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

Middle Island Resources Ltd
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)

Contact:
Rick Yeates
Mob: +61(0)401 694 313
rick@middleisland.com.au

ASX Release – 11 October 2017

Drilling and mineralogical testwork update Sandstone gold project, WA.

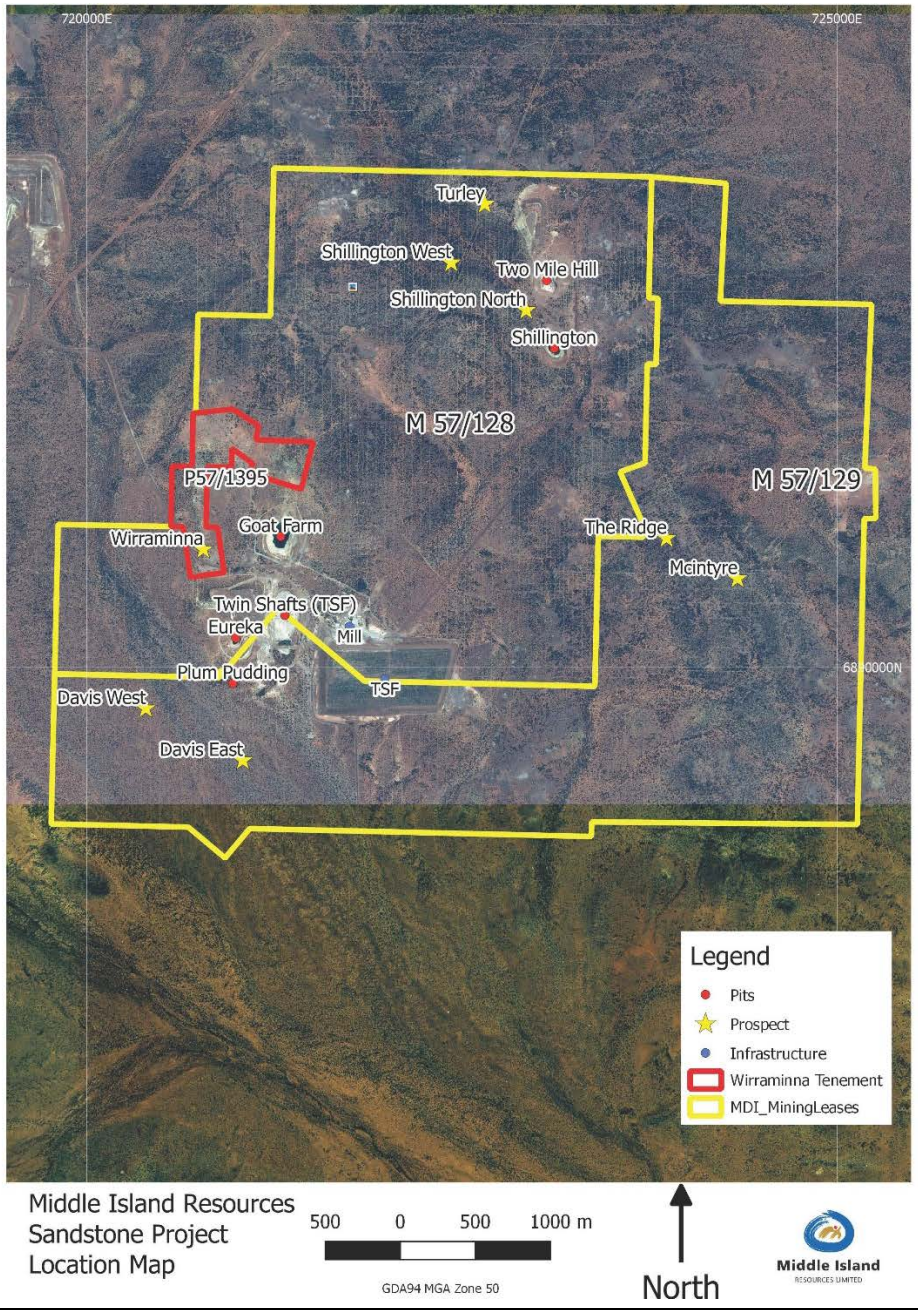
- **Four key drilling programmes at the Sandstone gold project in WA have recently been completed and assay results are awaited.**
- **Diamond drill hole MSDD156, which generated a 2017 intercept of 415.2m at 1.34g/t Au within the project's Two Mile Hill tonalite, was extended to a depth of 730m, utilising the balance of the WA Government's Round 14 EIS grant.**
- **The original MSDD156 hole ended in mineralisation at 498.9m depth with an intercept of 66.9m at 3.27g/t Au. A further ~105m (to ~604m depth) of strongly mineralised tonalite with visible gold was encountered in the recent hole extension, potentially representing an aggregate higher grade intercept of up to 180m.**
- **Three reverse circulation (RC) pre-collared diamond drill holes have been completed to assess possible up-dip extensions of high grade, BIF-hosted gold mineralisation adjacent to the Two Mile Hill tonalite.**
- **Resource definition RC and diamond drilling has been completed at the recently optioned Wirraminna gold deposit, prior to a resource upgrade and pit optimisation studies.**
- **Single reconnaissance traverses of RC drilling have been completed across the eastern and western gold geochemical anomalies at the Davis Prospect to assess the nature and significance of underlying saprolite mineralisation.**
- **Assay results for the RC component of these drilling programmes are pending, while cutting and sampling of the diamond core components is in progress prior to assay submission.**
- **Preliminary mineralogical assessment of the tonalite deeps deposit at Two Mile Hill indicates that in excess of 99% of the gold mineralisation is hosted within quartz veins, supporting the decision to assess ore sorting as a means to up-grade potential mill feed from this deposit.**

SANDSTONE GOLD PROJECT (WA)

Aspiring gold developer, Middle Island Resources Limited (**Middle Island**, **MDI** or **the Company**) is pleased to advise that four key drilling programmes have recently been completed at the Company's wholly-owned Sandstone gold project in WA. These drilling programmes comprise a 230m diamond core extension to MSDD156 on the tonalite deeps deposit at Two Mile Hill, up-dip drilling on the high grade BIF deposit at Two Mile Hill, resource definition drilling at the recently optioned Wirraminna deposit, and reconnaissance drill traverses across two gold anomalies comprising the new Davis target (Figure 1).

It is anticipated that assay results from all four drilling programmes will become available during the remainder of October and early November 2017.

Figure 1
Sandstone gold project showing the location of the Two Mile Hill and Wirraminna deposits, and the new Davis prospect



Two Mile Hill Tonalite Deeps Diamond Drilling

A diamond core extension to the ~500m deep MSDD156 drill hole was completed at the Two Mile Hill tonalite deeps deposit during September. The 230.9m NQ2 diamond core extension of MSDD156 (730m total depth) comprised the remaining drilling available under Round 14 of the WA Government's Exploration Incentive Scheme (EIS) grant, following a successful variation request.

The original MSDD156 generated an intercept of **415.2m at 1.34g/t Au** from the commencement of coring at 83.7m depth to the end of the hole at 498.9m. This broader intercept ended with an intersection of **66.9m at 3.27g/t Au** from 432m to end of hole at 498.9m, finishing in strongly mineralised material. Details of the original hole can be found in the Company's ASX release dated 7 June 2017.

The primary purpose of the MSDD156 extension was to establish to what extent the apparent increase in grade with depth persisted.

The hole was ultimately terminated at 730m depth, representing a 230.9m extension. The initial ~109m of the extension was visually strongly mineralised, characterised by intense sheeted quartz veining and associated sericite-carbonate alteration (Figure 2), including multiple logged instances of visible gold (Figure 3). It is hoped that assaying will confirm a ~180m intercept of higher grade mineralisation, including the final 67m of the original hole.

The diamond core has been logged, and core cutting and sampling is in progress, prior to assaying.

At ~604m depth the hole encountered basalts comprising the western (hangingwall) contact of the tonalite. Some 15.2m of navigational drilling (navi-drilling), during which there is no core recovery, was then employed to bring the hole back on track into the tonalite. A further ~90.1m of more weakly quartz veined tonalite was then intersected before the hole once again deviated into the hangingwall. As this process would likely be repeated, given the expense of navi-drilling and having reached the anticipated limit of the EIS grant funding, the hole was terminated in basalt at 730m depth. The three additional positions of the basalt-tonalite hangingwall contact will also provide valuable information for geological modelling.

Figure 2
Strongly altered and mineralised core from the MSDD156 extension.

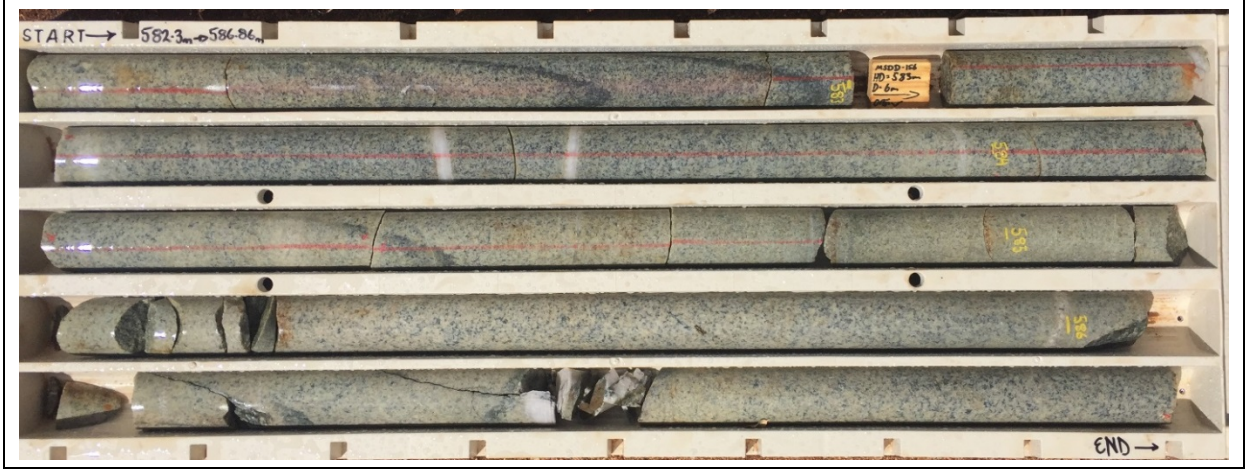


Figure 3
Example of abundant visible gold from the MSDD156 extension

Two Mile Hill BIF Diamond Drilling

RC pre-collared diamond drilling, comprising a further three holes, was completed at Two Mile Hill during September to test the up-dip extensions of high grade gold intercepts associated with pyrite replacement mineralisation within the upper unit of the Shillington banded iron formation (BIF), where intruded by the Two Mile Hill tonalite.

The programme comprised 463.1m of RC pre-collar drilling and a further 168.2m of NQ2 diamond core tails. RC pre-collar samples have been submitted and assay results are pending. The diamond core tails have been logged, and core cutting and sampling is in progress, prior to assaying.

The southern two holes MSDD157 and MSDD158 did not visually include the broader zones of massive to semi-massive pyrite development typical of higher grade intercepts within previous drilling, while the third (northern) hole (MSDD159) included only restricted zones of disseminated pyrite replacement of magnetite. These observations (yet to be confirmed by assaying) suggest that the thicker, higher grade zones of gold mineralisation within the upper BIF unit do not persist up dip as previously hoped.

Wirraminna Resource Definition Drilling

A programme of resource definition RC and RC pre-collared diamond drilling was completed on the recently optioned Wirraminna deposit (ASX Release - 6 June 2017) during September. The Wirraminna deposit lies immediately adjacent to the Company's Sandstone project and within 1km of the Company's 100%-owned, 600ktpa gold processing plant (Figure 4).

The Wirraminna deposit comprises an Inferred Resource (JORC 2004) of **106,300t at 2.07g/t Au (10,674oz gold)**, including better intercepts of **11m at 23.8g/t, 16m at 14.6g/t & 19m at 4.85g/t Au.** Mineralisation is associated with a steeply northeast dipping and northwest trending, high grade quartz lode that remains open at depth and to a lesser extent along strike. The RC and diamond drilling programme was variously designed to verify, infill and extend the existing Wirraminna gold deposit prior to upgrading the resource estimate to JORC 2012 compliance, the majority to an Indicated status, prior to undertaking pit optimisation studies.

The latest programme comprised 1,939m of RC drilling and 175.9m of HQ3 diamond core tails. All RC samples have been submitted for assay, the results of which are pending. The diamond core tails have been logged, and the core is currently being cut and sampled, prior to submission for assay.

Davis Prospect Reconnaissance RC Drilling

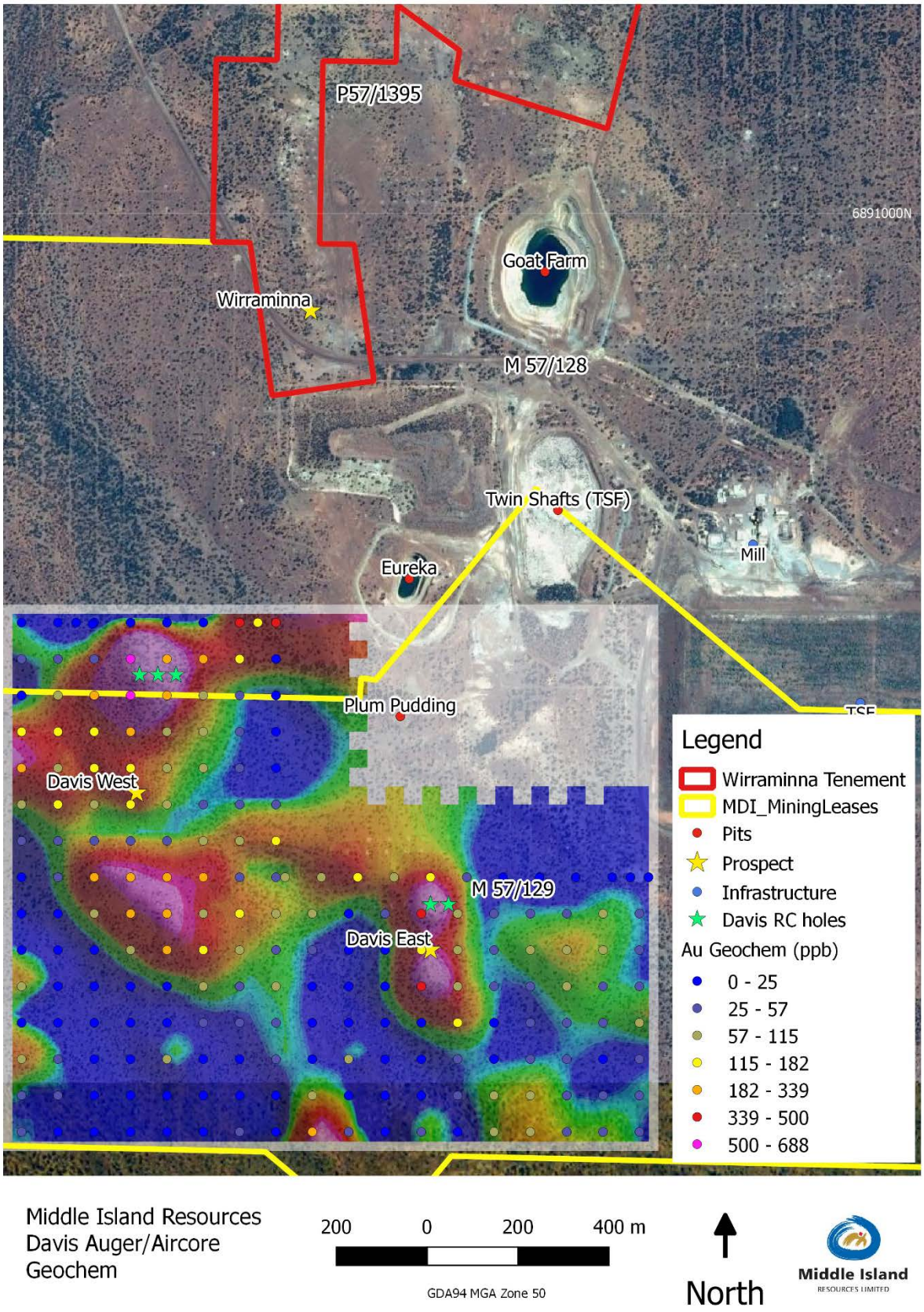
Previous auger and aircore geochemical drilling, reported in the Company's ASX release dated 12 September 2017, defined four significant new blind gold anomalies beneath transported cover, with peak values up to 688ppb Au (0.68g/t) and a strong coincident arsenic response. Each of the anomalies is consistent with those defining nearby, high grade open pit deposits that have been mined and processed, and, importantly, all lie within 1km of the Company's 600,000tpa Sandstone gold processing plant, consistent with an area hosting the highest density of gold deposits within the entire Sandstone field.

A single traverse of reconnaissance RC holes was completed over each of the Davis East and Davis West gold anomalies to understand the nature and tenor of associated saprolitic mineralisation. Traverses comprised two, angled, overlapping, 80m RC holes at Davis East and three similar holes across Davis West (aggregating 5 holes; 386m) as shown in Figure 4.

The RC holes encountered broad zones of ferruginous quartz veining within saprolitic ultramafic rocks, similar in appearance and setting to that at the adjacent Wirraminna and Eureka deposits. RC samples have been submitted for assay and all results are pending.

Figure 4

Davis prospect imaged aircore gold values showing reconnaissance RC drill traverses, proximal deposits and infrastructure



Two Mile Hill Tonalite Deeps Mineralogical Assessment

Initial mineralogical testwork on separate composite samples of quartz veining and tonalite from the Two Mile Hill Deeps deposit suggests that in excess of 99% of the gold is hosted by the quartz veins. Quartz vein composite samples averaged 34.8g/t Au, while tonalite-only composites averaged 0.15g/t Au.

These initial results indicate that the concept of reviewing ore sorting as a valid means of upgrading mill feed, thereby lowering process operating costs (and consequently the mining cut-off grade) for a possible underground mining operation, is readily justified. Despite the substantial scale of the Two Mile Hill tonalite deposit, if successful, the ore sorting concept could prove compatible with the milling capacity of the Sandstone processing plant.

While further mineralogical work is progressing, ore sorting groups have been approached to commence initial characterisation testwork and sorting trials.

Middle Island Managing Director, Mr Rick Yeates:

"These four key drilling programmes and the mineralogical testwork are, again, completely aligned with the Company's objective of extending and enhancing the proposed Sandstone production schedule.

"I look forward to reporting the results of drilling and ore sorting trials during the December quarter."

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

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.