



## Middle Island

RESOURCES LIMITED

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

### **Capital Structure:**

1,177 million ordinary shares  
405,950,719 unlisted options

### **Cash & Liquid Investments**

\$0.8 million (as of 26 November 2019)

### **Directors & Management:**

#### **Peter Thomas**

Non-Executive Chairman

#### **Rick Yeates**

Managing Director

#### **Beau Nicholls**

Non-Executive Director

#### **Brad Marwood**

Non-Executive Director

#### **Dennis Wilkins**

Company Secretary

### **Contact:**

Rick Yeates

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## ASX Release – 20 December 2019

### Middle Island to raise \$2.35m in underwritten capital raising within updated 2020 strategy

Following the recent completion of a comprehensive technical review, Middle Island Resources Limited ('Middle Island' or 'Company') has confirmed the presence of at least 15 advanced, open pit gold targets (**Open Pit Gold Targets**) with the potential to significantly enhance Mineral Resources contributing to a stand-alone recommissioning decision at the Sandstone gold project in WA.

Given this, and following strong shareholder and investor support to increase funding to confirm and define these Open Pit Gold Targets, the updated pre-feasibility study (**PFS**) has been deferred until the Company undertakes an aggressive aircore and reverse circulation (**RC**) drilling campaign, which is scheduled to commence early in January 2020.

Tranche 2 of the original Placement (refer ASX Release of 19 November 2019) (Tranche 2 Placement) has been cancelled by mutual agreement between the Company and new substantial shareholders associated with Mr Stephen Copulos. Instead, Middle Island will undertake a fully underwritten, pro-rata, non-renounceable Entitlement issue on the basis of one (1) New Ordinary Share for every two (2) Ordinary Shares held on the record date, at an issue price of \$0.004 per Share (**Issue Price**) to raise gross proceeds of approximately \$2.35 million, before costs (**Entitlement Issue**).

Each participant in the Entitlement Issue will be issued one (1) option for every one (1) share subscribed (**New Options**). The New Options will be on the same terms as the existing series of unlisted options on issue (expiring January 2022, with a \$0.008 exercise price).

The Entitlement Issue is fully underwritten and lead-managed by Pinnacle Corporate Finance Pty Ltd (**Pinnacle**). Eyeon Investments Pty Ltd, a company associated with Mr Stephen Copulos, (**Eyeon**) will act as priority sub-underwriter for \$500,000. Depending on the level of acceptances by eligible shareholders, Mr Copulos' voting power in the Company may increase from the existing 6.51% to approximately 13.59% on an undiluted basis.

Importantly, replacement of Tranche 2 with the Entitlement Issue provides the opportunity for long-standing Middle Island Shareholders to participate in the issue on the same terms as Mr Copulos and other new shareholders.

All Open Pit Gold Targets are located on the Company's wholly-owned 191km<sup>2</sup> permitted Sandstone tenure, within 4km of the processing plant, offering the opportunity to rapidly contribute additional open pit Mineral Resources in advance of the PFS update and a recommissioning decision.

The PFS update will be recommenced in the June quarter of 2020, once the new drilling results are received, compiled, quantified and optimised.



**Managing Director, Mr Rick Yeates commented:**

“The Company is extremely pleased to have secured new and existing shareholder support for a significant increase in funding to enhance the open pit Mineral Resources to advance the Sandstone Project towards production.

“Access to adequate capital to drill these established, higher priority targets represents a long-held realisation to significantly enhance the open pit Mineral Resources, prior to completing the updated PFS and advance a recommissioning decision on the Sandstone gold project.

“The Company is particularly pleased to secure the additional financial support of new significant shareholders associated with Mr Stephen Copulos, to pursue the revised approach. We welcome Stephen’s strong endorsement of the previously identified targets that we are confident will contribute positively to a recommissioning decision. Equally, we acknowledge Stephen’s agreement to substitute the previously announced conditional Tranche 2 Placement with a larger, fully underwritten, non-renounceable Rights Issue to permit longer-standing Middle Island shareholders the opportunity to participate on the same terms.

“We especially welcome Stephen’s endorsement of Middle Island’s broader strategy and vision to consolidate the wider Sandstone district, and the enthusiasm, balance sheet and new shareholders he brings to the Middle Island register to assist in accomplishing this logical, long-held objective.”

“Whilst the regional consolidation strategy around the Company’s Sandstone gold processing plant remains the longer-term objective, we will now embark on the nearer-term opportunity is to complete an aggressive drilling campaign to convert historic mineral resources (supplementing significant existing Mineral Resources) and to assess new targets within the Company’s 191km<sup>2</sup> of prospective Sandstone project gold tenure, in Q1 2020.

“The Company is looking forward to adding additional open cut Mineral Resources generated by this substantial drilling campaign to greatly enhance the economics of recommissioning the Sandstone gold processing plant, with a replacement value that is multiples of the refurbishment cost estimate \$10.3 million (refer ASX Announcement 13 September 2019), on a standalone basis and significantly increasing value for Middle Island shareholders.”

**Additional details of the Entitlement Issue, underwriting and sub underwriting arrangements**

Pinnacle has executed an underwriting agreement with the Company, whereby Pinnacle has agreed to fully underwrite the Entitlement Issue (**Underwriting Agreement**). Pinnacle will be paid an underwriting fee of 4.0% of the Entitlement Issue amount and a management fee of 2.0% of the Entitlement Issue amount. Pinnacle will also receive 25,000,000 New Options which will be issued subject to shareholder approval.

The terms of the Underwriting Agreement have been negotiated at arm's length and the Company believes the agreed terms are reasonable in the circumstances. The Underwriting Agreement is subject to conditions precedent that the Company regards as customary and reasonable, including all ASIC and ASX approvals for the Entitlement Issue being obtained and all due diligence sign-offs being delivered to Pinnacle. The Underwriting Agreement includes certain warranties and indemnities from the Company to Pinnacle, including in relation to the compliance, of all offer documentation to be released by the Company, with all applicable laws and the accuracy of all information disclosed to Pinnacle in connection with the Entitlement Issue.

The Underwriting Agreement contains standard termination provisions for an agreement of this nature,



including that an underwriter may terminate the Underwriting Agreement if the ASX/S&P 200 or the ASX/S&P 300 closes on any Business Day from the 19 December 2019 at a level that is 10% or more below the level of the index at the close of trading on the day before 19 December 2019.

Pinnacle has also entered into priority sub-underwriting agreements with various parties including Eyeon and Mr Brad Marwood (a Non-Executive Director of the Company).

Eyeon have sub underwritten 125,000,000 New Shares (\$500,000) Pinnacle will pay Eyeon a fee of \$20,000 (4% of the sub underwritten amount) pursuant to the sub underwriting agreement.

Mr Marwood has sub underwritten 12,500,000 New Shares (\$50,000). Pinnacle will pay Mr Marwood a fee of \$1,000 (2% of the sub underwritten amount) pursuant to the sub underwriting agreement.

Eyeon's and Mr Marwood's obligations under the sub underwriting agreements are only to be terminated if Pinnacle's obligations under the Underwriting Agreement cease or are terminated.

Key dates for the Entitlement Issue, including the record date for determining entitlements, will be published as soon as practical.

Further information with respect to the Entitlement Issue will be disclosed in a prospectus, intended to be lodged with the ASIC as soon as possible (expected to be in the next two weeks) and mailed to eligible shareholders shortly after the record date.

COMPANY CONTACTS:

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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.