



Middle Island
RESOURCES LIMITED

Middle Island Resources Ltd
ACN 142 361 608
ASX code: MDI
www.middleisland.com.au

Capital Structure:

698 million ordinary shares
38,300,000 unlisted options

Cash

\$2m* (as at 31 December 2017)

*After \$0.5m deferred Sandstone acquisition payment.

Directors & Management:

Peter Thomas

Non-Executive Chairman

Rick Yeates

Managing Director

Beau Nicholls

Non-Executive Director

Dennis Wilkins

Company Secretary

Contact:

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ASX Release – 13 February 2018

Heads of Agreement executed for option over Reo gold project in Burkina Faso, West Africa

- Middle Island today executed a Heads of Agreement with Tajiri Resources Corp. (TSX-V:TAJ, "Tajiri") for Tajiri to be granted an option to acquire a 100% interest in the Reo gold project in Burkina Faso, West Africa.
- Summary commercial terms involve aggregate cash payments to Middle Island of US\$335,000 and the issue of 5 million shares, representing 8% of Tajiri's then post-issue expanded capital, plus a 2% net smelter return (NSR) royalty, which can be purchased by Tajiri for US\$5 million.
- Via the equity and royalty components, the transaction structure allows Middle Island to retain a significant indirect interest in the upside potential of the Reo project. The equity component also offers considerable exposure to Tajiri's significant gold project interests in Guyana, South America.
- On completion, the Reo project transaction would represent the divestment of Middle Island's remaining gold interests in West Africa, allowing the Company to fully focus on its advanced Sandstone gold project development in Western Australia.
- The Company looks forward to working closely with Tajiri to finalise the transaction.



REO GOLD PROJECT (West Africa)

Heads of Agreement for an Option to Purchase

Middle Island Resources Limited (“Middle Island”, “MDI” or “the Company”) is pleased to advise that it has executed a Heads of Agreement (“HoA”) relating to divesting its 100% interest in the Reo gold project in West Africa to Tajiri Resources Corp. (TSX-V:TAJ, “Tajiri”) via an Option to Purchase Agreement.

Transaction Terms

Tajiri will pay MDI US\$35,000 on execution of the HoA in return for a three-month exclusivity period in which to complete its due diligence.

On satisfactory completion of due diligence and signing of a formal Option to Purchase Agreement, the essential terms of which are set out in the HOA, Tajiri is required to pay a further US\$150,000 and issue to Middle Island 2.5 million Tajiri shares. By that agreement, Middle Island will grant Tajiri an exclusive option to purchase MDI’s entire interest in the Reo project (the “Option”). The term of the Option is 18 months. During the Option term Tajiri must pay all expenses associated with maintaining the Reo Project permits in accordance with Burkinabe law.

Should Tajiri elect to exercise the Option, it will pay a further US\$150,000 and issue Middle Island with a further 2.5 million Tajiri shares.

If Tajiri has not exercised the Option within 12 months, it will be required to pay US\$50,000 to Middle Island as a non-refundable advance on the Option exercise cash consideration, with the balance of US\$100,000 payable if the Option is exercised during the remaining six months of the Option term. If the Option is exercised within the first 12 months the full US\$150,000 is payable on exercise.

The stipulated number of shares the subject of the two tranches to be issued to Middle Island were calculated on a fully diluted basis based on Tajiri’s current capital structure, with additional shares to be issued to Middle Island at no cost if Tajiri issues further shares or options prior to exercising the Option. All shares issued to MDI will be subject to any mandatory minimum TSX-V restriction periods.

If the Option is exercised by Tajiri, Middle Island will retain a 2% net smelter return (NSR) royalty on any minerals derived from the Reo project. Tajiri will have the right to acquire that royalty from Middle Island for US\$5 million.

If the Option is not exercised by Tajiri, Middle Island will retain all consideration already paid to Middle Island and it will continue to own its 100% interest in the Reo Project.

Middle Island Managing Director, Mr Rick Yeates:

“The transaction structure allows Middle Island shareholders to retain a significant indirect interest in the upside potential of the Reo project via the Tajiri equity and royalty components. The full equity component, which will represent some 8% of Tajiri’s issued capital on a fully diluted, post issue basis, also offers shareholders considerable exposure to Tajiri’s highly prospective gold project interests in Guyana, South America.

“On completion, the Reo project transaction will represent the divestment of Middle Island’s remaining gold interests in West Africa, allowing the Company to fully focus on its advanced Sandstone gold project development in Western Australia.

“Middle Island looks forward to working closely with Tajiri to facilitate remaining aspects of the due diligence and documentation, in order to complete the transaction and progress the Reo project towards feasibility.

“Middle Island will keep shareholders updated on progress with the Reo project transaction during 2018.”



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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.