



## **Middle Island**

RESOURCES LIMITED



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](mailto:info@middleisland.com.au)  
[www.middleisland.com.au](http://www.middleisland.com.au)

**Middle Island Resources Ltd**  
ACN 142 361 608  
**ASX code: MDI**  
[www.middleisland.com.au](http://www.middleisland.com.au)

**Capital Structure:**

251 million ordinary shares  
800,000 unlisted options

**Cash**

\$0.36m (as at 31 March 2016)

**Directors & Management:**

**Peter Thomas**

Non-Executive Chairman

**Rick Yeates**

Managing Director

**Beau Nicholls**

Non-Executive Director

**Linton Kirk**

Non-Executive Director

**Dennis Wilkins**

Company Secretary

**Contact:**

Rick Yeates

Mob: +61(0)401 694 313

[rick@middleisland.com.au](mailto:rick@middleisland.com.au)

## **ASX Release – 4 May 2016**

### **Middle Island acquires Sandstone gold mining and processing project in W.A. and completes equity raising**

- Middle Island Resources Limited (Middle Island or the Company) has contracted to acquire a 100% interest in the Sandstone gold project, located in the East Murchison gold district of Western Australia.
- JORC 2004 Indicated and Inferred Mineral Resources of ~11Mt grading 1.4g/t Au for ~480,000 ounces of gold.
- 600ktpa carbon-in-pulp (CIP) gold processing plant (on care and maintenance) and significant associated infrastructure.
- Several significant brownfield exploration targets, including drill intercepts of 141m at 2.30g/t, 353.3m at 1.04g/t, 156.3m at 1.14g/t, 8.5m at 49g/t, 13.7m at 26g/t, 4.5m at 25g/t and 3.5m at 20g/t Au.
- Anticipated near term gold production.
- Centrally located milling facility for toll milling with limited proximal alternatives.
- Headline acquisition price of A\$2.5M represents a cost of US\$4 per resource ounce, which compares very favourably with global average values for gold projects of equivalent status.
- Placement to raise A\$400,000 completed for working capital purposes.

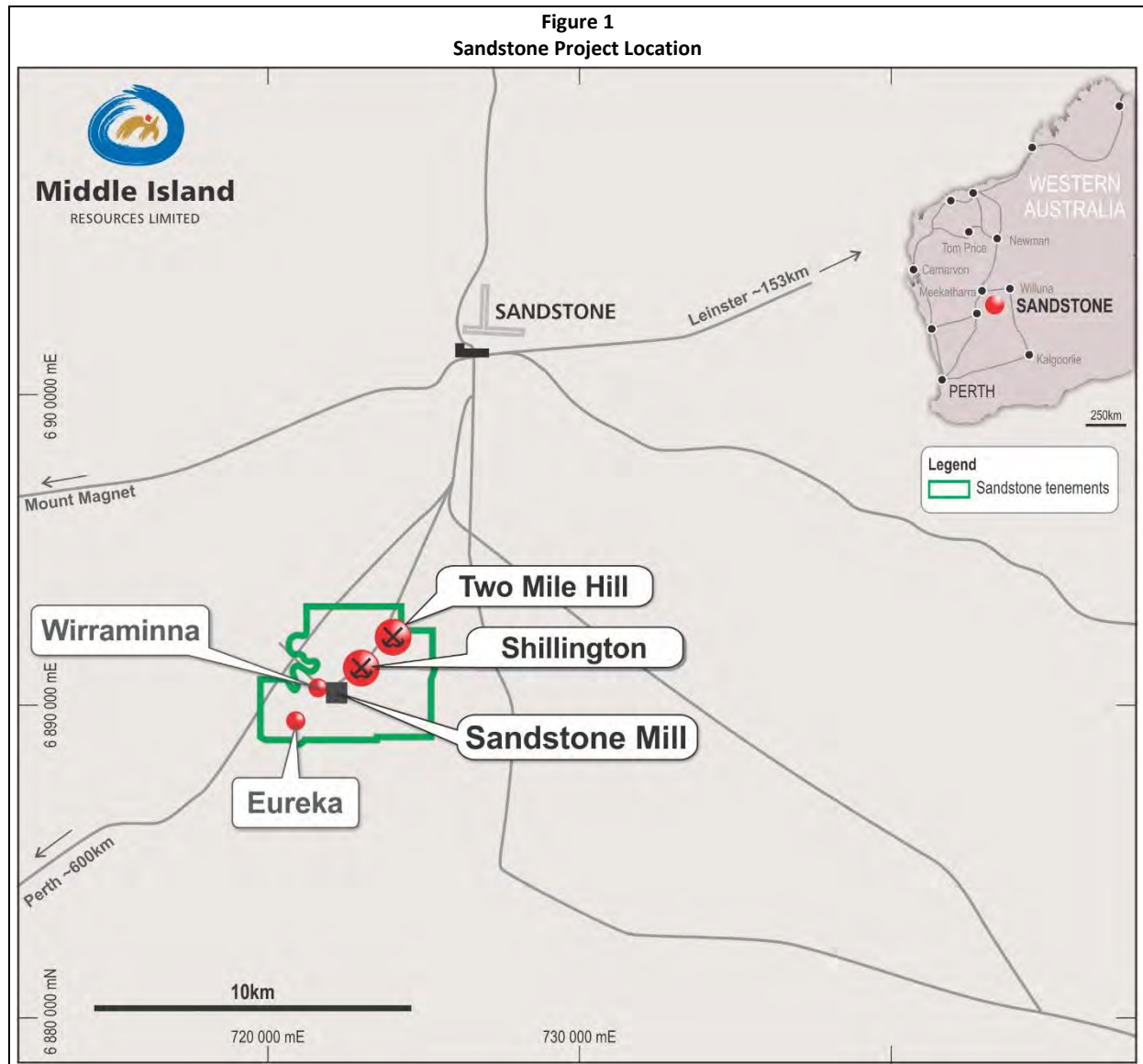
**Value Proposition**

The Sandstone Project represents compelling value for the following key reasons:-

- Mineral Resources of ~480,000oz gold, with existing drilling indicating considerable potential to rapidly expand this resource base, including at least two potential company-making targets.
- Existing CIP processing plant with a 600,000tpa capacity, associated infrastructure and considerable inventory of spares, with recommissioning costs estimated at A\$5-8 million.
- Optimisation by Southern Cross Goldfields Limited (now Black Oak Minerals Limited) of the project's Shillington and Two Mile open pit deposits yielded an inventory of Indicated and Inferred Resources within the pit shells of approximately 1.1Mt at 1.4g/t Au.
- Planned rapid progress to Pre-feasibility, providing a reasonable expectation of moving to gold production within 18 months from purchase completion.
- Acquisition cost of US\$4 per resource ounce, which compares very favourably with other care & maintenance and development gold project transactions globally.
- Located in low risk, Western Australian jurisdiction, proximal to the Company's headquarters in Perth, and with ready access to world-class gold industry suppliers and service companies.
- Ideally timed acquisition for an emerging developer to capitalise on a buoyant Australian gold market, with the more favourable recent exchange rate in an increasingly cost-competitive environment.
- Highly experienced and credible exploration and mining project management team.

## Assets

The Sandstone Project and processing facility is situated 12km south of the township of Sandstone, ~600km northeast of Perth, and located on a sealed highway between the mining towns of Mt Magnet and Leinster in the East Murchison Mineral Field of Western Australia (Figure 1).

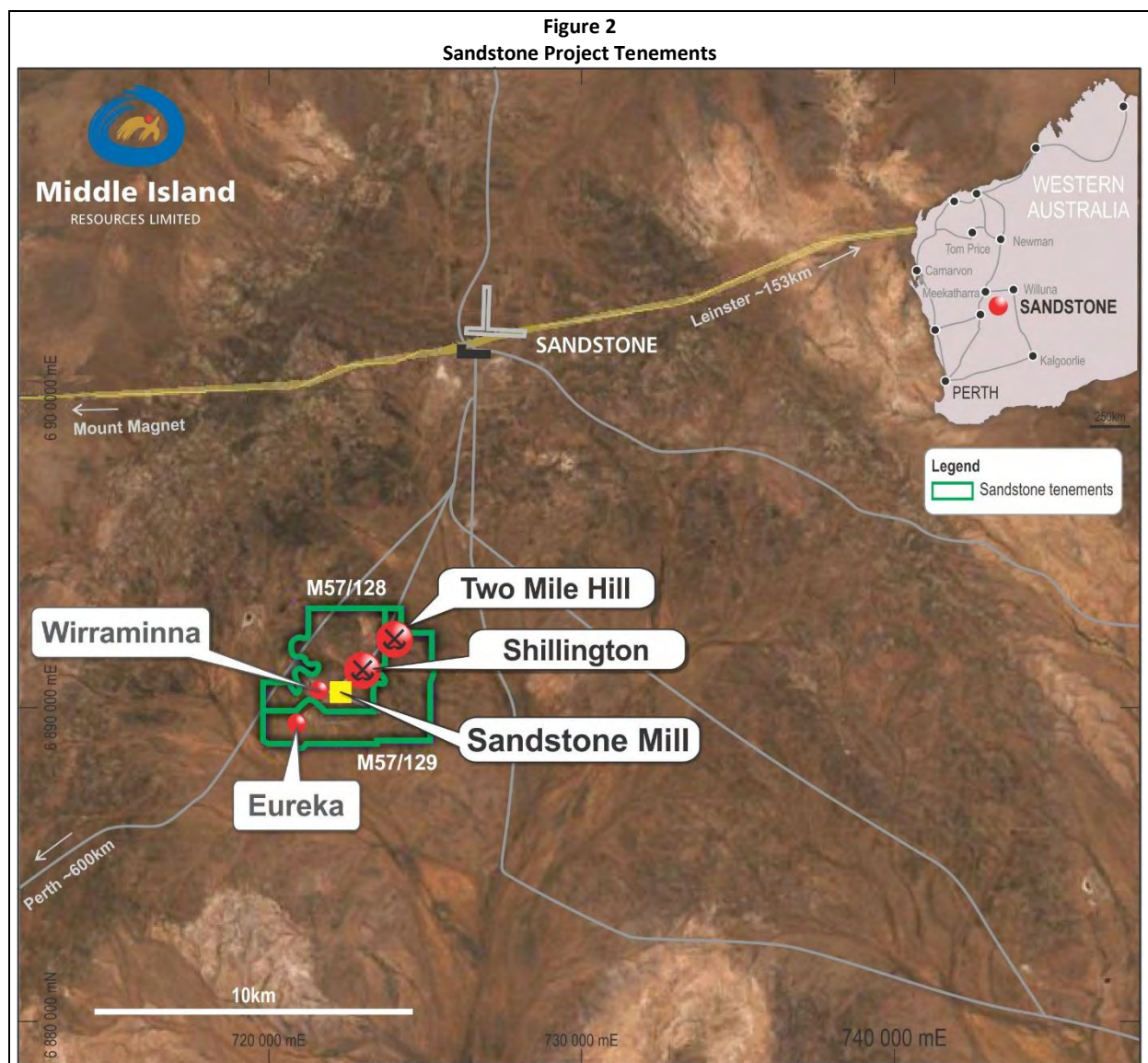


The Sandstone project acquisition comprises a 100% interest in two granted Mining Leases owned by Black Oak Minerals Limited (in Liquidation) (Receivers and Managers appointed) (**Black Oak**). The project includes a JORC 2004 Mineral Resource of approximately 11Mt at 1.4g/t Au for total contained gold of ~480,000oz, a 600,000tpa CIP processing plant (which has been on care and maintenance since 2010), power plant, workshops and offices, licenced tailings facility, bore field and three fully equipped camps on freehold title in the nearby settlement of Sandstone.

### Tenure

The Sandstone Project comprises two granted Mining Leases on which the processing plant is situated as shown in Table 1 and Figure 2 below. The operation also includes an operating licence, permitted tailings storage facility and bore field, and the fully equipped camps are located on various freehold titles within the nearby village of Sandstone.

Table 1 Sandstone Project Tenements				
Tenure	Annual Rent (2016)	Annual Rates (2016)	Annual Form 5 Expenditure	Expiry Date
M57/128	15,307	19,423	97,500	26/09/2031
M57/129	15,652	19,972	99,700	09/04/2031
Processing Permit				
Tailings and Water Licences				
<b>Total</b>	<b>30,959</b>	<b>39,395</b>	<b>197,200</b>	





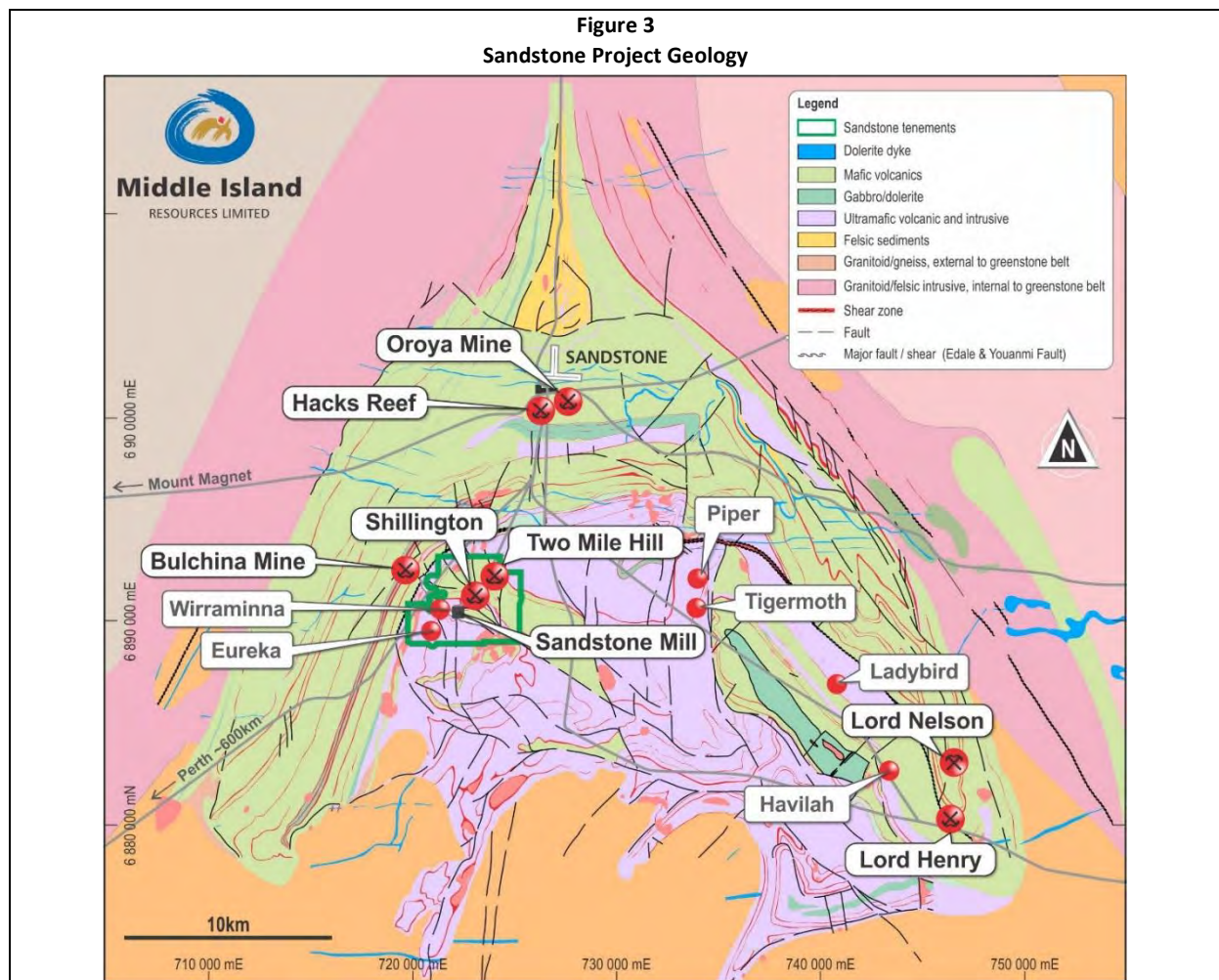
## **History**

In excess of 1Moz of gold has been produced from surface, underground and open pit operations in the Sandstone area since the 1890's. In addition to historic mining activities, more recent gold production is variously attributed to Herald Resources Limited in the 1990's and Troy Resources Limited (**Troy**) from 1999 to 2010. Troy extracted and processed a combined total of approximately 4.4Mt of ore at an average grade of 3.6g/t Au for 508,000oz Au before the operation was placed on care and maintenance in September 2010.

Southern Cross Gold Limited (SXG) acquired the Sandstone project from Troy in December 2012 with the primary objective of relocating the processing plant to its Marda Project some 100km to the south. A subsequent merger of SXG and Poly Metals to form Black Oak Minerals Limited (Black Oak) diverted focus to Poly Metals' NSW assets before being placed into administration in September 2015 and subsequently liquidation in early 2016.

## **Geology**

Gold mineralisation is hosted within the Sandstone greenstone belt (Figure 3), which is a triangular shaped belt within the Southern Cross Province that forms the central spine of the Archaean Yilgarn Block. The Sandstone greenstone belt forms a classic 'hourglass' structure at the northern end of the Diemals Dome, where two major trans-current structures, the Edale and Youanmi faults, respectively confine the eastern and western margins of the belt.



### **Mineral Resources**

The last relevant Resource Statement was contained in the 2011 Troy annual report and subsequently reported by SXG with reference to the 2011 Troy annual report. These Indicated and Inferred Resources (JORC 2004) comprise an aggregate of 11Mt at 1.4g/t Au for 480,000ozs of gold and were estimated by recognised independent industry consultants.

Mineral Resources are provided in Table 2 below. The Company intends to upgrade these resources to JORC 2012 standard as part of the pre-feasibility work.

<b>Table 2</b> <b>Gold Resources (JORC 2004)</b>					
<b>Deposit</b>	<b>Category</b>	<b>Tonnes</b>	<b>Grade (g/t Au)</b>	<b>Contained Gold (oz.)</b>	<b>Tenement</b>
Two Mile Hill - Tonalite - BIF	Inferred	10,541,000	1.33	452,094	M57/128
	Indicated	59,100	9.90	18,811	
Shillington	Inferred	130,000	1.50	6,269	M57/128
Plum Pudding	Inferred	50,000	1.60	2,572	M57/129
<b>Total Indicated</b>		59,100	9.90	18,811	
<b>Total Inferred</b>		10,721,000	1.34	460,935	
<b>TOTAL RESOURCES</b>		<b>10,780,100</b>	<b>1.38</b>	<b>479,746</b>	

*There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration will result in the conversion of Inferred Mineral Resources to Indicated Mineral Resources.*

*The Company is not aware of any new information or data that materially affects the information provided in the 2011 Troy Resources annual report and is of the view that none of the assumptions and technical parameters underpinning the estimates have materially changed.*

### **Processing Plant & Infrastructure**

The processing plant was constructed in 1994 with a capacity of 250,000tpa and upgraded to 600,000tpa capacity by Troy in 1999 (Figure 4). Troy operated the plant from 1999 to 2010, processing a total of approximately 4.4Mt of ore to produce ~508,000 ounces of gold at an average grade of 3.6g/t Au. The plant was placed on care and maintenance in September 2010 and has not operated since.

The plant has a conventional grinding and milling circuit and carbon-in-pulp (CIP) leach circuit. It is in a reasonable condition, with refurbishment and upgrade costs of \$5-8M estimated by a recognised independent process engineering firm in November 2012, which costs were independently affirmed as reasonable in late 2015.

The processing plant is supported by a contracted diesel-generated power plant, fuel tanks, all associated workshops and offices, and a substantial inventory of equipment and spares (Figure 5). The current permitted in-pit tailings facility has approximately 12 months' capacity which, along with a permitted bore field, lies proximal to the processing plant.

A 57-person owner's camp, a 36-person contractor's camp, and an 8-person exploration camp and core farm are all located on freehold titles within the village of Sandstone, 12km north of the plant. Sandstone also has a well-maintained airport capable of servicing FIFO operations.

**Figure 4**  
**Sandstone processing plant with power plant and fuel tanks in the background**



**Figure 5**  
**ROM pad, workshops and mine offices**



### **Production Potential**

In 2012-2013 SXG completed pit optimisations using then current contract mining and processing costs, and process recoveries from Troy's metallurgical testwork and production records, using a gold price of A\$1,600/oz. The optimisations were run by recognised independent industry consultants.

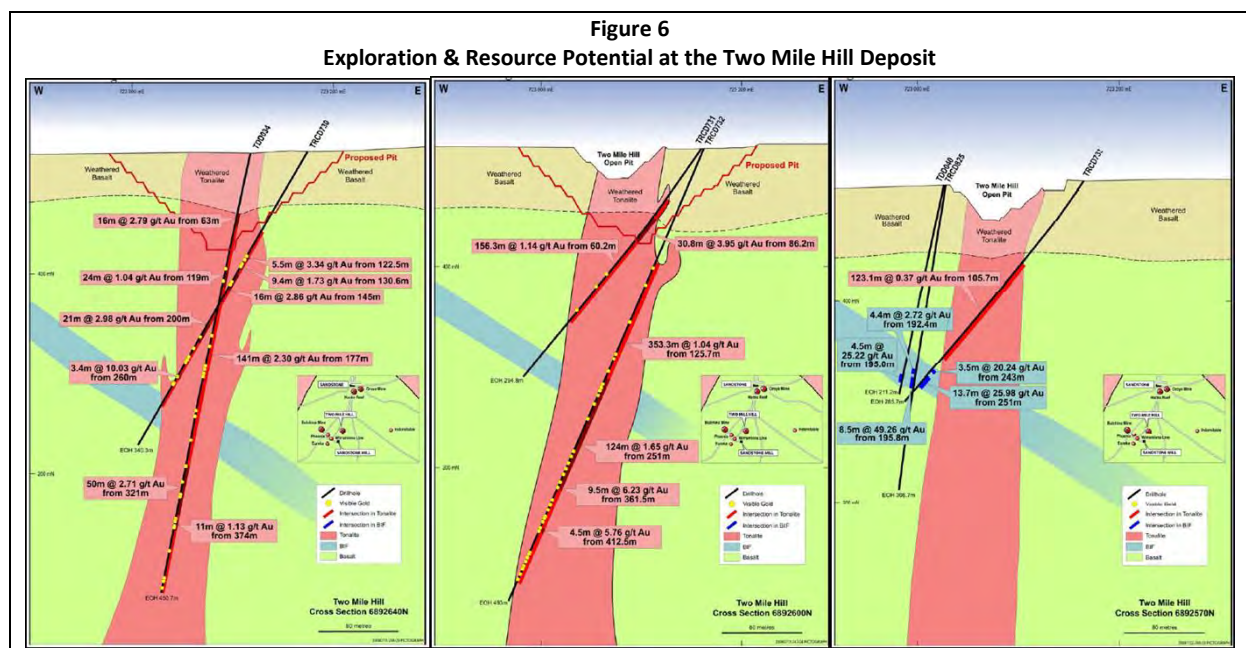


Optimisation of the Shillington and Two Mile open pit deposits yielded an inventory of Indicated and Inferred Resources within the pit shells of approximately 1.1Mt at 1.4g/t Au. Middle Island plans to complete additional drilling to upgrade these deposits to an Indicated Resource status under the JORC 2012 guidelines prior to completing a Pre-feasibility Study.

### **Exploration Potential**

Two very significant exploration targets have been identified at the Two Mile Hill prospect, located 3.2km north of the processing plant. The first comprises a ubiquitously altered and intensely stockwork veined, tonalite intrusive that is 250m long and 70m wide. This target includes historic drill intercepts of 141m at 2.30g/t, 353.3m at 1.04g/t and 156.3m at 1.14g/t Au.

Similarly, a banded iron formation (BIF), which obliquely intersects the tonalite at depth, is also very strongly mineralised. Drilling within the BIF adjacent to the tonalite includes intercepts (essentially true widths) of 8.5m at 49g/t, 13.7m at 26g/t, 4.5m at 25g/t and 3.5m at 20g/t Au at a depth of some 200m below surface, as shown in Figure 6 below. This significant underground target remains untested up dip and down dip (on the eastern side of the tonalite), as well as up and down plunge (along the zone of intersection between the BIF and tonalite) on both margins of the intrusive.



### **Transaction**

The Sandstone Project acquisition has a headline value of A\$2.5M, which is to be paid as follows:-

- A\$250,000 deposit by 9 May 2016 (which is non-refundable except in limited circumstances).
- A\$1.25M at completion, being no later than 1 July 2016 (unless otherwise agreed by the parties).
- A\$500,000 at 18 months following completion (or A\$400,000, if paid by 1 October 2016).
- A\$500,000 on re-commencement of gold production from any source by the Company.

The tenements come with a legacy 2% NSR royalty payable to Troy, along with a royalty of A\$1 per tonne of ore mined and processed from M57/129 that is payable to Herald and National Resources Exploration Ltd. The precise legal status of a further legacy royalty remains unclear and is under review.

The headline transaction value of A\$2.5M equates to ~US\$4 per resource ounce.



PCF Capital assisted the Company in connection with securing this transaction, for which it will be paid a fee of \$100,000 satisfied by the issue of fully paid Middle Island ordinary shares issued at a 30 day VWAP prior to 1 July 2016.

### **Capital Requirements**

The Company has completed a private placement to professional and sophisticated shareholders through the issue of 40,000,000 ordinary shares at \$0.01 per share to raise \$400,000 (**Placement**). The Placement was conducted by Bell Potter as lead manager to provide working capital for the Sandstone Acquisition. Proceeds from the placement will settle Monday 9 May, 2016.

In addition to the Placement, the company will seek to conduct an entitlements offer to existing eligible MDI shareholders. The final structure, size, timing and price of the entitlements offer is yet to be determined.

### **Comment**

Since 2013, Middle Island has been pro-actively identifying and reviewing advanced gold (and gold-copper) opportunities, primarily with Australia and Africa. The well-communicated objectives were to acquire an asset that would mitigate shareholder exposure to sovereign and political risk, provide near-term production and cash flow potential, and require limited capital expenditure to develop. While opportunities are rarer, Australia is an obvious destination due to the administrative synergies, more favourable recent exchange rate and relatively lower operating cost environment, more recently enhanced by the improving market support for ASX-listed gold stocks.

The Board of Middle Island is therefore pleased to present the Sandstone Project as an asset that is consistent with all these objectives in the short term, yet also includes sound resource and exploration upside in the longer term. The acquisition cost, at some US\$4 per resource ounce, compares very favourably with other care & maintenance and development project transactions globally.

#### COMPANY CONTACTS:

Rick Yeates – Managing Director +61 (0)401 694 313

Kate Manning – Administration Manager +61 (0)418 883 959

#### MEDIA CONTACT:

Kevin Skinner Field Public Relations +61 (0)8 8234 9555 / +61 (0)414 822 631

WEBSITE: [www.middleisland.com.au](http://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 release relates to exploration results or mineral resources that are based on information compiled in the 2011 Troy Resources Limited (Troy) annual report. The Company is not aware of any new information or data that materially affects the information provided in the 2011 Troy Resources annual report and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

Please note that the reported resource estimates are consistent with the 2004 JORC Code guidelines and are not reported in accordance with the JORC 2012 Code and a Competent Person has not completed sufficient work to accurately classify the 2004 estimates as Mineral Resources under the JORC 2012 Code. Indeed it is uncertain if, following further exploration, the 2004 estimates will be able to be reported as Mineral Resources in accordance with the JORC 2012 Code.

There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the conversion of Inferred Mineral Resources to Indicated Mineral Resources or that the production target itself will be realised.