



Middle Island
RESOURCES LIMITED

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

Capital Structure:

122,418,222 ordinary shares
20,307,314 unlisted options

Cash

\$1.6M (as at 3.12.2021)

Directors & Management:

Peter Thomas

Non-Executive Chairman

Brad Marwood

Executive Director

Bruce Stewart

Non-Executive Director

Rudolf Tieleman

Company Secretary

Contact:

Brad Marwood

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ASX Release – 16 December 2021

Sale of Sandstone Gold Project

- Middle Island has executed an agreement with Aurumin Limited (ASX: AUN, “Aurumin”) for the sale of its wholly owned subsidiary Sandstone Operations Pty Ltd (“SOPL”), the holder of the Sandstone Gold Project comprised of mining tenements, processing plant and freehold tenure.
- The \$12 million consideration will be satisfied by payment of \$6 million cash and the issue of \$6 million of Aurumin shares, representing circa. 18.5% of Aurumin’s expanded capital after:
 - (i) the issue of the consideration shares, and
 - (ii) Aurumin financing the transaction.
- Via the equity component, Middle Island retains a significant indirect interest in the upside potential of the Sandstone Gold Project and the roll up of resources within trucking distance, as well as material exposure to Aurumin’s significant gold project interests in the region of Sandstone and further afield, and the talent of Aurumin’s team– delivering significant synergies to both companies.
- Our strategy has been to realise a return on the Sandstone assets by exploring the project potential, seeking amalgamation of proximal assets through acquisition and corporate activities. Through the sale of the Sandstone assets and retention of interest in Aurumin, MDI further delivers into its aspiration to consolidate assets around Sandstone and will continue to participate in that roll up which we believe will add value for our shareholders. Aurumin has the management expertise and track record to realise effective consolidation.
- The sale agreement is subject to satisfaction of various conditions precedent including approvals from the shareholders of both parties.
- Middle Island looks forward to working closely with Aurumin to finalise the transaction – expected in February 2021.
- Middle Island’s core focus is now directed at its exciting and highly prospective Barkly copper gold super project in the Northern Territory where a recent discovery, by Emerson Resources of 117m at 3.38% copper, has been made.

SANDSTONE GOLD PROJECT (Western Australia)

Binding Share Purchase Agreement for Sale of Sandstone Gold Project

Middle Island Resources Limited (“Middle Island”, “MDI” or “the Company”) has executed a Share Purchase Agreement (“SPA”) with Aurumin Limited (ASX: AUN, “Aurumin”) to divest its 100% interest in the Sandstone Gold Project near Sandstone, Western Australia.

Transaction Terms

The transaction is structured as the sale and purchase of Middle Island’s wholly owned subsidiary Sandstone Operations Pty Ltd (“SOPL”). SOPL holds the Sandstone Gold Project mining tenements, processing plant, freehold tenure and all information related to the Sandstone Gold Project. The tenements are mining leases M57/128 and M57/129, exploration licence 57/1102 and prospecting licences P57/1384, P57/1395 and P57/1442.

On satisfaction or waiver of the conditions precedent in the SPA, Aurumin will pay MDI \$6 million in cash and issue \$6 million in Aurumin shares to MDI. The consideration shares are expected to represent ~18.5% of Aurumin’s issued capital as expanded by the issue of those shares and a further issue of shares to raise \$4 million, with Aurumin then having no warrants or options on issue and no obligation to issue the same except under a convertible note as detailed in Aurumin’s ASX announcement dated 16 December 2021. The consideration shares issued to MDI will be subject to an escrow period of 12 months, subject to early release in certain circumstances including Aurumin being the subject of a takeover or entering a scheme of arrangement.

Minor royalties payable to former holders of the Sandstone Gold Project tenements will remain with SOPL. Aurumin will cause MDI to be released and discharged from the obligation to pay a deferred production payment of \$500,000 under the agreement pursuant to which SOPL acquired the Sandstone Gold Project in 2016.

Middle Island does not expect to pay tax consequent upon the transaction.

The transaction is subject to Aurumin having received legally binding commitments or terms for at least \$8 million by 15 December 2021. Aurumin has entered into a Convertible Note for \$5 million (with the issue of the Convertible Note being subject to shareholder approval), has firm commitments for a placement of \$2.5 million to institutional and sophisticated investors and intends to undertake an entitlement offer to raise up to \$5 million of which \$2 million has been underwritten. Additional conditions precedent to completion are then to be satisfied or waived by 4 February 2022, including:

- the Company’s shareholders approving the sale. In this regard, ASX has advised the Company that the proposed transaction involves the disposal of the main undertaking of the Company and requires the approval of the Company’s shareholders under Listing Rule 11.2 for the transaction to proceed.
- Aurumin’s shareholders approving the acquisition of the Sandstone Gold Project; and
- other necessary regulatory approvals and third-party consents being obtained by Aurumin and the Company.

The SPA contains warranties, indemnities and other rights and obligations that are typical for a transaction of this nature.

A disposal by a listed entity of its main undertaking can raise issues under ASX Listing Rule 12.1 and 12.2, which oblige a listed entity to satisfy ASX on an ongoing basis that the level of its operations is sufficient, and its financial condition adequate, to warrant its continued quotation of its securities. The Company considers this risk to be very low given the Company’s 100% ownership of the very significant and exciting Barkly copper gold super project in the Northern Territory, which will become the Company’s sole focus upon the proposed transaction completing.

ASX have advised that MDI will be afforded a period of 6 months from the date of the announcement of the disposal of the Sandstone Gold Project to demonstrate to the ASX that it is compliant with Listing Rule 12.1. The ASX also advises that if MDI does not demonstrate compliance with this Rule to ASX’s satisfaction by the

6-month anniversary, ASX will suspend trading in MDI's securities. The consequences of a disposal of the main undertaking are that any transaction MDI proposes to enter into may, if required by ASX, attract the application of Listing Rule 11.1.3 and as a result the Company may, if required by ASX, be required to re-comply with Chapters 1 and 2 of the Listing Rules. Please refer to ASX Guidance Note 12: Significant Change to Activities which provides further information on significant changes to activities and how the Listing Rules apply to those changes.

BDO Corporate Finance (WA) Pty Ltd has prepared an Independent Expert Report in relation to the proposed transaction. A copy of the Report will be provided with the Notice of Meeting to be circulated to MDI shareholders in due course in relation to seeking shareholder approval for the transaction. The Independent Expert has determined that the transaction is fair and reasonable to Middle Island's shareholders, and that the position of shareholders if the transaction is approved is more advantageous than the position if the transaction is not approved.

Middle Island Chairman and Non-Executive Director, Mr Peter Thomas:

"Middle Island acquired the Sandstone Gold Project for \$2.5 million in 2016 then significantly increased Indicated and Inferred Resources at the Project from c. 480,000oz gold (JORC 2004)¹ to c.785,000oz gold (JORC 2012).² MDI's 2021 feasibility study (ASX release 19 April 2021) indicated that the Sandstone Gold Project was profitable albeit not sufficiently robust to justify funding as a stand-a-lone project.

Aurumin holds exploration ground near to Sandstone that may deliver supplemental mill feed or, with time, cornerstone a larger project. The prospect of near term cashflow with the potential for significant upside is one of the reasons this deal is considered fair and reasonable.

This transaction will significantly deliver into Middle Island's long-standing strategy to achieve a regional consolidation of gold assets around the Sandstone gold plant. It also brings new personnel, fresh ideas, and a new investor base to drive the Sandstone Gold Project. Middle Island remains entirely supportive of the broader vision for the Project, which is shared by Aurumin.

The transaction will also improve the Company's cash position and remove the need to raise funds in the short term, as well as remove the Company's exposure to rehabilitation and other ongoing costs and liabilities associated with the Sandstone Project. The transaction will not result in any dilution of existing shareholder's interests.

Middle Island has shifted its focus to its 100% owned exciting and highly prospective Barkly copper gold super project in the Northern Territory. On closing the transaction MDI will have secured the funding needed for a significant exploration program over key parts of underexplored Barkly ground held by the Company".

Middle Island Executive Director, Mr Brad Marwood:

"The transaction structure allows Middle Island's shareholders to retain a significant indirect interest in the upside potential of the Sandstone Gold Project via the Aurumin shares to be issued to Middle Island. That equity component, which will represent circa 18.5% of Aurumin's issued capital on a fully diluted, post issue basis, also offers shareholders considerable exposure to Aurumin's existing significant gold project interests in the Johnson Range, Southern Cross and Kalgoorlie regions of Western Australia."

"The consolidation of the projects around the Sandstone assets has been a core focus of MDI for the past three years. We believe that Aurumin has the team with talent to roll up the projects around Sandstone and we retain exposure to this significant upside potential."

"Completion of the transaction will allow the Company to fully focus on expanding and developing its Barkly copper gold super project in the Northern Territory where recent drilling has confirmed the excellent prospectivity of the region."

"Middle Island looks forward to working closely with Aurumin to facilitate remaining aspects of the transaction and documentation, to complete the transaction and see the progress of the Sandstone Gold Project."

"Middle Island will keep shareholders updated on progress with closing the transaction."

¹ See the Company's *Sandstone Gold Project Acquisition* presentation dated 11 May 2016, p.11.

² See the Company's *Annual General Meeting November 2021* presentation dated 19 November 2021, p.14.

This announcement has been authorised for issue by MDI Executive Management.

COMPANY CONTACTS:

Brad Marwood – Executive Director +61 8 9322 1430

MEDIA CONTACT:

WEBSITE: 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 or Aurumin, 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.