth
 - 27m at 1.36g/t Au from 55m depth
 - 16m at 2.42g/t Au from 51m depth
 - 26m at 1.68g/t Au from surface
- RAB drilling is planned to provide an initial assessment of the Shillington West Prospect, a broad gold soil anomaly where the Shillington Thrust traverses the prospective Shillington BIF package.
- RAB drilling is planned to follow up a significant gold intercept of **4m at 17.6g/t Au (repeat 4m at 21.6g/t Au)** at the Turley Prospect, immediately northwest of the Two Mile Hill deposit.
- MDI's focus is on identifying additional sources of mill feed, with the priority on prospects within MDI's existing tenure, but also via transactions with third-parties.

SANDSTONE GOLD PROJECT (WA)

Revised Exploration/Development Strategy

In light of the Company's temporary deferral of re-commissioning its 600,000tpa gold processing plant at Sandstone, MDI's priority is now firmly on the identification of suitable, additional mill feed to enhance the gold production profile, with a focus on higher grade open pit deposits.

A more comprehensive assessment of prospects within MDI's 100%-owned Mining Leases will be the primary focus, but the strategy includes assessment of proximal third-party exploration and toll-milling/production sharing opportunities. The strategy includes several key elements as follows:-

1. **Brownfields Targets** - Continued exploration and conceptual studies on the deeper, high grade, Two Mile Hill BIF underground targets that include true width intercepts of 22m at 23.8g/t, 8m at 56.0g/t and 5m at 26.5g/t Au. Following the successful \$150,000 EIS grant for co-funded drilling on this target (ASX Release 15 December 2016), it is planned to commence the next phase of diamond drilling in the March quarter of 2017, dependent on access to adequate funding.
2. **Greenfields Targets** - The Macintyre, Shillington West and Turley prospects will be initially assessed, however further opportunities are being progressively evaluated.
3. **Targeting Study** – A 'weights of evidence' targeting study will commence late in January 2017. This study will be undertaken by Dr Brett Davis from Orefind Pty Ltd, and is designed to identify and prioritise all exploration targets within the Sandstone Project.
4. **Third-Party Opportunities** – A review of all third-party exploration and toll milling opportunities within the wider Sandstone area is in progress. Discussions and data reviews have commenced on several initial opportunities.

Two Mile Hill Resource Estimation and Underground Concept Study

Mineral Resources (2004 JORC Code) associated with deeper elements of the Two Mile Hill tonalite (below those recently up-graded for the purposes of pit optimisation) and adjacent high grade, BIF-hosted mineralisation will be re-estimated during the March quarter in compliance with the 2012 JORC Code guidelines.

Subsequent to the resource update, an underground mining concept study will be undertaken.

Diamond Core Drilling

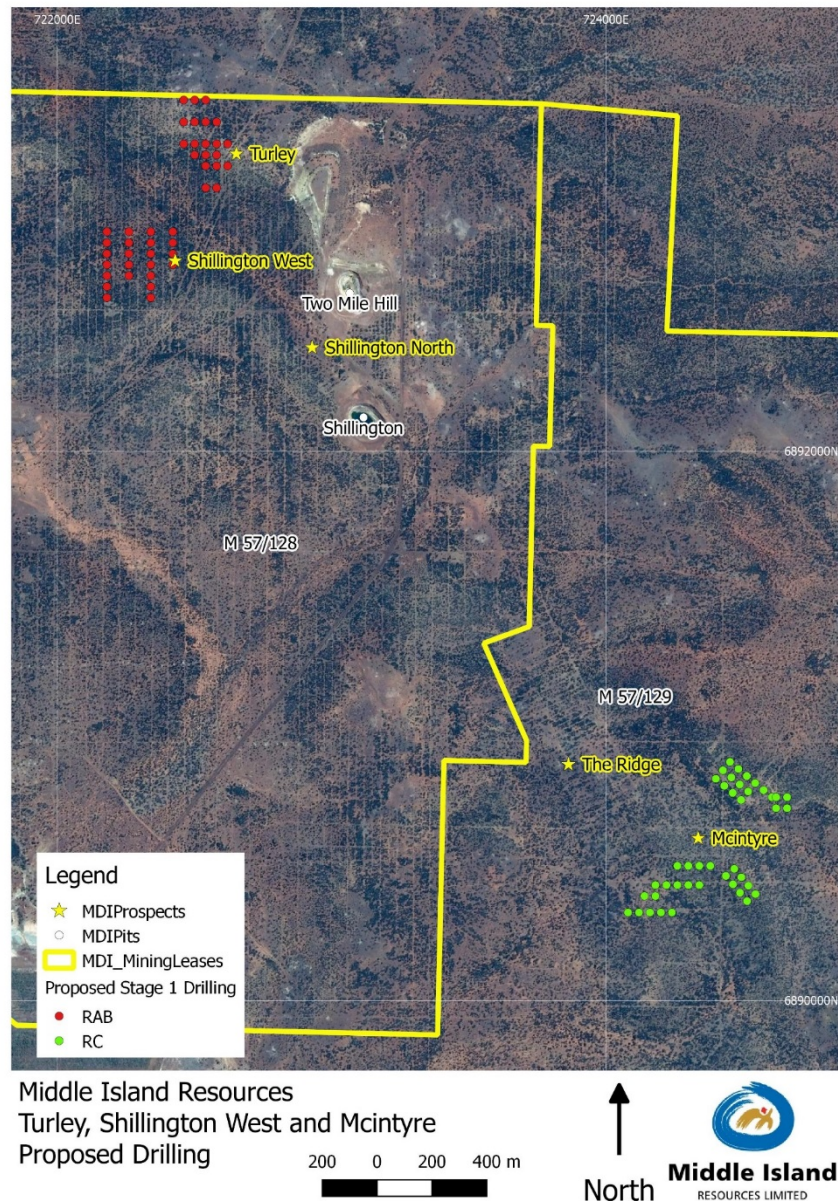
A deep diamond drilling programme (notionally 3 x 500m holes) is planned to confirm and assess deeper units of the Shillington BIF package along the eastern margin of the Two Mile Hill tonalite. The programme is designed to assess all three identified and interpreted BIF units in each hole. The holes also have the potential to intersect the Shillington Thrust, below the BIF package. Both of these objectives represent compelling exploration targets that have attracted \$150,000 in WA Government co-funding under the Exploration Incentive Scheme (EIS).

The programme is planned to commence late in the March quarter, however drilling will only proceed once findings of the Targeting Study are assessed and adequate funding is available.

RAB & RC Drilling

The Macintyre, Shillington West and Turley prospects have been identified as initial drill targets. POWs for these programmes were completed and lodged with the DMP late in December 2016 (Figure 1).

Figure 1

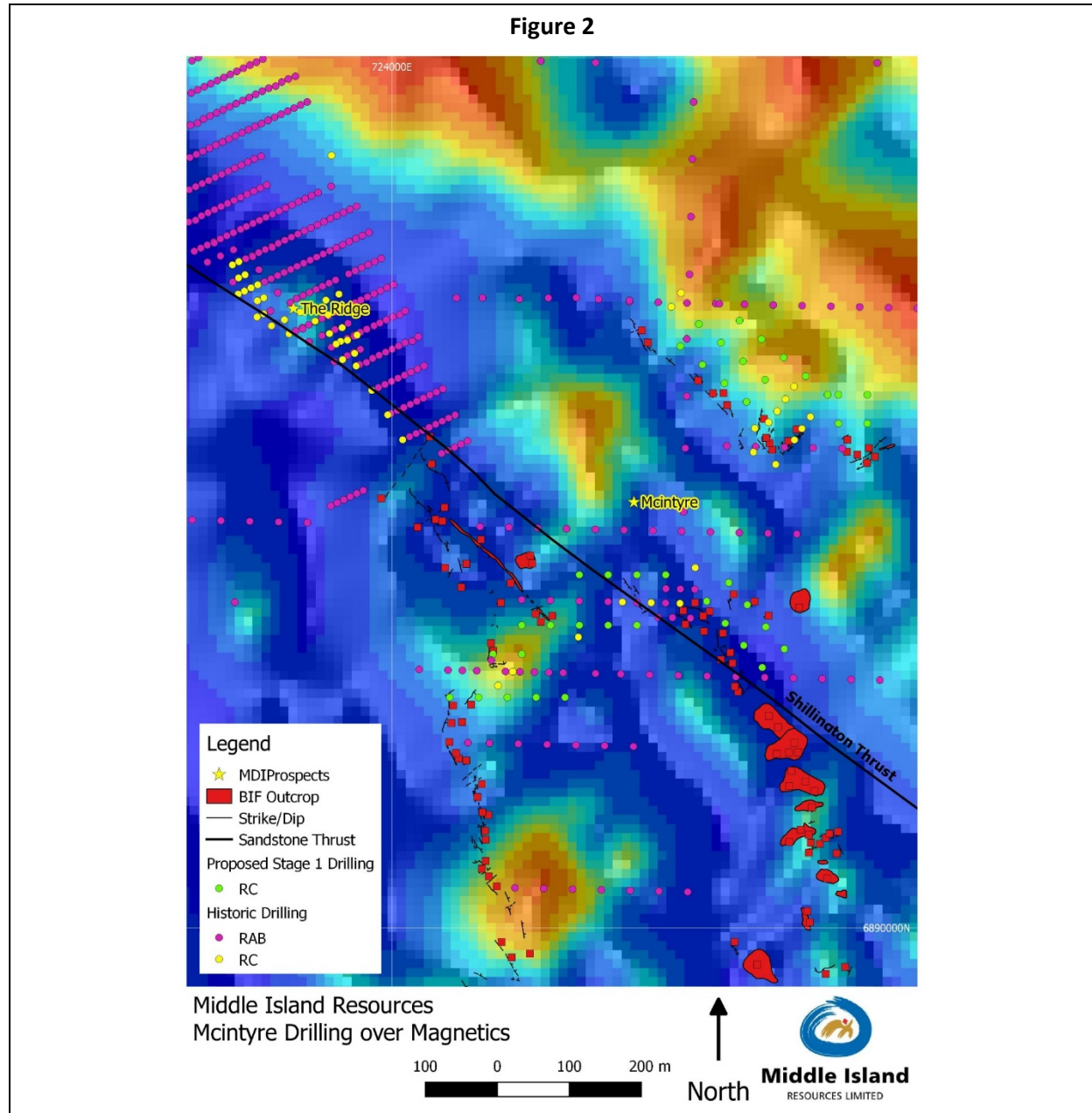


Assuming timely DMP approvals, it is planned to commence these programmes in February, which will entail the following:-

Macintyre Prospect

The Macintyre Prospect (incorporating the former Mt Klemptz/Ridge Prospect) comprises an extensive, high tenor, gold soil anomaly associated with structurally disrupted, sub-horizontal BIF horizons immediately overlying the Shillington Thrust to the southeast of the Shillington deposit. Previous limited RAB and RC drilling at the Macintyre Prospect generated intercepts of **30m at 1.84g/t Au** from 21m depth in MKL017, **27m at 1.36g/t Au** from 55m depth in TRC570, **16m at 2.42g/t Au** from 51m depth in NGR5176 and **26m at 1.68g/t Au** from surface in TRC554.

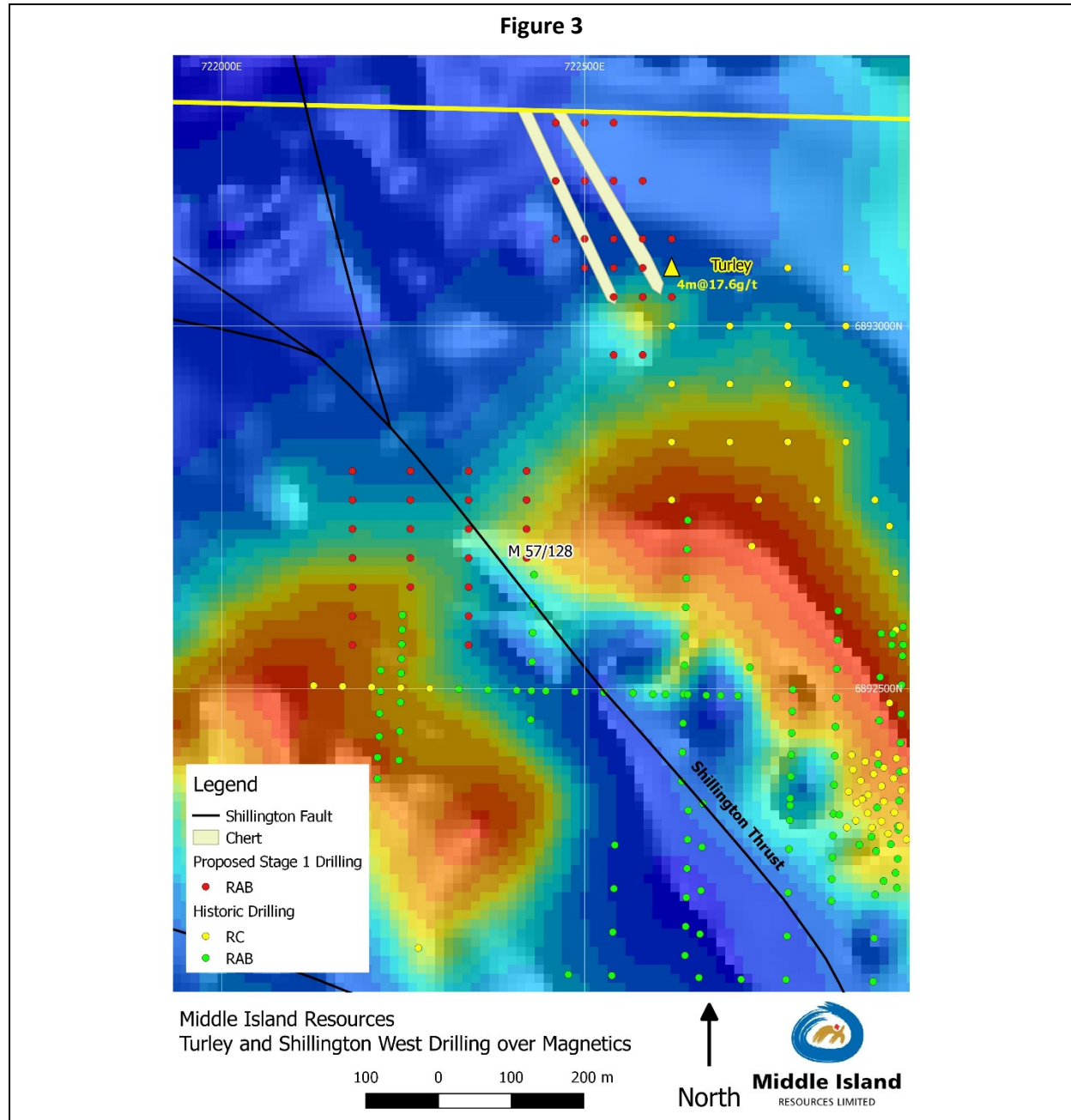
Initial RC drilling, comprising 42 holes for 2,600 metres, is designed to extend the previously identified mineralisation in two adjacent areas, initially on a 40m x 40m pattern that can be readily infilled as results justify (Figure 2).



Shillington West Prospect

The Shillington West Prospect comprises a broad, cohesive, gold soil anomaly that coincides with a zone of apparent magnetite destruction where an element of Shillington Thrust is interpreted to traverse the prospective Shillington BIF package to the west of the Shillington deposit. No mineralisation has previously been identified at the prospect. A solitary existing traverse of shallow RAB holes does not adequately assess the target, as the traverse is interpreted to have been drilled in a sub-optimal orientation, below the position of both the Shillington Thrust and mineralised BIF package.

Initial RAB drilling is planned to comprise four 80m spaced traverses (23 holes; 1,380 metres), straddling the zone of interpreted magnetite destruction, as shown in Figure 3 below. The programme is designed to optimise the intersection of both the locally shallow west-dipping Shillington BIF package and the shallow north-dipping Shillington Thrust.



Turley Prospect

The Turley Prospect lies immediately northwest of the Two Mile Hill deposit and comprises a mineralised chert horizon (now also identified at surface) within basalts. This chert unit returned a mineralised composite sample result of **4m at 17.6g/t Au (with a field duplicate of 4m at 21.6g/t Au)** in recently completed sterilisation RC drilling.

Initial RAB drilling will comprise six 40m spaced drill traverses (20 holes; 1,200 metres) designed to confirm the nature, orientation and persistence of this recently discovered target (Figure 3).

Targeting Study

A 'weights of evidence' targeting study, undertaken by Dr Brett Davis from Orefind Pty Ltd, will commence late in January 2017 and is designed to achieve the following key objectives:-

- Clarify the structural and stratigraphic architecture of the Sandstone gold project within a regional context.
- Investigate controls on the location of mineralisation, specifically along the prolific Shillington trend (Shillington West, Turley, Two Mile Hill, Shillington North, Shillington, The Ridge, Mt Klemptz and Macintyre), and the Twin Shafts area (Goat Farm North - Goat Farm - Twin Shafts trend, the Eureka – Plum Pudding trend and the Wirramina line).
- Resolve the more localised controls on mineralisation associated with the Two Mile Hill tonalite and adjacent units of the Shillington BIF package at depth (including the high grade, pyritic, BIF-hosted mineralisation).
- Identify and prioritise all remaining exploration (both shallow open pit and deeper underground) potential within the Sandstone Project.

Third-Party Opportunities

A progressive assessment of external exploration and toll milling opportunities is in progress. These opportunities broadly come under two categories; adjacent or proximal tenure with brownfields and/or greenfields exploration merit, and third-party deposits that may enhance the Sandstone production profile via toll-milling or production-sharing agreements. Several examples in each category are presently under review, and this process will continue through the course of 2017. The Company will make an announcement if/when any of these opportunities are formalised.

Comment

The primary objective of the updated exploration strategy is to enhance the production profile, operational life and project economics to underpin recommissioning of the existing 600,000tpa Sandstone gold processing plant. The strategy is a multi-faceted approach and, while not all elements may ultimately prove successful, we are confident that a combination of these activities will generate the desired outcome.

Such an approach requires that priorities be regularly reassessed to ensure funds are prudently deployed towards those activities that have the greatest chance of success.

We look forward to keeping shareholders regularly updated on progress through what will be a busy and exciting 2017.

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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 and feasibility studies that are based on information respectively compiled by Mr Rick Yeates and Mr Linton Kirk (respectively a Member and a Fellow of the Australasian Institute of Mining and Metallurgy). Mr Yeates is a fulltime employee of Middle Island, while Mr Kirk is a part-time consultant to Middle Island, and each 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 Competent Persons as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Yeates and Mr Kirk consent to the inclusion in the release of the statements based on their information in the form and context in which they appear.