



Middle Island
RESOURCES LIMITED

Middle Island Resources Limited
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QUARTERLY REPORT

For the period ended 31 December 2020

HIGHLIGHTS

Middle Island Resources Ltd
ACN 142 361 608

ASX Code: MDI

Office:

Suite 1, 2 Richardson Street
WEST PERTH WA 6005
Western Australia

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Capital Structure:

121 million ordinary shares
23 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 31 December 2020 of A\$6.67m.
- During the quarter at the advanced Sandstone gold project in WA, the Company completed a further 16,000m of resource definition and exploration RC drilling in the Phase 3 campaign, collectively representing some 54,000m of resource definition and exploration drilling completed on this 100%-owned project in CY2020.
- Highlights of the remaining Phase 2 RC drilling campaign reported during the 2020 December quarter include the following intercepts:-
 - **Ridge:** 7m @ 6.49g/t & 4m @ 5.32g/t Au
 - **McClaren:** 3m @ 29.8g/t, 4m @ 5.82g/t & 11m @ 2.11g/t Au
- **Maiden and upgraded Mineral Resources at the Sandstone Project aggregate 746,000oz gold** at quarter's end, with the addition of maiden Mineral Resources for the Ridge and McClaren deposits.
- A Phase 3 RC drilling campaign at Sandstone, which commenced late in October 2020, is continuing, focussed on some 16,000m of sterilisation drilling for new and expanded waste dumps, and a tailings expansion, along with a further ~5,000m of infill and extension resource definition and exploration drilling in the Shillington, Ridge, McIntyre and Shillington Gap areas.
- Sandstone's feasibility study (FS) is now well advanced and scheduled for completion in early February 2021.
- Significant surface copper oxide mineralisation has been identified at the new Crosswinds prospect within the Barkly copper-gold project in the Northern Territory (NT), with **Spot pXRF readings ranging from 24.8% to 76.2% Cu, and composite chip sampling assays of 130m at 0.76% Cu.**
- The Company remains debt free and adequately-funded to complete the current Sandstone feasibility program and study.

Operating Activities

Corporate

Capital Structure

As at 31 December 2020 the Capital Structure comprised 121 million ordinary shares and 23 million unlisted options. This follows approval of Resolution 10 at the Company's 2020 AGM to undertake a consolidation of shares and remaining options on the basis of 23:1, which took effect on 7 December 2020.

Finances

Middle Island Resources Limited (**ASX:MDI, Middle Island or the Company**) held aggregated cash and investments of A\$6.67m as at 31 December 2020, comprising A\$2.54m in cash and A\$4.13m in Tajiri Resources Corporation (TSXV:TAJ) and Alto Metals Limited (ASX:AME) ordinary shares.

During the December 2020 quarter, a further 8.8 million options were exercised, enhancing the cash balance by A\$0.07m. A further 21.5 million in-the-money options remain to be exercised, representing potential proceeds of a further A\$3.86m that may become available to the Company prior to the option exercise date of 31 January 2022.

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 26 March 2021.** 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.

Annual General Meeting

At the Company's AGM held on 26 November 2020, in excess of 96% affirmative votes were received on all resolutions.

ASX Additional Information

ASX Listing Rule 5.3.1: Exploration and evaluation expenditure during the 2020 December quarter was \$916,000, comprising tenement compliance costs, drilling and all technical studies contributing to the Sandstone feasibility study, the details of which are set out in this report.

ASX Listing Rule 5.3.2: There were no substantive mining production and development activities undertaken during the 2020 December quarter.

ASX Listing Rule 5.3.5: During the 2020 December quarter, the Company made cash payments of \$95,000 to related parties and their associates, being the aggregate amount paid to Directors, including salary, Directors' fees, consulting fees and superannuation.

Tenure

At the 100%-owned Sandstone gold project in WA, the Wirraminna (P57/1395) option to purchase was exercised and the transfer lodged with the WA Department of Mines, Industry Regulation and Safety.

At the 100%-owned Barkly copper-gold project in the Northern Territory (NT), a further two Exploration Licence applications, covering a combined 1,158km², were lodged to secure remaining available tenure in proximity to the Company's new Crosswinds copper discovery.

Middle Island elected to trigger the formal grant of an initial five Barkly project Exploration Licences, following the recent Crosswinds copper discovery and the lifting of interstate COVID-19 travel restrictions.



Strategy

The Company's activities during the December quarter continued to focus on the recommissioning of its 100%-owned Sandstone gold processing plant and advancing discussions on consolidation of proximal third-party deposits.

The Phase 3 RC drilling campaign was commenced, designed to sterilise areas for new and expanded waste dumps, and a tailings facility expansion, along with additional resource extension and exploration drilling.

The strategy was also progressed via substantial progress on Sandstone's feasibility study (FS), which is nearing completion.

Middle Island continues to consider regional consolidation opportunities at Sandstone. To this end the Company has retained Argonaut to pursue and promote transactions that have the potential to realise value for all parties that may not otherwise be available to those entities independently.

Given the recent Crosswinds copper discovery at the Barkly copper-gold project and the strong level of corporate interest, a 'spin-out' of Barkly Operations Pty Ltd (which holds the project assets) via an *in-specie* distribution to Middle Island shareholders is under consideration to maximise shareholder value.

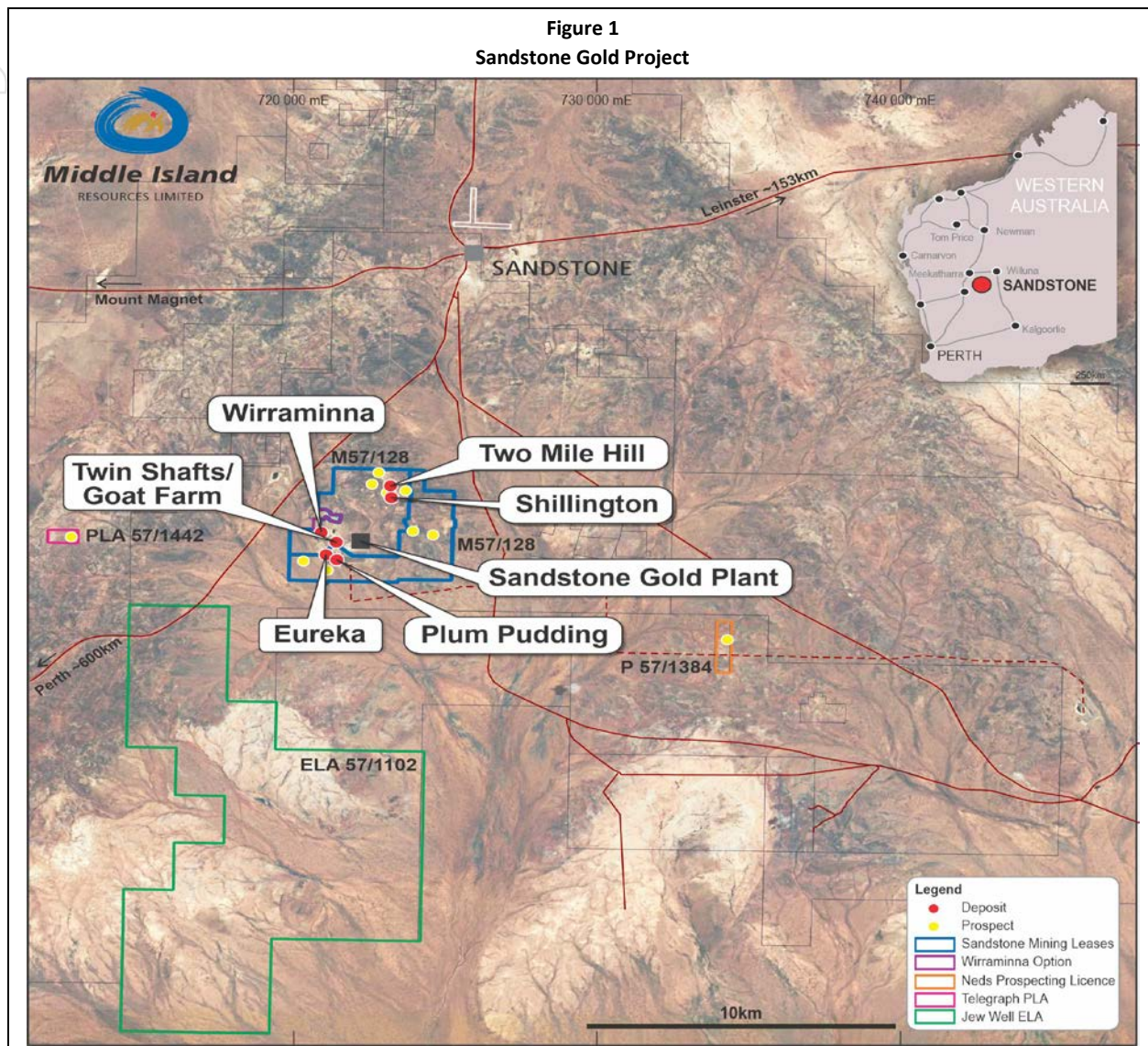
COVID-19 Update

By observing stringent health and hygiene protocols, the Company's activities and operations around its projects and Perth headquarters remained relatively unaffected by the COVID-19 pandemic during the December quarter. Interstate travel was, however, confined to a single, but very successful, reconnaissance site visit to the new Barkly project in the NT, coupled with productive meetings with various NT Government departments.

The Company continues to guard against complacency with respect to COVID-19, 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.



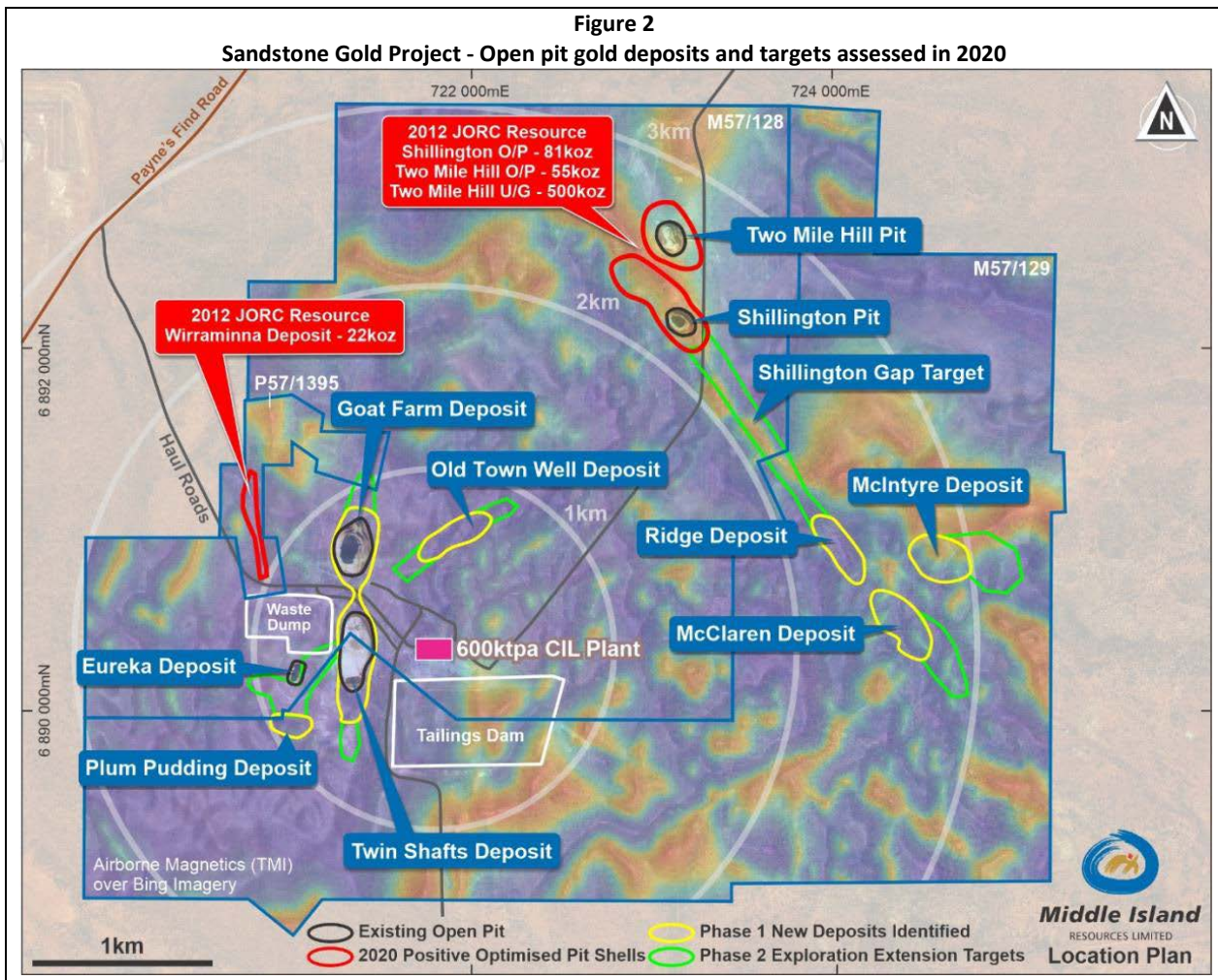
Sandstone Gold Project (100%) – Western Australia



2020 Drilling Campaign

During the December quarter, the Company commenced Phase 3 of the substantial 2020 drilling campaign, collectively comprising some 54,000m of exploration, resource definition and sterilisation drilling at the Company's 100%-owned Sandstone gold project in Western Australia. Some 16,000m of the Phase 3 RC campaign was completed during the quarter, while the balance will be completed in the 2021 March quarter.

The Phase 1 and 2 2020 drilling campaigns proved extremely successful, **defining five new satellite gold deposits (Figure 2) and doubling the open pit Mineral Resources contributing to the FS.**



Final Phase 2 RC drilling results received during the December quarter, derived from the Ridge and McClaren satellite deposits (refer ASX Release dated 30 October 2020), are highlighted by the following:-

- **Ridge:** 7m @ 6.49g/t
4m @ 5.32g/t Au
- **McClaren:** 3m @ 29.8g/t
4m @ 5.82g/t
11m @ 2.11g/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 and maiden Mineral Resource estimates have been completed for all existing and new deposits respectively (refer to ASX Releases dated 24 July 2020, 14 August 2020, 2 October 2020, 21 October 2020 and 17 November 2020).

Maiden and upgraded Mineral Resources at the Sandstone Project aggregate 746,000oz gold at quarter's end, following the addition of maiden estimates for the Ridge and McClaren deposits during the quarter. The updated Sandstone gold project Mineral Resource Statement is included as Table 1 below.



As part of the Phase 3 RC drilling campaign, infill and extension resource definition drilling is in progress at the Ridge, Shillington and Goat Farm deposits. However, any additional resources defined by this drilling will not be incorporated into the FS.

Feasibility Study

Notwithstanding infill and extension RC drilling in progress, Mineral Resource estimates, pit optimisations, mine designs and production scheduling have been completed for all 10 open pit deposits, along with designs for haul roads, provisional waste dumps and an expanded tailings facility.

Work streams on pit geotechnics, groundwater, surface water management and water supply are close to completion. Metallurgical testwork is almost finalised, supplementing previous testwork and historic process operating data. Environmental surveys and assessments are well advanced prior to drafting approvals submissions, and updated process plant, infrastructure and camp refurbishment requirements and costs are almost complete. Project scheduling, cashflow modelling and FS reporting are being undertaken progressively as each input element is finalised. **The FS is on schedule for completion early in February 2021.**

A concurrent GR Engineering Services scoping study into a modest plant capacity upgrade was also completed for consideration, should Middle Island be successful in consolidating any proximal third-party deposits.

Tribute Gold Production

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

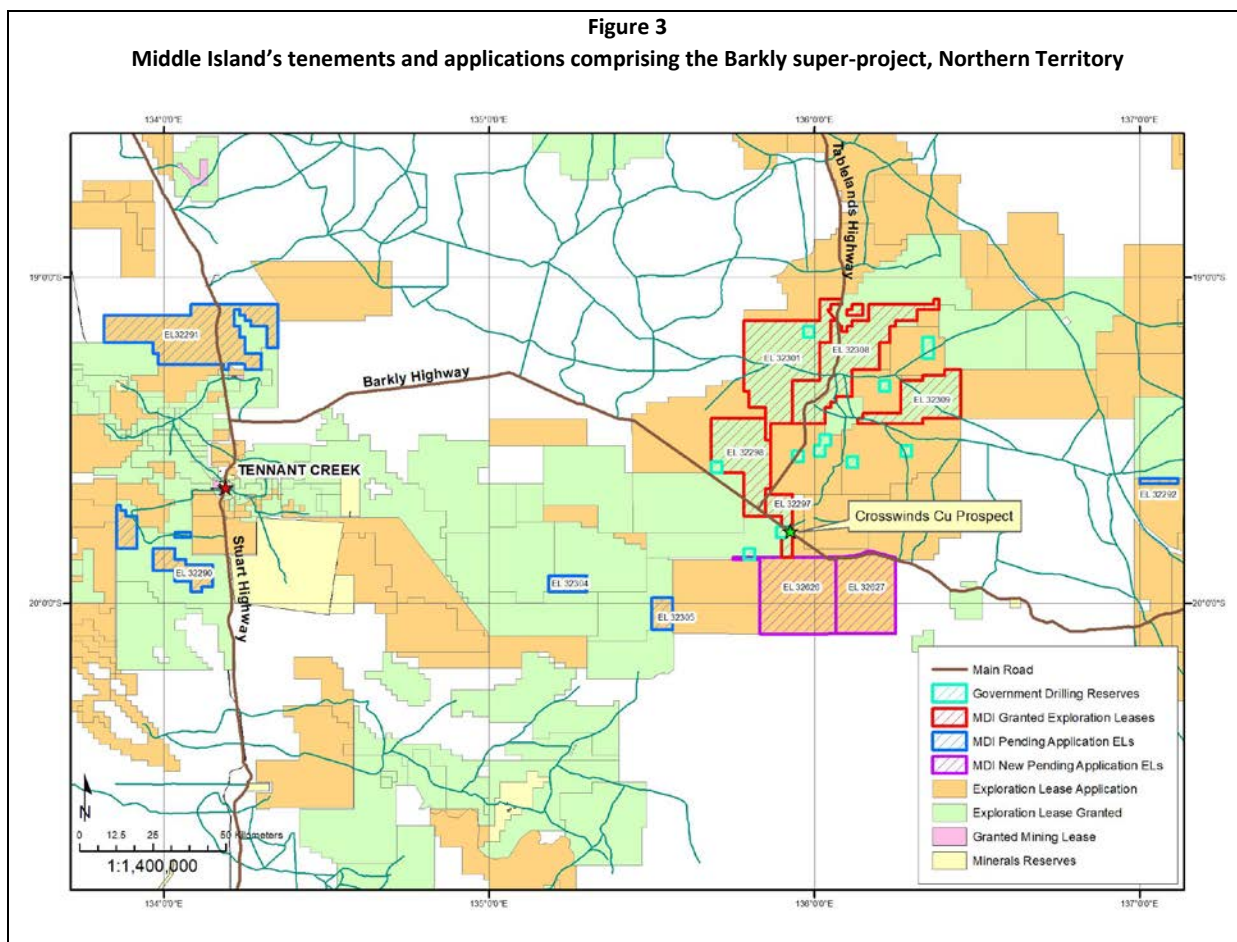
Planned 2021 March Quarter Activities

Activities planned at the Sandstone project during the 2021 March quarter comprise:-

- Complete Phase 3 sterilisation drilling of proposed waste dump locations and the planned tailings dam expansion.
- Complete Phase 3 resource extension and exploration drilling.
- Progressively compile and report Phase 3 drilling results.
- Finalise contract tenders for mining, crushing, civils, mill/infrastructure/camp refurbishment and camp management.
- Progress recommissioning financing.
- Complete all remaining feasibility study components and report the feasibility outcome.
- Estimate updated Mineral Resources for the Shillington, Ridge, McIntyre and Goat Farm deposits.

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

Middle Island's 100%-owned Barkly copper-gold super-project in the Northern Territory (NT) comprises five granted exploration licences (ELs), a further five ELs pending grant and two new Exploration Licence applications, collectively covering 4,411 square kilometres as shown in Figure 3 below.



Reconnaissance Site Visit

A reconnaissance site visit to the Barkly project was completed during December 2020 following the lifting of interstate COVID-19 travel restrictions. During the site visit, **significant surface copper oxide mineralisation was identified at the new Crosswinds prospect**, located immediately adjacent to the sealed Barkly Highway, approximately 13km southeast of Barkly Homestead, within EL32297.

The mineralisation comprises malachite (copper carbonate) exposed in a table-drain adjacent to the Barkly Highway (Figure 4). The copper mineralisation is intimately associated with ubiquitous secondary calcrete and silcrete development, reflecting surface weathering of limestones comprising the Cambrian-age Georgina Basin.

Spot pXRF readings taken at the time of discovery range from 24.8% to 76.2% Cu. These results were confirmed by continuous composite chip sampling, **aggregating 130m at 0.76% Cu** (refer ASX Release dated 23 December 2020).



Figure 4
Crosswinds Copper Prospect - Malachite (copper carbonate) mineralisation exposed in table drain

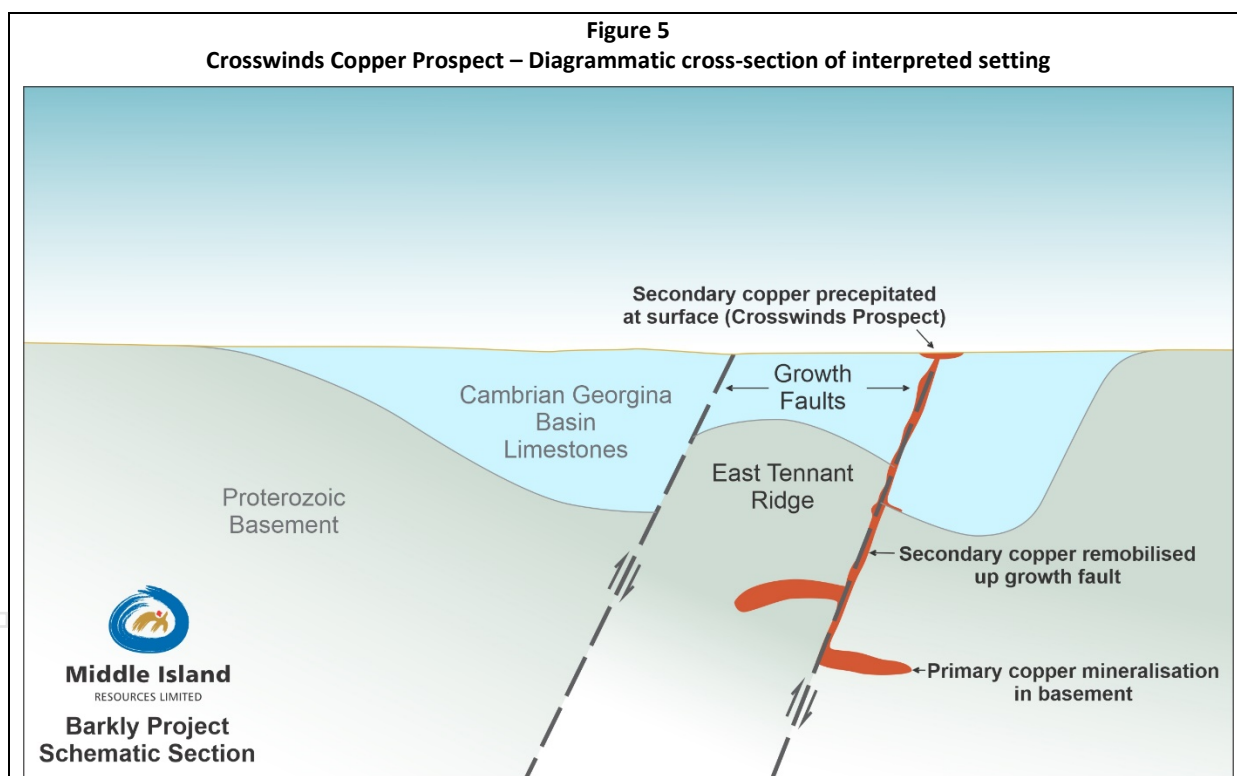




Mineralised Setting & Interpretation

The Barkly iron oxide-copper-gold (IOCG) mineralised model is predicated on collaborative, pre-competitive research being undertaken by Geoscience Australia (GA) and the Northern Territory Geological Survey (NTGS) under the \$100m, Exploring for the Future (EFTF) initiative. The model is predicated on the identified potential for Tier 1 IOCG deposits (with notable examples elsewhere including Olympic Dam, Oak Dam, Prominent Hill and Carrapateena, all in South Australia, along with Ernest Henry and others near Mt Isa in Queensland). The IOCG potential is associated with Proterozoic basement rocks extending along the East Tennant Ridge, beneath the Georgina Basin, between Tennant Creek in the NT and Mt Isa in Queensland.

The Crosswinds prospect is interpreted to represent secondary copper mineralisation that has migrated up growth faults that extend from primary copper-gold mineralisation within the Proterozoic basement rocks, through the otherwise unmineralised Cambrian Georgina Basin sediments to precipitate at surface, as shown diagrammatically in Figure 5 below. This interpretation is understood to be broadly consistent with the setting that led to discovery of the Osborne IOCG deposit, southeast of Mt Isa in Queensland.



Planned Activities

Once results of the Federal and Northern Territory Government's current 12-hole stratigraphic basement diamond drilling program are released in March/April 2021, which are anticipated to provide significant further clarification on the basement IOCG potential of the Barkly project, the Company intends to commence exploration in earnest during the next 'dry season', notionally extending from April to October 2021.

Safety, Environmental & Social

Health & Safety

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

Project-wide flora and fauna surveys have been completed at Sandstone, and a subterranean fauna survey is well advanced, to support the feasibility study and associated approvals.

Rehabilitation at the Sandstone gold project, primarily drill sites and temporary access tracks, is being progressively undertaken in accordance with POW and other environmental requirements, including 2020 drill pads as sampling requirements for leach testing and waste characterisation are resolved.

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, as formal grants of the Barkly project tenements are triggered.

Comments by Managing Director, Mr Rick Yeates:

"Three aspects stand out from a memorable 2020 December quarter:

"The first success is the doubling of open pit Mineral Resources at the Sandstone gold project in 2020. This outcome was considered a best case scenario at year's commencement and it is very satisfying to see that objective realised.

"The second achievement is the significant progress made on the Sandstone feasibility study, the results of which should be known in the 2021 March quarter.

"The third success is the recent Crosswinds copper discovery at the new Barkly project in the NT, the real significance of which is more about the interpreted 'proof of concept', rather than the discovery itself.

"I look forward to sharing the Sandstone FS outcome with you shortly, and keeping you abreast of Phase 3 resource extension and exploration drilling at Sandstone as results are forthcoming."

Resource Statement

Mineral Resources applicable to the Sandstone Gold Project as at 31 December 2020 are provided in Table 1 below.

Deposit	COG (g/t Au)	Tonnes	Grade (g/t Au)	Contained Gold (oz.)	JORC Classification	JORC Code
Two Mile Hill – Open Pit ¹	0.7	1,115,000	1.39	52,000	Indicated	2012
Two Mile Hill – Open Pit ¹	0.7	99,000	1.00	3,000	Inferred	2012
Two Mile Hill – Tonalite Deeps ²	NA*	14,000,000	1.10	480,000	Inferred	2012
Two Mile Hill – BIF Deeps ²	NA*	200,000	3.10	20,000	Inferred	2012
Shillington – Open Pit ³	0.5	1,230,000	1.30	50,200	Indicated	2012
Shillington – Open Pit ³	0.5	840,000	1.10	30,600	Inferred	2012
Wirraminna – Open Pit ³	0.5	300,000	1.30	12,100	Indicated	2012
Wirraminna – Open Pit ³	0.5	280,000	1.10	9,700	Inferred	2012
Twin Shafts – Open Pit ⁵	0.5	149,000	1.00	4,700	Indicated	2012
Twin Shafts – Open Pit ⁵	0.5	37,000	0.70	900	Inferred	2012
Goat Farm – Open Pit ⁵	0.5	398,000	1.00	13,200	Inferred	2012
McIntyre – Open Pit ⁵	0.5	496,000	1.20	19,400	Indicated	2012
McIntyre – Open Pit ⁵	0.5	67,000	0.90	1,900	Inferred	2012
Ridge – Open Pit ⁶	0.5	173,000	1.20	6,700	Indicated	2012
Ridge – Open Pit ⁶	0.5	67,000	1.90	4,000	Inferred	2012
McClaren – Open Pit ⁶	0.5	263,000	1.40	10,600	Indicated	2012
McClaren – Open Pit ⁶	0.5	60,000	1.70	3,200	Inferred	2012
Plum Pudding – Open Pit ⁴	0.5	384,000	1.10	13,100	Indicated	2012
Plum Pudding – Open Pit ⁴	0.5	35,000	0.90	1,000	Inferred	2012
Old Town Well – Open Pit ⁴	0.5	282,000	1.00	8,800	Indicated	2012
Old Town Well – Open Pit ⁴	0.5	68,000	0.60	1,400	Inferred	2012
Total Indicated		4,392,000	1.26	177,600	Indicated	2012
Total Inferred		16,151,000	1.10	568,900	Inferred	2012
Total Resource		20,543,000	1.13	746,500		2012

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:

¹ ASX Release dated 14 December 2016.

² ASX Release dated 14 April 2020.

³ ASX Release dated 24 July 2020.

⁴ ASX Release dated 2 October 2020.

⁵ ASX Release dated 21 October 2020.

⁶ ASX Release dated 17 November 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.

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 31 December 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 lodged	-	100%	Western Australia
P57/1442	-	-	100%	Western Australia
E57/1102	-	-	100%	Western Australia
EL 32291	-	-	Pending Grant – 100%	Northern Territory
EL 32290	-	-	Pending Grant – 100%	Northern Territory
EL 32292	-	-	Pending Grant – 100%	Northern Territory
EL 32297	Granted	-	100%	Northern Territory
EL 32298	Granted	-	100%	Northern Territory
EL 32301	Granted	-	100%	Northern Territory
EL 32304	-	-	Pending Grant – 100%	Northern Territory
EL 32305	-	-	Pending Grant – 100%	Northern Territory
EL 32308	Granted	-	100%	Northern Territory
EL 32309	Granted	-	100%	Northern Territory
EL 32626	New Application	-	Application – 100%	Northern Territory
EL 32627	New Application	-	Application – 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:

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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 styles of mineralisation and types 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 & 17 November 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, 30 October 2020 & 23 December 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.