



# Middle Island

RESOURCES LIMITED

Middle Island Resources Limited  
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## QUARTERLY REPORT

For the period ended 30 September 2020

### HIGHLIGHTS

**Middle Island Resources Ltd**  
ACN 142 361 608

**ASX Code: MDI**

**Office:**

Suite 1, 2 Richardson Street  
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Western Australia

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**Capital Structure:**

1,765 million ordinary shares  
994 million unlisted options

**Board Members:**

**Peter Thomas**

Chairman

**Rick Yeates**

Managing Director

**Beau Nicholls**

Non-Executive Director

**Brad Marwood**

Non-Executive Director

**Dennis Wilkins**

Company Secretary

- Aggregated cash and investments as at 30 September 2020 of A\$7.55m.
- The cash balance has been enhanced during the quarter by the exercise of a further 458.7 million options, contributing a further A\$4.55m.
- During the quarter at the advanced Sandstone gold project in WA, the Company completed a further 20,000m of resource definition and exploration RC and diamond drilling in the Phase 2 campaign, collectively representing some 50,000m of resource definition and exploration drilling completed to date on the project in CY2020.
- The Phase 2 RC and diamond drilling was focussed on infilling and extending the five new satellite gold deposits to an Indicated Resource classification to supplement the planned recommissioning inventory for the project's fully-permitted on-site mill.
- Results reported from the Phase 2 drilling campaign to date are highlighted by the following intercepts:-
  - McIntyre: 23m @ 2.08g/t, 24m @ 1.95g/t & 18m @ 2.47g/t Au
  - Ridge: 4m @ 99.5g/t, 4m @ 50.5g/t & 9m @ 5.41g/t Au
  - McClaren: 4m @ 90.6g/t & 8m @ 3.35g/t Au
  - Plum Pudding: 11m @ 22.5g/t, 7m @ 24.1g/t, 17m @ 8.16g/t Au
  - Old Town Well: 3m @ 20.6g/t, 14m @ 2.22g/t & 6m @ 3.23g/t Au
- Maiden and upgraded Mineral Resources at the Sandstone Project aggregated 692,000oz gold at quarter's end, subsequent to which the total has been increased to 732,000oz gold, with new Mineral Resources for the Ridge and McClaren deposits still yet to be quantified.
- A Phase 3 RC drilling campaign will commence late in October, initially focussed on some 20,000m of sterilisation drilling for new and expanded waste dumps, and a tailings expansion, to be followed by a further ~10,000m of exploration drilling in the McIntyre, Ridge and Shillington Gap areas – a total of 80,000m of drilling on this project alone in calendar 2020.
- The feasibility study, rescheduled for completion in January 2021 following assaying delays, is now well advanced.
- The Company remains debt free and well-funded to complete the 2020 drilling campaign and feasibility study.

## **Operating Activities**

### **Corporate**

#### **Finances**

Near-term WA gold project developer, Middle Island Resources Limited (**ASX:MDI, Middle Island or the Company**), held aggregated cash and investments of A\$7.55m as at 30 June 2020, comprising A\$6.50m in cash and A\$1.05m in Tajiri Resources Corporation (TSXV:TAJ) ordinary shares.

During the September quarter, a further 458.7m options were exercised, enhancing the cash balance by A\$4.55m. A further 496.8m in-the-money options remain to be exercised, representing potential proceeds of a further A\$3.88m that may become available to the Company prior to the option exercise date of 31 January 2022.

#### **Acuity Controlled Placement Agreement**

On 30 September 2020, the Company announced that it had utilised the Controlled Placement Agreement (CPA) with Acuity Capital (refer to ASX Releases dated 31 July 2017, 27 March 2020 & 30 September 2020) to raise A\$800,000 (inclusive of costs) by agreeing to issue 38,095,000 ordinary MDI shares to Acuity Capital at an issue price of A\$0.021. The issue price represented a 22% premium to the 15-day VWAP of A\$0.017 to 30 September 2020 and a 31% premium to the last closing price of A\$0.016. Settlement occurred on 2 October 2020 with the shares being issued out of the Company's LR 7.1 capacity.

The Acuity CPA request was triggered in June 2020 at a time when Middle Island was not aware of the extent to which options would be exercised, to ensure the Company had sufficient working capital to complete the expanded feasibility program and study. Once it became clear that the exercise of options would easily accommodate these anticipated costs, the request was suspended and ultimately closed.

#### **Exercise of Options**

In order to minimise the number and cost of option exercises the Company has developed a policy of, where possible, processing the option exercise requests on a regular quarterly cycle. **The next planned option exercise date will therefore be Friday 27 November 2020.** Should you have any queries in relation to this matter, please do not hesitate to contact the Company Secretary on +61 (0)8 9389 2111.

#### **Director Entitlements**

During the quarter, the Company made cash payments of \$122,000 to related parties and their associates. This was the aggregate amount paid to the Directors, including salary, Directors' fees, consulting fees and superannuation.

#### **Tenure**

The option to acquire the Wirraminna tenement (P57/1395), which hosts the Wirraminna open pit deposit, was exercised subsequent to quarter's end (refer ASX Releases 31 July 2017 & 7 October 2020), with the formal transfer in process. The Wirraminna deposit is located 1km northwest of the Company's 600,000tpa Sandstone gold processing plant and immediately adjoins M57/128 and M57/129.

The vendor agreed to reduce the exercise price from A\$300,000 to A\$150,000, comprising A\$100,000 in cash and A\$50,000 in fully paid MDI ordinary shares (refer ASX Release dated 1 October 2020 for details of shares to be issued on 12 October 2020). In exchange, the vendor will retain the surface prospecting rights over P57/1395 (or any successor tenement), which rights Middle Island agreed to extend for a further four years, subject to certain commercial and environmental conditions protecting Middle Island's interests.



Once the formal transfer is registered, Middle Island intends to immediately apply for a Mining Lease over P57/1395.

At the new Barkly copper-gold project in the Northern Territory (NT), Middle Island has been advised by the NT Department of Industry, Tourism & Trade that the Company's 10 exploration licences have been listed for grant once COVID-19 travel restrictions are lifted or at the Company's earlier election.

### **Strategy**

The Company's activities during the September quarter continued to focus on the recommissioning of its 100%-owned Sandstone gold processing plant at the earliest opportunity.

The Phase 2 resource definition drilling campaign was completed, resulting in five new satellite gold deposit discoveries and several existing deposit extensions defined. The strategy was also progressed via substantial progress on the 2020 feasibility study (FS), which is discussed further below.

### **COVID-19 Update**

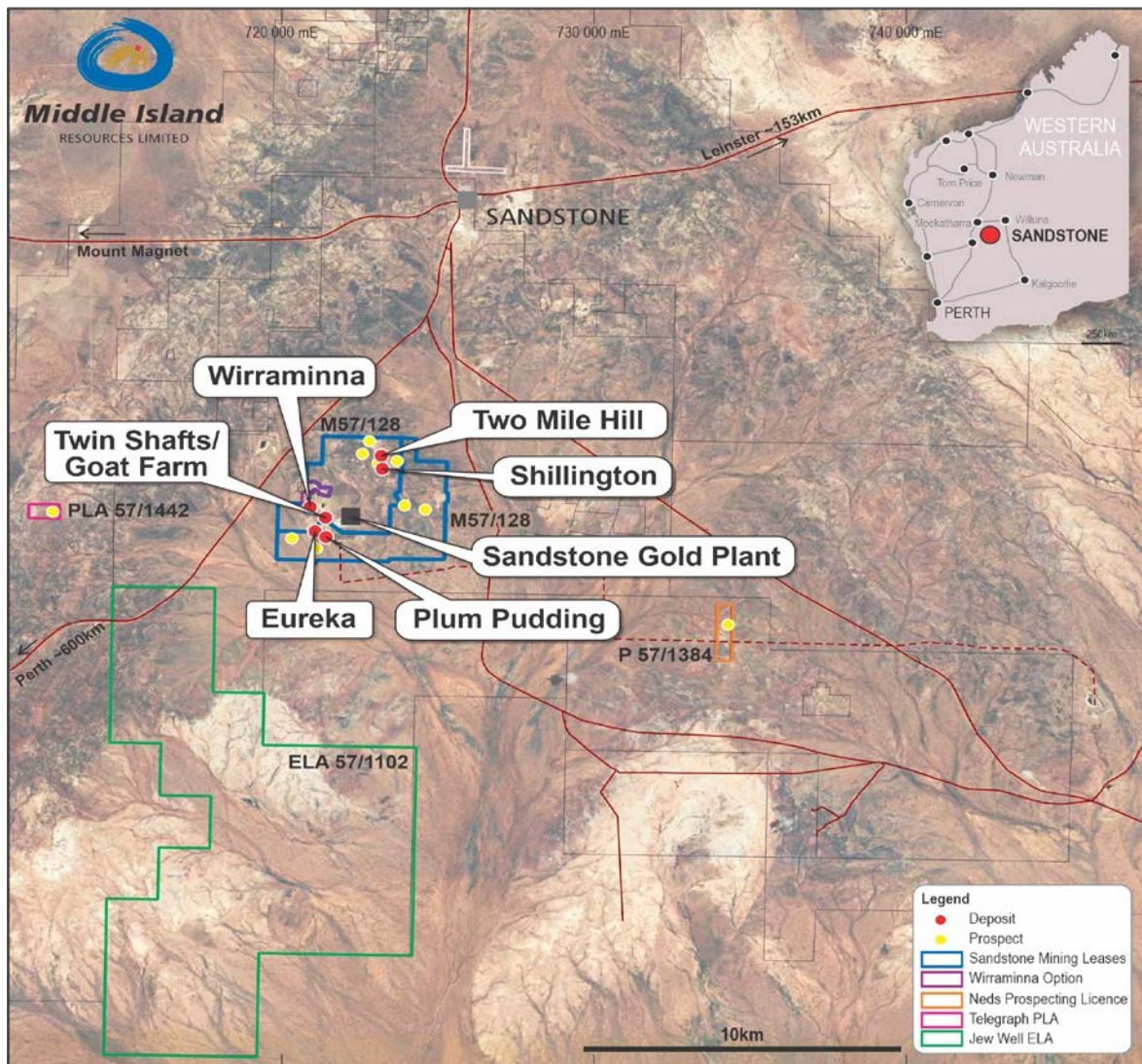
By observing stringent health and hygiene protocols, the Company's activities and operations around its flagship Sandstone gold project in central WA, and its Perth office, have continued to be relatively unaffected by the COVID-19 pandemic during the September quarter.

However, the Company continues to guard against complacency, as the threat of the pandemic is ever present, and the health and well-being of the Company's employees, contractors, regional host communities and the broader public, remain paramount.



## Sandstone Gold Project (100%) – Western Australia

**Figure 1**  
**Sandstone Gold Project**



### 2020 Drilling Campaign

During the September quarter, the Company completed Phase 2 of the substantial 2020 drilling campaign, collectively comprising some 50,000m of exploration and resource definition drilling to date at the Company's 100%-owned Sandstone gold project in Western Australia. The Phase 2 RC and diamond drilling is on-going.

The Phase 1 and 2 drilling campaigns have proved extremely successful, **defining five new satellite gold deposits, being McClaren, McIntyre, Ridge, Old Town Well and Plum Pudding, and several deposit extensions at Two Mile Hill, Shillington, Twin Shafts and Goat Farm.** The new satellite deposits and extensions, all located on permitted Mining Leases within 2.5km of the processing plant, will considerably

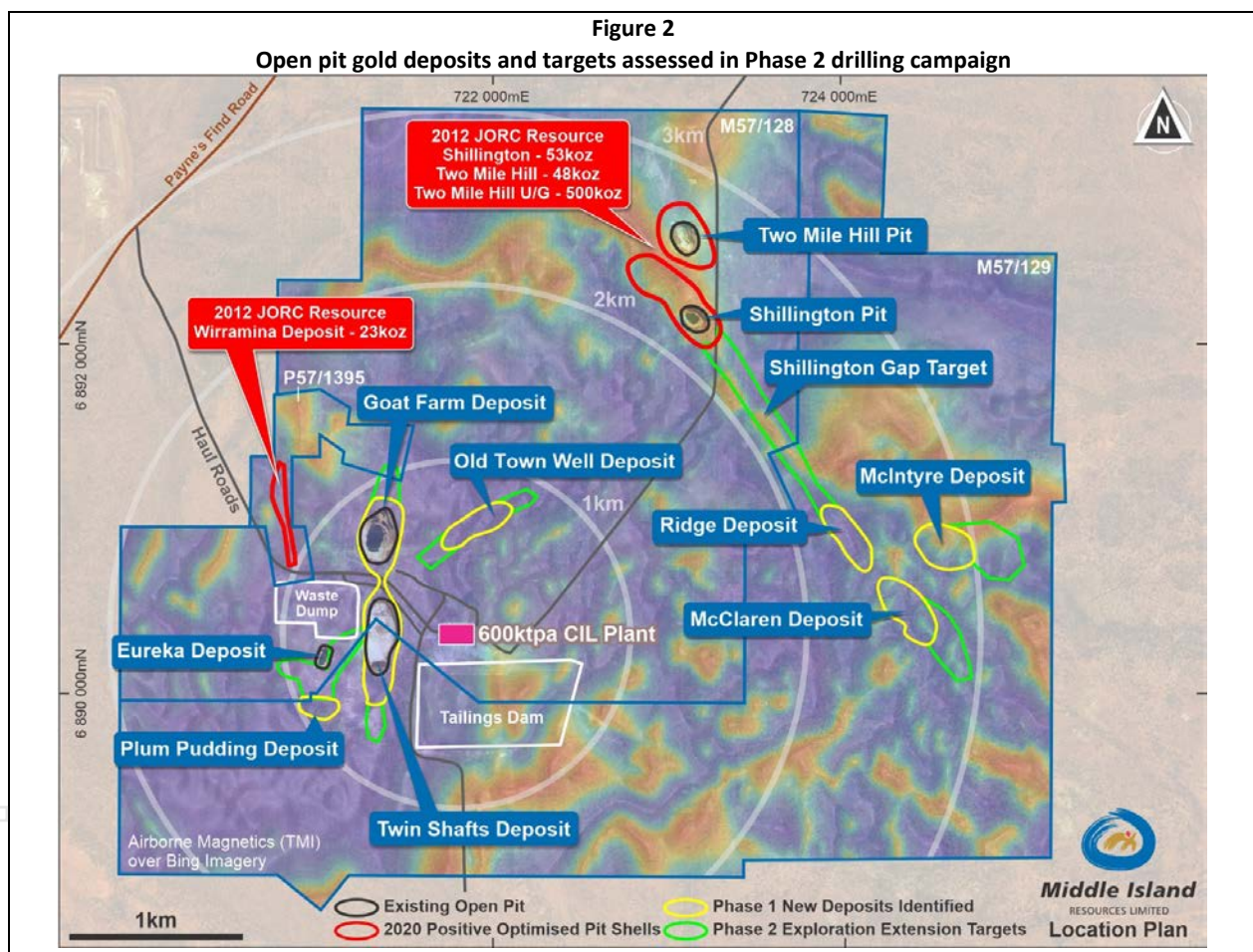




enhance the planned open pit mining inventory to underpin the feasibility study (FS) and planned recommissioning of the Sandstone gold project.

The primary objective of the Phase 2 drilling campaign, completed during the September quarter, was to quantify the five new satellite deposits to an Indicated Mineral Resource classification via RC drilling, prior to integration into the FS. The diamond drilling component, comprising ~1,000m of HQ3 oxide coring from surface (notionally two holes per satellite deposit) was designed to generate material for bulk density determination, and metallurgical and geotechnical testwork, permitting the new deposits to be considered as Ore Reserves in the FS.

An exploratory RC drilling component was also completed, comprising initial reconnaissance traverses across the Shillington Gap target, located between the Shillington and Ridge deposits (Figure 2).



Results from the Phase 1 & 2 drilling campaigns at the five new satellite gold deposits reported to date in 2020 are highlighted by the following:-

- **McIntyre:** 23m @ 2.08g/t, 24m @ 1.95g/t & 18m @ 2.47g/t Au
- **Ridge:** 4m @ 99.5g/t, 4m @ 50.5g/t & 9m @ 5.41g/t Au
- **McClaren:** 4m @ 90.6g/t & 8m @ 3.35g/t Au
- **Plum Pudding:** 11m @ 22.5g/t, 7m @ 24.1g/t, 17m @ 8.16g/t & 7m @ 19.0g/t Au
- **Old Town Well:** 3m @ 20.6g/t, 14m @ 2.22g/t & 6m @ 3.23g/t Au



### **Resource Estimation**

Maiden and updated Mineral Resource estimates have been progressively prepared by independent consultants as the Phase 2 drilling results for each deposit have been received and compiled, and bulk density data has been finalised. To date, updated Mineral Resource estimates have been completed for the Two Mile Hill, Shillington, Wirraminna, Twin Shafts and Goat Farm deposits, and maiden Mineral Resource estimates have been prepared for the new Plum Pudding, Old Town Well and McIntyre satellite deposits (refer to ASX Releases dated 24 July 2020, 14 August 2020, 2 October 2020 and 21 October 2020). Only maiden Mineral Resources for the Ridge and McClaren deposits remain to be estimated.

The updated Sandstone gold project Mineral Resource Statement is included as Table 1 below.

Pit optimisations have been completed on all deposits, and preliminary mine designs on five of these, for inclusion in the feasibility study to determine Ore Reserves.

### **Feasibility Study**

All assay data relevant to the Feasibility Study (FS) had been received at the time of reporting. As described in the prior section, Mineral Resource estimates have been completed for eight of the 10 open pit deposits and the remaining two are in progress. Pit optimisations and pit designs have been completed for five of the deposits, and work on haul roads and waste dumps has commenced.

Work streams on pit geotechnics, groundwater, surface water management and water supply continues. Metallurgical testwork has commenced, supplementing previous testwork and process operating data. Design work on additional tailings storage capacity is well advanced. Environmental surveys and assessments are being completed prior to approvals submissions, and evaluation of the refurbishment and upgrade of the substantial existing supporting infrastructure continues. Detailed cost estimates and FS reporting is now expected to be completed in January 2021.

A concurrent scoping study into a modest plant capacity upgrade has commenced with GR Engineering Services.

### **Tribute Gold Production**

There was no tribute gold production at the Sandstone project during the 2020 September quarter.

### **Planned 2020 December Quarter Activities**

Activities planned at the Sandstone project during the 2020 December quarter comprise:-

- Compile and report final Phase 2 drilling results for the Ridge and McClaren deposits.
- Prepare and report Mineral Resource estimates for the Ridge and McClaren deposits.
- Complete pit optimisations and mine designs for all deposits.
- Undertake sterilisation drilling of proposed waste dump locations and the planned tailings dam expansion.
- Complete various geotechnical, hydrological, metallurgical and environmental studies.
- Complete all contract tenders, including mining, crushing, civils, mill and infrastructure refurbishment, on-site assay laboratory, camp refurbishment and camp management.
- Progress recommissioning financing.
- Substantially complete the feasibility study.
- Undertake Phase 3 RC exploration drilling.



## **Barkly Copper-Gold Super Project (100%) – Northern Territory**

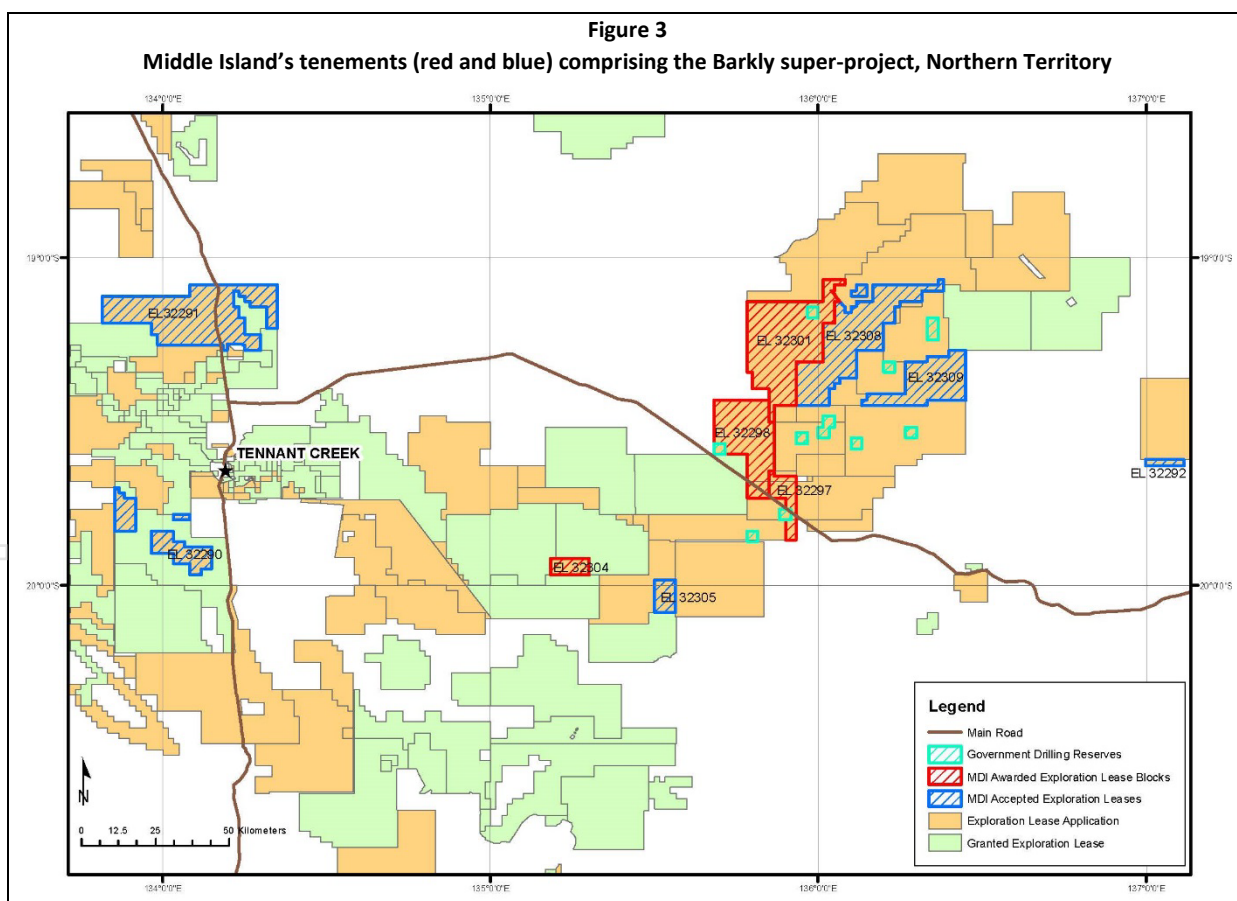
Middle Island's Barkly copper-gold super project comprises 10 exploration licences covering 3,253 square kilometres in the Northern Territory (NT) as shown in Figure 3 below. Middle Island has been advised by the NT Department of Industry, Tourism & Trade that the Company's 10 exploration licences have been listed for grant once COVID-19 travel restrictions are lifted or at the Company's earlier election.

Middle Island is positioned as a first-mover along the newly identified East Tennant Ridge, highly prospective for Tier 1 iron oxide-copper-gold (IOCG) targets, which extends beneath Georgina Basin cover across the Barkly Tableland between Tennant Creek and Mt Isa in Queensland.

The Company intends to undertake a reconnaissance site visit to the project at the first opportunity once travel restrictions are lifted.

Once formal grant of the tenements is triggered, initial Middle Island work will focus on capturing any outstanding open file and pre-competitive data, the re-modelling of exploration targets and the planning of high-resolution geophysical surveys to refine modelled targets in preparation for drill testing.

It is understood that pre-competitive stratigraphic basement drilling (see Government drilling reserves in aqua below) has recently commenced, the outcome of which is eagerly awaited.



## **Safety, Environmental & Social**

### **Health & Safety**

No injuries or incidents were recorded at the Company's projects and premises during the September quarter.

No COVID-19 infections have been recorded amongst staff or contractors, and the Company has managed to continue its aggressive exploration and resource development campaign relatively seamlessly.

### **Environment**

No environmental incidents were recorded at the Company's projects during the September quarter.

A project-wide flora survey has been completed, and a fauna survey commenced, at the Sandstone gold project to support the feasibility study and associated approvals.

Rehabilitation of disturbed areas at the Sandstone gold project, primarily drill sites and temporary access tracks, is being progressively undertaken in accordance with POW and other environmental requirements. Rehabilitation of drill pads utilised in the 2020 drilling campaign will commence once further sampling of RC drill cuttings has been completed for metallurgical leach testing and waste characterisation studies.

Sampling of tailings monitoring bores continues on a six-monthly basis in accordance with permit requirements, with all readings remaining below statutory thresholds.

The WA Department of Mines, Industry Regulation & Safety (DMIRS) has approved an extension of the updated Mine Closure Plan (MCP) submission until November 2021, such that all aspects and findings of the current feasibility study and operating plan can be incorporated.

### **Social**

The Company continues to engage with the Shire of Sandstone, pastoralists, prospectors and the local community. This process includes the procurement of labour, materials and services locally, wherever practically possible, and sponsorship of various community events and heritage activities.

Most recently, Middle Island has engaged with the Sandstone Shire to collaborate on the Company's recommissioning studies and requirements, how the project might impact on the local community and what mutually beneficial opportunities may present.

A similar philosophical approach to community engagement is planned in the NT, once the Barkly super project tenements are granted.

### **Comments by Managing Director, Mr Rick Yeates:**

*"So ends another extraordinarily busy, but highly productive, quarter, the highlights of which have been the completion of another extremely successful gold drilling campaign and the significant progress made on the feasibility study towards a recommissioning decision late in 2020 or early 2021.*

*"With the Australian dollar denominated gold price remaining near record levels, and any number of looming catalysts to stimulate further price increases, the timing of the feasibility study and recommissioning decision is looking ideal.*

*"I look forward to sharing remaining Phase 2 and 3 drilling results and resource estimates with you shortly, and keeping you abreast of progress on the feasibility study during the December quarter."*



## Resources and Reserves Statement

Mineral Resources applicable to the Sandstone Gold Project as at 21 October, 2020 are provided in Table 1 below.

<b>Deposit</b>	<b>COG (g/t Au)</b>	<b>Tonnes</b>	<b>Grade (g/t Au)</b>	<b>Contained Gold (oz.)</b>	<b>JORC Classification</b>	<b>JORC Code</b>
Two Mile Hill – Open Pit <sup>1</sup>	0.7	1,012,000	1.36	44,000	Indicated	2012
Two Mile Hill – Open Pit <sup>1</sup>	0.7	114,000	1.10	4,000	Inferred	2012
Two Mile Hill – Tonalite Deeps <sup>2</sup>	NA*	14,000,000	1.10	480,000	Inferred	2012
Two Mile Hill – BIF Deeps <sup>2</sup>	NA*	200,000	3.10	20,000	Inferred	2012
Shillington – Open Pit <sup>3</sup>	0.5	1,230,000	1.30	50,200	Indicated	2012
Shillington – Open Pit <sup>3</sup>	0.5	840,000	1.10	30,600	Inferred	2012
Wirraminna – Open Pit <sup>3</sup>	0.5	300,000	1.30	12,100	Indicated	2012
Wirraminna – Open Pit <sup>3</sup>	0.5	280,000	1.10	9,700	Inferred	2012
Twin Shafts – Open Pit <sup>4</sup>	0.5	149,000	1.00	4,700	Indicated	2012
Twin Shafts – Open Pit <sup>4</sup>	0.5	37,000	0.70	900	Inferred	2012
Goat Farm – Open Pit <sup>4</sup>	0.5	398,000	1.00	13,200	Inferred	2012
McIntyre – Open Pit <sup>4</sup>	0.5	496,000	1.20	19,400	Indicated	2012
McIntyre – Open Pit <sup>4</sup>	0.5	67,000	0.90	1,900	Inferred	2012
Plum Pudding – Open Pit <sup>5</sup>	0.5	384,000	1.10	13,100	Indicated	2012
Plum Pudding – Open Pit <sup>5</sup>	0.5	35,000	0.90	1,000	Inferred	2012
Old Town Well – Open Pit <sup>5</sup>	0.5	282,000	1.00	8,800	Indicated	2012
Old Town Well – Open Pit <sup>5</sup>	0.5	68,000	0.60	1,400	Inferred	2012
<b>Total Indicated</b>		<b>3,853,000</b>	<b>1.25</b>	<b>155,100</b>	<b>Indicated</b>	<b>2012</b>
<b>Total Inferred</b>		<b>16,039,000</b>	<b>1.12</b>	<b>577,000</b>	<b>Inferred</b>	<b>2012</b>
<b>Total Resource</b>		<b>19,892,000</b>	<b>1.14</b>	<b>732,100</b>		<b>2012</b>

The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimates, which may result in some computational discrepancies.

\*The Two Mile Hill Tonalite Deeps and BIF Deeps have been reported within optimised wireframes. All wireframes include waste and have an aggregate grade at or above the cut-off of 0.64g/t Au.

This Statement includes information extracted from the Company's previous ASX announcements, which are available to view on the Company's website, as follows:

<sup>1</sup> ASX Release dated 14 August 2020.

<sup>2</sup> ASX Release dated 14 April 2020.

<sup>3</sup> ASX Release dated 24 July 2020.

<sup>4</sup> ASX Release dated 21 October 2020.

<sup>5</sup> ASX Release dated 2 October 2020.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material and assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which any Competent Person's findings are presented have not been materially modified from the original market announcements.



In addition to the Mineral Resources reported above, the residual portion of the Two Mile Hill tonalite deeps Exploration Target, lying between 500m and 700m below surface, is not included and remains to be re-quantified as an Exploration Target or, with further drilling, a Mineral Resource.

The Company also notes that maiden Mineral Resource estimates for the Ridge and McClaren deposits are imminent.

There are no Ore Reserves currently reported in relation to the Sandstone gold project.

In all cases, Mineral Resources are estimated and reported in accordance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Information in this release relating to Mineral Resources is based on, and fairly reflects, information and supporting documentation variously prepared by Mr Brett Gossage of EGRM Consulting Pty Ltd, Mr Shaun Searle of Ashmore Advisory Pty Ltd and Ms Lisa Bascombe of Mining Plus Pty Ltd on behalf of Middle Island Resources Limited. The Competent Persons' are Members of the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG) and qualify as Competent Persons' as defined in the JORC Code.

## **Mining Tenements**

Middle Island Resources Limited advises the following information required under ASX Listing Rule 5.3.3 as at 30 September 2020.

Tenements	Mining tenements acquired during the quarter	Mining tenements disposed during the quarter	Mining tenements held at the end of the quarter	Tenement location
M57/128	-	-	100%	Western Australia
M57/129	-	-	100%	Western Australia
P57/1384	-	-	100%	Western Australia
P57/1395	Option exercised; transfer pending	-	100%	Western Australia
P57/1442	-	-	100%	Western Australia
E57/1102	-	-	100%	Western Australia
EL 32291	-	-	Listed for Grant – 100%	Northern Territory
EL 32290	-	-	Listed for Grant – 100%	Northern Territory
EL 32305	-	-	Listed for Grant – 100%	Northern Territory
EL 32308	-	-	Listed for Grant – 100%	Northern Territory
EL 32309	-	-	Listed for Grant – 100%	Northern Territory
EL 32292	-	-	Listed for Grant – 100%	Northern Territory
EL 32297	-	-	Listed for Grant – 100%	Northern Territory
EL 32298	-	-	Listed for Grant – 100%	Northern Territory
EL 32301	-	-	Listed for Grant – 100%	Northern Territory
EL 32304	-	-	Listed for Grant – 100%	Northern Territory

**RELEASE AUTHORISED BY:**

Board of Middle Island Resources Limited

**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

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**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.

**Competent Person's Statement**

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

**Previously Reported Information**

This report includes information that relates to previously reported Exploration Results, which were prepared and first disclosed under the JORC Code 2012. The information was extracted from the Company's previous announcements, which are available to view on the Company's website and variously include the following:-

Mineral Resources: ASX Releases dated 14 April 2020, 24 July 2020, 14 August 2020, 2 October 2020 & 21 October 2020.

Exploration Results: ASX Releases dated 18 January 2017, 12 September 2017, 14 November 2017, 19 December 2018, 14 April 2020, 21 April 2020, 28 April 2020, 8 May 2020, 22 May 2020, 29 May 2020, 26 June 2020, 2 July 2020, 29 July 2020, 30 July 2020, 6 August 2020, 18 August 2020, 27 August 2020 & 9 October 2020.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and have not materially changed. The Company confirms that the form and context in which any Competent Person's findings are presented have not been materially modified from the original market announcements.