



Middle Island

RESOURCES LIMITED

Middle Island Resources Ltd

ACN 142 361 608

ASX code: MDI

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

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ASX Release – 15 January 2020

Major 17,000m open pit drilling campaign underway at the Sandstone gold project, WA

- Middle Island embarked this week on a major, multi-phase 17,400m open pit drilling campaign at its wholly-owned Sandstone gold project in central WA
- Drilling is planned to be completed during the March quarter
- Comes as MDI commences 2020 well-funded, with ~A\$2.8 million in cash and underwritten commitments, at a time of near record Australian dollar gold prices.
- New campaign will extend or assess some 17 long-standing, prioritised open pit gold targets and deposits, the majority on fully permitted Mining Leases and all within 5km of the Company's 600ktpa Sandstone gold processing plant.
- The 2020 drilling campaign is directed at defining additional gold Mineral Resources to enhance the prospect of the project's pending PFS review delivering a positive outcome, underpinning a mill recommissioning.
- Campaign will comprise an initial aircore program (~2,300m) to primarily refine existing targets, followed by two phases of RC drilling (~11,300m & ~3,000m respectively) for resource definition purposes, and a limited program of oxide diamond coring (~800m) to provide material for additional bulk density determinations, and confirm metallurgical, geotechnical and waste characterisation parameters, in advance of the PFS.

SANDSTONE GOLD PROJECT (WA)

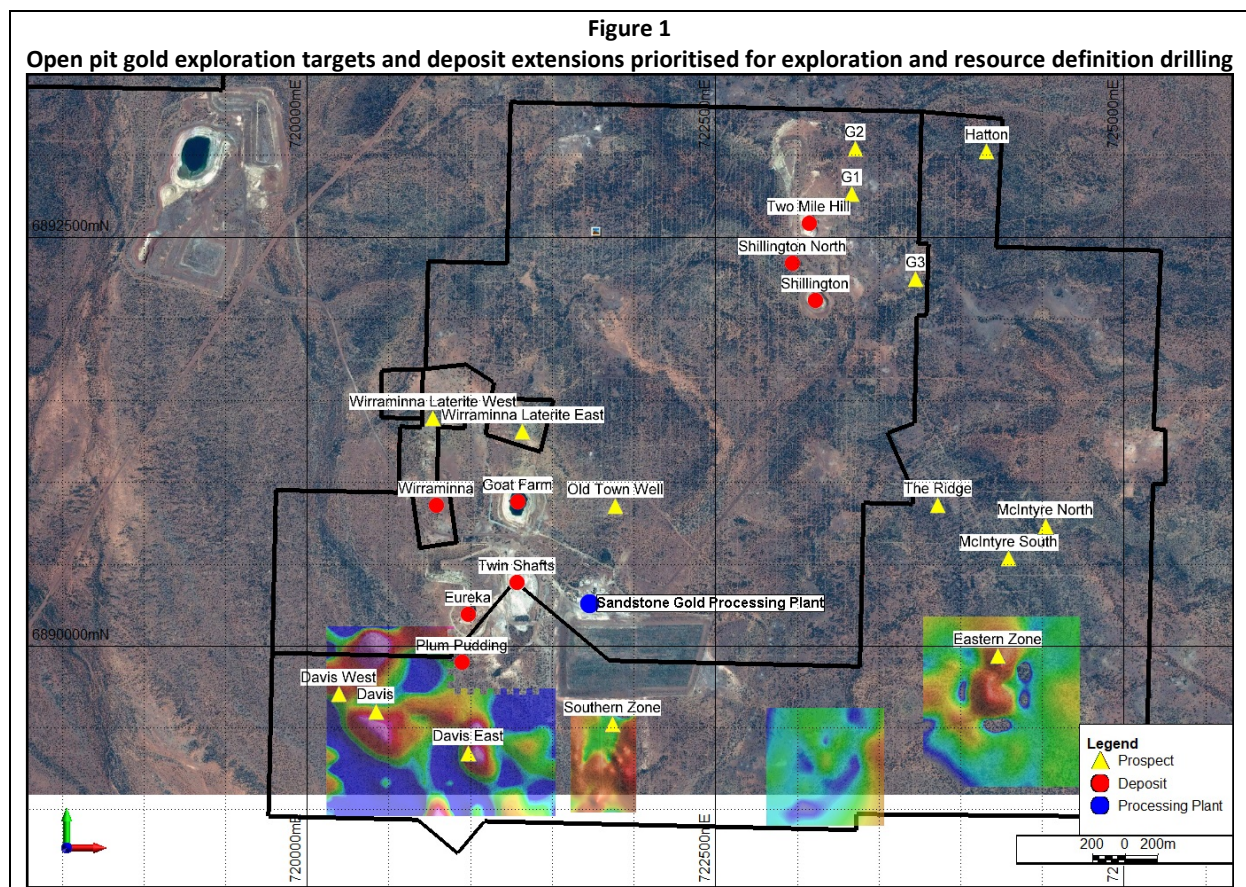
Introduction

Explorer and aspiring gold developer, Middle Island Resources Limited (**Middle Island, MDI or the Company**) is pleased to announce that the Company has this week embarked on the first of a planned series of drilling programs that collectively comprise a major exploration and resource definition drilling campaign at the Company's 100%-owned Sandstone gold project in Western Australia.

The drilling campaign will target some 17 identified prospects and deposits within the Company's existing Sandstone tenure. The campaign is underpinned by recent and current capital raisings (refer ASX Releases dated 19 November 2019 and 20 December 2019), corner-stoned by Mr Stephen Copulos, now a substantial new shareholder.

The primary objective of the drilling campaign is to confirm (and/or identify) and quantify additional open pit gold deposits and deposit extensions to supplement existing Mineral Resources prior to completing, in the June quarter, an update of the pre-feasibility study (PFS) commenced in the December quarter of 2019 (refer ASX Release 25 October 2019).

The 17 identified open pit gold targets and deposit extensions (Figure 1) have been prioritised following a detailed internal and external technical review. The majority are located on existing permitted tenure (M57/128 & M57/129) and all are within 5km of the Company's 100%-owned, 600,000tpa gold processing plant.



The campaign is planned to comprise a sequential series of aircore (AC), reverse circulation (RC) and diamond drilling programs.

The first, a program AC drilling comprising ~2,300m, has a twofold purpose; to confirm and quantify two mineralised laterite occurrences, and to extend defined geochemical targets lying beneath up to 20m of transported sheetwash cover in the southern portion of M57/129. The AC program commenced this week and, weather permitting, is anticipated to take 1-2 weeks to complete.

Once the AC results have been received and compiled, the second program will comprise ~11,000m of RC drilling, designed to test AC geochemical anomalies and confirm and quantify extensions to existing open pit targets and deposits. The Phase 1 RC program is anticipated to commence in early next month and take approximately 3-4 weeks to complete.

A third, Phase 2 RC program has also been planned to infill any Inferred Resources defined by Phase 1 RC drilling to an Indicated status, such that these can be assessed as potential Ore Reserves in the PFS. A notional allocation of ~3,000m has been planned. However, the quantum and location of each program will be determined by the results of preceding programs.

Provision has also been made for ~800m of HQ3 diamond coring for additional oxide bulk density determination on any new deposits defined and for metallurgical, geotechnical and waste characterisation purposes.

Programs of Work (POWs) have been approved for all targets.

The objective is to complete the entire proposed 17,400m drilling campaign by the end of the March quarter 2020, with a view to recommencing the updated PFS in the June quarter.

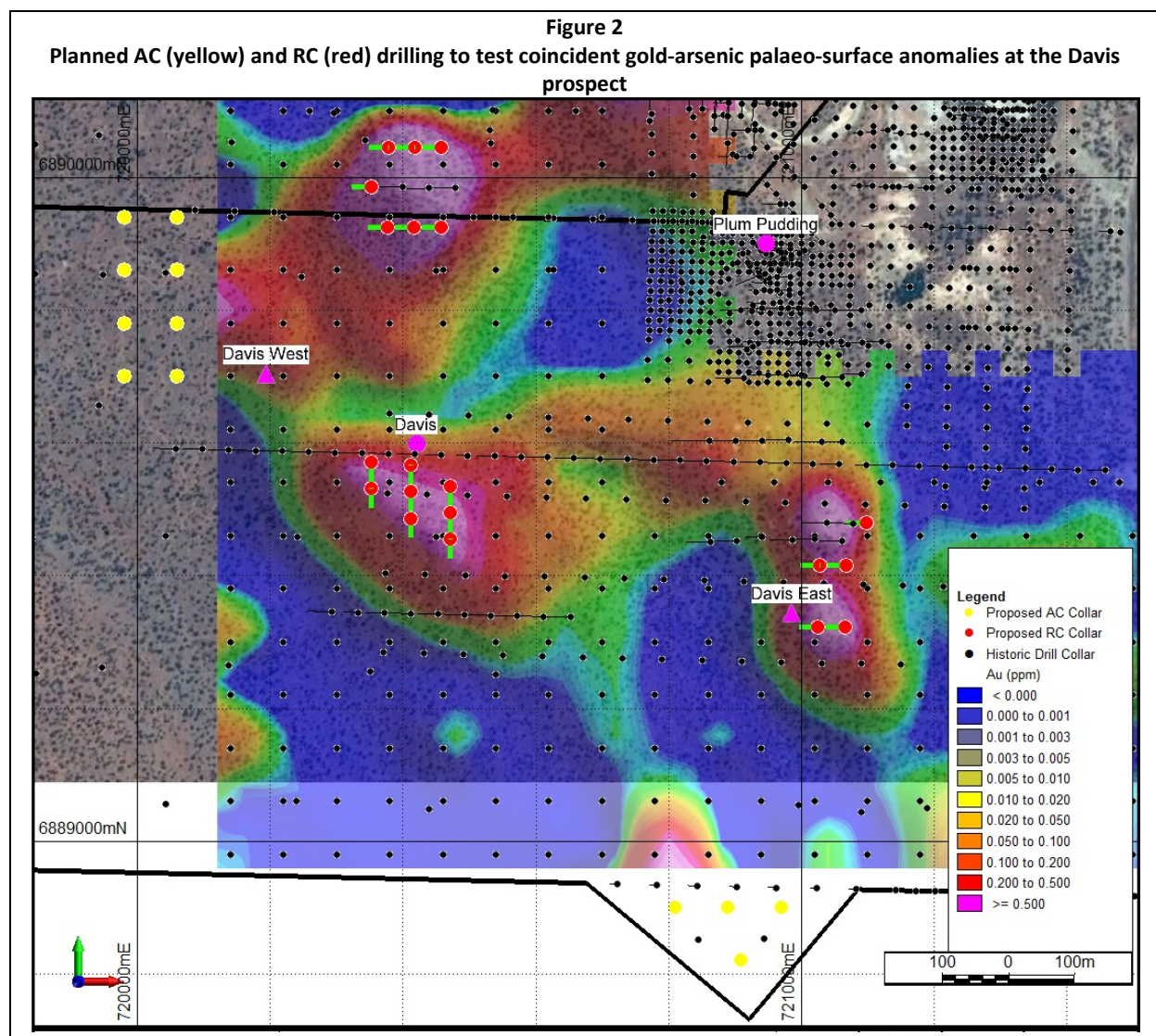
The 17 open pit gold targets prioritised for drilling comprise the following:-

- Davis (AC & RC)
- Southern Zone (AC & RC)
- Eastern Zone (AC & RC)
- Hatton (AC)
- Wirraminna Laterite East (AC)
- Wirraminna Laterite West (AC)
- Wirraminna (RC)
- Goat Farm (RC)
- Twin Shafts (RC)
- Plum Pudding (RC)
- Shillington (RC)
- Two Mile Hill Basalt (RC)
- G2 & G3 Gravity Targets (RC)
- Ridge (RC)
- McIntyre North (RC)
- McIntyre South (RC)
- Old Town Well (RC)

Further detail on proposed AC and RC drilling on a selection of these targets (with no particular priority) is provided in the following sections.

Davis Prospect

Approximately 240m of AC drilling is planned to refine the margins of a series of coincident, cohesive gold-arsenic anomalies generated by previous aircore drilling at the Davis Prospect. These anomalies (Figure 2) were defined on following up priority targets generated by a Weights of Evidence (WoE) study in 2017 (refer ASX Release dated 12 September 2017). The anomalies all lie within 1km of the processing plant and are, individually, of similar extent to adjacent historic open pits at Plum Pudding, Eureka, Twin Shafts and Goat Farm. The anomalies lie beneath up to 20m of transported sheetwash cover, reflecting the geochemical expression of the palaeo-surface, overlying the weathered bedrock.

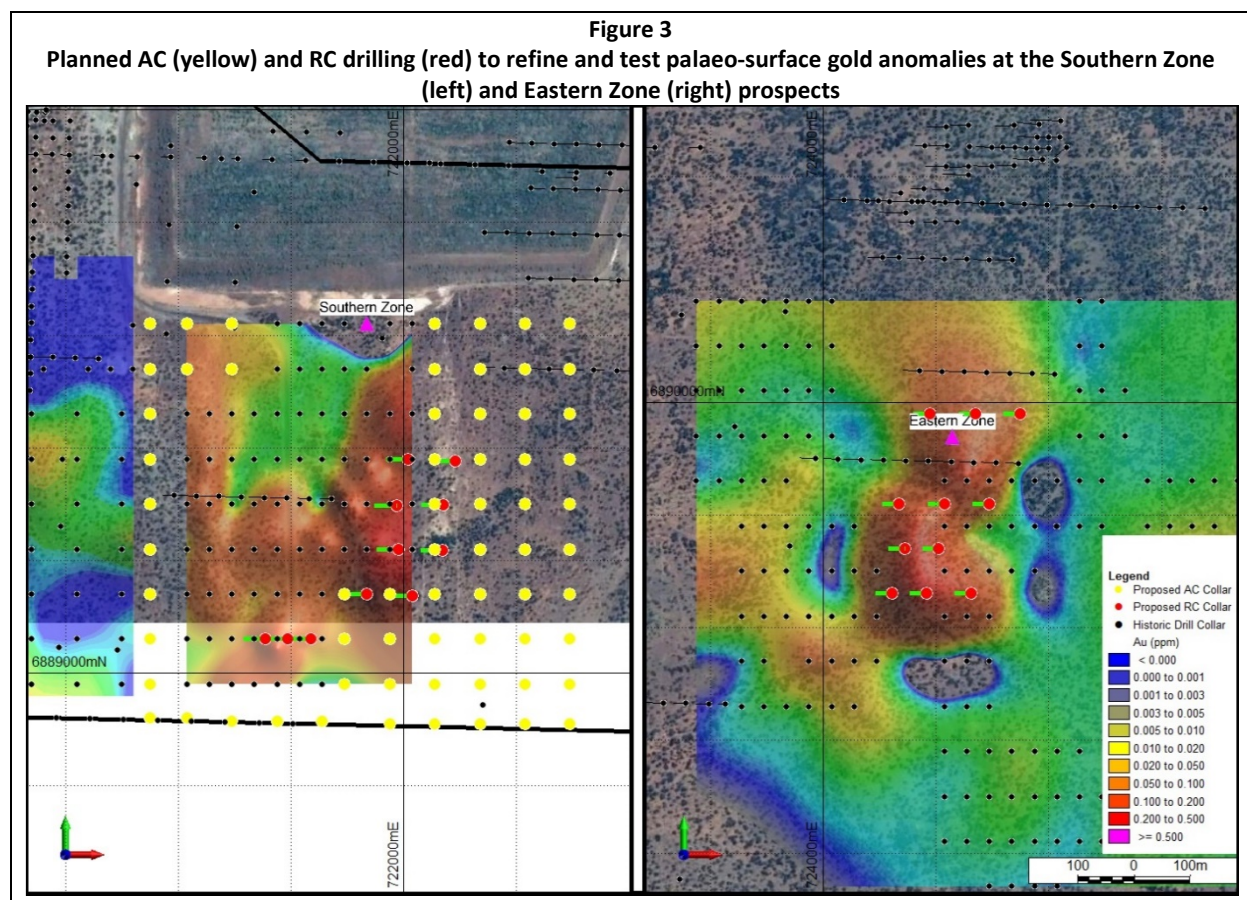


Once the anomaly margins are refined via AC drilling, approximately 1,200m of RC drilling is planned to determine the source of gold mineralisation.

Southern Zone & Eastern Zone Prospects

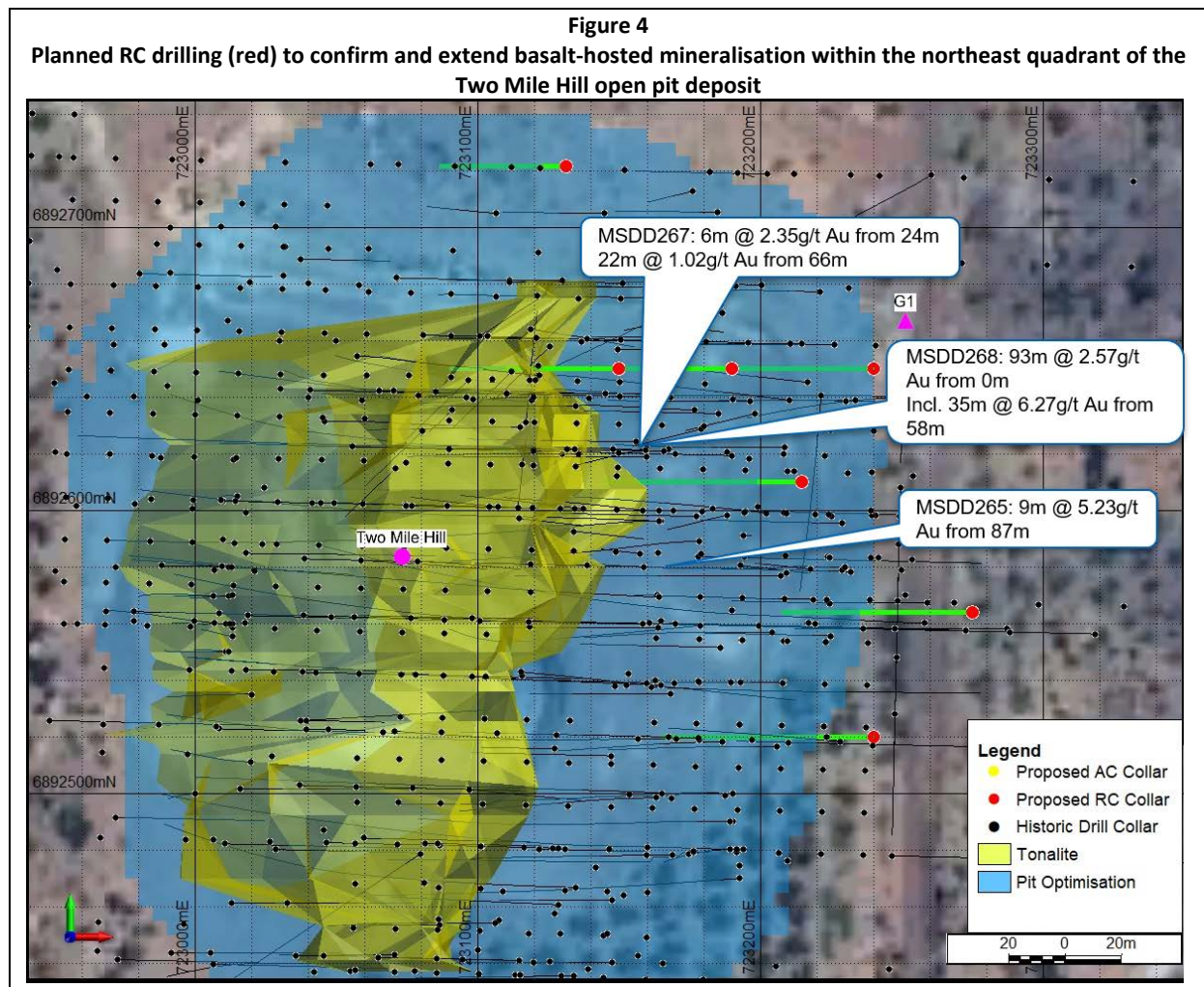
The Southern Zone and Eastern Zone prospects also represent targets originally identified by the Weights of Evidence (WoE) study, which were subsequently confirmed via initial Middle Island AC drilling beneath cover in 2019 (Figure 3). The targets are interpreted to coincide with banded iron formations (BIFs) offset by faulting (refer ASX Release dated 18 April 2019). The targets lie within 2.5km of the processing plant.

Approximately 240m of AC drilling is planned to refine the margins of Southern Zone prospect prior to an estimated 1,720m of RC drilling to test the source of gold mineralisation.



Two Mile Hill Basalt

The Two Mile Hill deposit already constitutes a significant open pit Mineral Resource (and underground Exploration Target), with gold predominantly hosted by quartz veins within the Two Mile Hill intrusive tonalite plug. However, previous RC drilling has also identified significant gold intercepts hosted by basalt adjacent to the tonalite, including **35m at 6.27g/t, 3m at 15.8g/t and 9m at 5.23g/t Au** (Figure 4).



Whilst gold mineralisation within the tonalite is well understood, the nature and orientation of gold mineralisation within the adjacent basalts is poorly defined. Although some of the previously drilled, basalt intercepts lie within the existing optimised pit shell, others are situated adjacent to or beneath the optimum open pit. Given that the optimum pit shell in the northeast quadrant of the Two Mile Hill deposit is particularly sensitive to mineralisation within the basalt, any refinements or additions to basalt-hosted mineralisation in this area has the potential to push the pit base a further 20m to 40m deeper, thereby significantly increasing the quantum of all mineralisation within a re-optimised open pit.

At this stage, approximately 1,020m of RC drilling is planned within the northeast quadrant of the Two Mile Hill open pit deposit to confirm and extend basalt-hosted mineralisation. However, the quantum of planned drilling may increase with further modelling of this target.

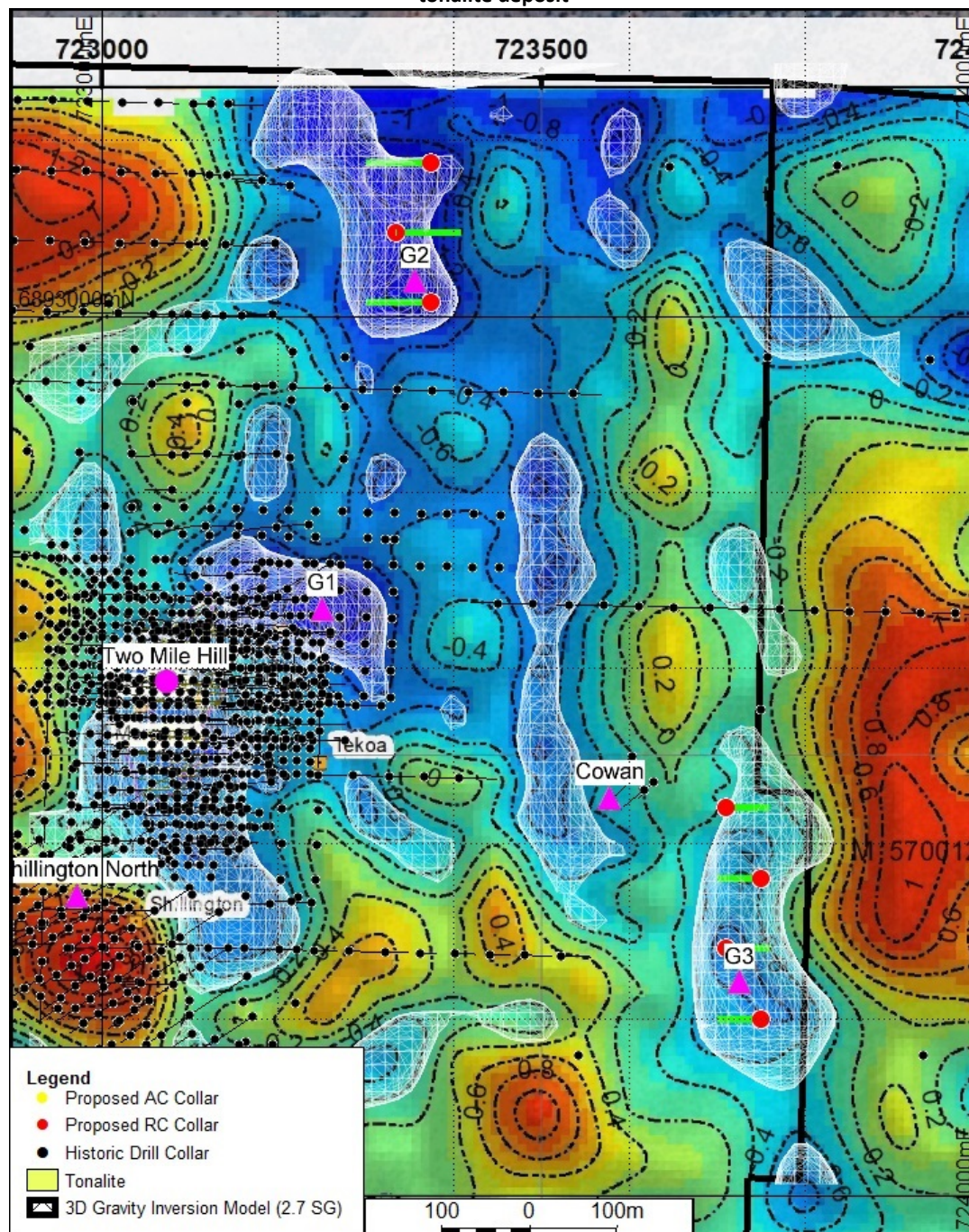


Two Mile Hill Gravity Targets

Three high priority gravity targets, derived from the modelling of a 25m x 50m ground gravity survey, are interpreted to represent possible intrusive plugs of tonalite affinity located in the immediate vicinity of Two Mile Hill. The targets (G1, G2 and G3) were identified via forward modelling and 3D inversion by the Company's independent geophysical consultancy, Western Geophysics Pty Ltd, following correction for terrain and weathering effects (Figure 5).

Figure 5

3D gravity inversion modelling of the Two Mile Hill vicinity showing planned RC drilling (red) designed to confirm the veracity the G2 and G3 gravity targets, interpreted to represent potential analogues of the Two Mile Hill tonalite deposit



The top of the G1 target is modelled to lie at a depth of ~150m, thereby precluding consideration as an open pit target. However, the G2 and G3 targets are modelled to occur at or close to surface, beneath a veneer of indurated and/or transported cover, well within the realms of an open pit opportunity.

While these targets may well prove to represent other plugs of tonalite (or similar) composition, it does not automatically translate that they will be mineralised. The style of gold mineralisation at Two Mile Hill is epigenetic in origin, meaning that the rock was fractured and mineralised after emplacement of the tonalite intrusive. Nevertheless, given the prolific structural preparation and gold distribution within all rock types in the vicinity of Two Mile Hill, it is reasonable to assume that the targets may prove to be gold mineralised.

Approximately 560m of RC drilling is planned for an initial assessment of the G2 and G3 gravity targets.

Middle Island Managing Director, Mr Rick Yeates:

“Commencing 2020 with ~A\$2.8 million in cash, either at bank or fully underwritten, provides a rare opportunity to realise a long-held ambition to deploy significant drilling metres across a multitude of targets that have remained untested (or poorly tested) due to previous financial constraints.

“The planned multi-phase drilling campaign has the potential to add significant open pit Mineral Resources to the Sandstone gold project. With the Australian dollar gold price near record levels, any additional Mineral Resources identified during the drilling campaign should significantly enhance the outcome of the updated PFS, which is planned to recommence in the June quarter of 2020, hopefully leading to a positive recommissioning decision once completed.

“Middle Island Directors acknowledge Mr Stephen Copulos and his associates for their vision in identifying, not only the more immediate gold production scenario, but endorsing a broader vision to create a significant regional gold processing hub, centred on Middle Island’s Sandstone processing plant, via cornerstone investments in the recent and current capital raisings.

“I look forward to keeping you updated on progress with this extensive drilling campaign as results are forthcoming. By its very nature, results from initial AC drilling are unlikely to generate significant excitement, however it is reasonable to anticipate more significant results from the subsequent Phase 1 RC drilling program.”

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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.



Competent Persons' Statement

Information in this report relates to exploration results based on information compiled by Mr Rick Yeates. Mr Yeates is a Member of the Australasian Institute of Mining and Metallurgy and a fulltime employee of Middle Island Resources Limited. Mr Yeates has sufficient experience, which is relevant to the nature of work and style of mineralisation under consideration, to qualify as 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.