



Middle Island
RESOURCES LIMITED

Middle Island Resources Limited
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QUARTERLY REPORT

For the period ended 30 June 2020

HIGHLIGHTS

- Aggregated cash and investments as at 30 June 2020 of **A\$5.14m**, having raised a further A\$4.0m via an oversubscribed Placement in May 2020.
- Pre- and post-quarter end, the cash balance has been enhanced by the exercise of 203 million options, **adding a further A\$1.58m** to the cash balance.
- CY2020 has proved a particularly successful one for the Company, with Middle Island **increasing its market capitalisation by 864%, the number of shareholders by 235%, its trading liquidity by 508% and cash balance by 835%.**
- At the Sandstone gold project in WA, the Company completed the 17,300m Phase 1 RC drilling campaign during the quarter, and commenced the Phase 2 campaign, **collectively representing some 30,000m of resource definition and exploration drilling completed to date in 2020.** RC and diamond drilling is continuing.
- Phase 1 RC drilling identified **five new satellite open pit deposits, at McClaren, McIntyre, Ridge, Old Town Well and Plum Pudding,** and infill/extension drilling was completed at the Two Mile Hill, Shillington, Wirraminna, Goat Farm and Twin Shafts deposits.
- The on-going Phase 2 RC and diamond drilling is focussed on **infilling and extending the five new satellite deposits to an Indicated Resource classification** to supplement the planned recommissioning inventory for the project's fully-permitted on-site gold mill.
- Results from the combined drilling campaign are highlighted by bonanza grade intercepts of **4m at 90.6g/t** at the McClaren deposit, and **4m at 99.5g/t and 4m at 50.5g/t Au** at the Ridge deposit.
- High resolution airborne magnetic/radiometric and terrain surveys were completed over core tenements at the Sandstone project during the June quarter.
- The Company is **debt free and well-funded** to complete the 2020 Sandstone drilling campaign and feasibility study.

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ASX Code: MDI

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Capital Structure:

1,765 million ordinary shares
994 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

Operating Activities

Corporate

Finances

Aspiring WA gold project developer, Middle Island Resources Limited (**ASX:MDI, Middle Island or the Company**), held aggregated cash and investments of A\$5.14m as at 30 June 2020, comprising A\$4.66m in cash and A\$0.48m in Tajiri Resources Corporation (TSXV:TAJ) ordinary shares.

On 14 May 2020, Middle Island closed a fully subscribed Placement of 363.6 million ordinary shares at an issue price of \$0.011 per new share to raise a further A\$4.0m before costs.

During and subsequent to the June quarter, some 203 million MDI options have been exercised, enhancing the cash balance by a further A\$1.58m. A further 889 million in-the-money options remain to be exercised, representing potential proceeds of a further A\$6.93m that may become available to the Company prior to the option exercise date of 31 January 2022.

During the quarter, the Company made cash payments of \$78,000 to related parties and their associates. These comprise the aggregate amount paid to directors, including salary, directors' fees, consulting fees and statutory superannuation consistent with contractual terms.

Exercise of Options

Given the number of option holders wishing to convert their options into shares, the Company is endeavouring to minimise the administration and costs of the exercise process as much as possible. There are certain minimum fees payable to the ASX in relation to the application for quotation of new shares issued as a result of the exercise of options. These fees cannot be avoided, but the Company can aggregate a number of option exercises into a single transaction in order to minimise costs and ensure that the option exercises are providing value to the Company. To that end, the Company has developed a policy of, where possible, processing the option exercise requests on a regular quarterly cycle. The Company's preferred cycle will be at the end of the month after publication of the quarterly reports (August, November, February and May). We will remind all option holders (via a notice in Quarterly reports) that this will occur in the month following publication of the Quarterly Activities Report.

Option holders are requested to bear this in mind when exercising their options. However, 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. To commence this process, **the next planned option exercise date will be Friday 28 August 2020.**

Strategy

The Company's activities during the June quarter, 2020, continued to focus on the primary strategy, being to recommission its 100%-owned Sandstone gold processing plant at the earliest opportunity, via a dual approach as follows:-

- The discovery and definition of viable satellite open pit deposits within MDI's permitted Sandstone tenure in order to enhance the front end of the proposed production re-start schedule.
- Progressing one or more consolidations of proximal third-party gold deposits within the broader Sandstone district in the central goldfields of WA.

Success with either or both of these unchanged approaches, will likely serve to underpin a positive mill recommissioning decision. That logic, particularly given a near record Australian dollar denominated gold price, appears likely to be vindicated by on-going results from the substantial 2020 drilling campaign.

COVID-19 Update

Middle Island temporarily closed its Perth Office and Sandstone Contractor's Camp between 16 March and 18 May, 2020 as a precautionary measure to minimise exposure of the Company's staff, contractors and host community to COVID-19. During this period, office personnel worked from self-isolation at home, which generally proved very effective.

The health and well-being of the Company's employees, contractors, regional host communities and the broader public, remain paramount.

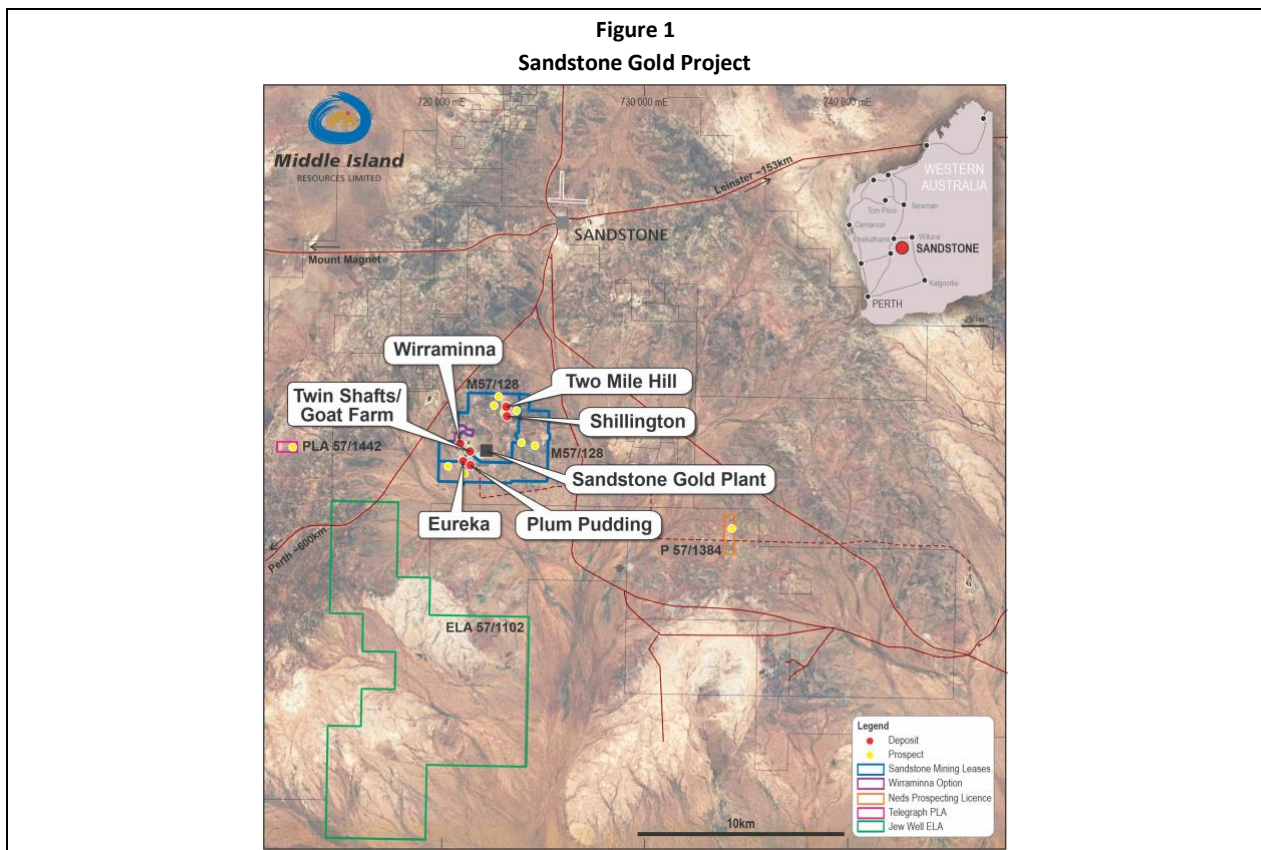
To the end of June, and working in close collaboration with the Sandstone Shire, the Company's activities and operations around its flagship Sandstone gold project in central WA, have continued to be relatively unaffected by the pandemic.

Meanwhile, the associated economic fallout from the pandemic continues to strengthen underlying gold market fundamentals which, coupled with the extraordinary success of the current drilling campaign, augurs well for realisation of the Sandstone gold project strategy.

In the Northern Territory, Middle Island understands that six of the Company's 10 exploration licence applications comprising the Barkly copper/gold super-project are available for immediate grant once COVID-19 travel restrictions are lifted or at the Company's earlier election. The remaining four applications are anticipated to become available for grant in the September quarter.

Sandstone Gold Project (100%) – Western Australia

The Sandstone gold project is shown in Figure 1 below.



2020 Drilling Campaign

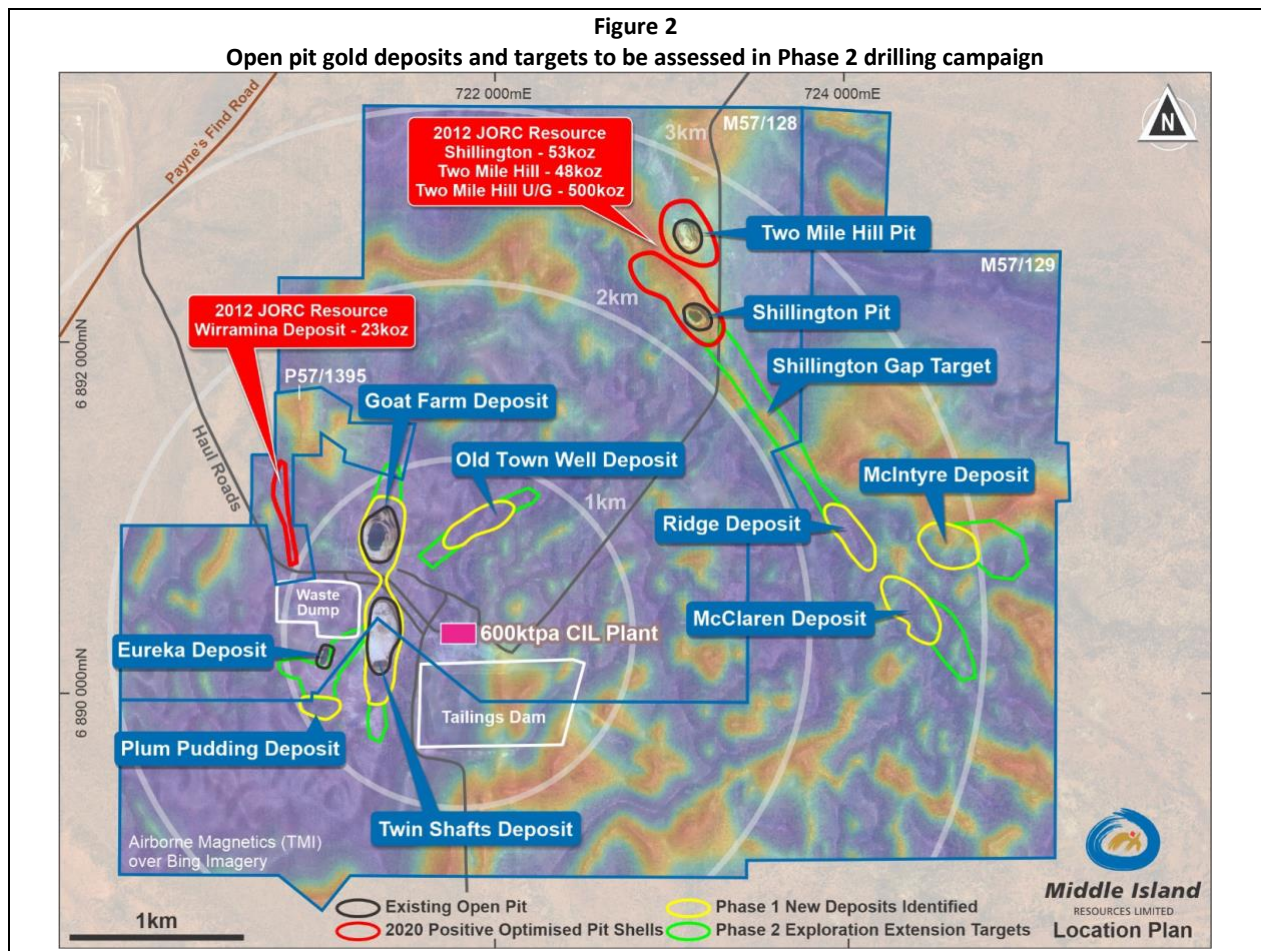
During the June quarter, the Company completed Phase 1 and commenced Phase 2 of the substantial 2020 drilling campaign, collectively comprising some 30,000m of exploration and resource definition drilling to 30 June at the Company's 100%-owned Sandstone gold project in Western Australia. The Phase 2 RC and diamond drilling is on-going.

The **Phase 1 aircore and RC drilling campaign** proved extremely successful, identifying five new satellite gold deposits, being **McClaren, McIntyre, Ridge, Old Town Well and Plum Pudding**. The new satellite deposits, all located on permitted Mining Leases, are anticipated to considerably enhance the planned open pit mining inventory to underpin the feasibility study (FS) and planned recommissioning of the Sandstone gold project.

The **Phase 2 RC and diamond drilling campaign** was commenced during the June quarter, of which 141 RC holes (8,283m) were completed by quarter's end. The primary objective of the Phase 2 campaign is to quantify the five new satellite deposits to an Indicated Mineral Resource classification, prior to integration into the feasibility study (FS).

Diamond drilling will comprise ~1,000m of HQ3 oxide coring from surface (notionally two holes per satellite deposit) to generate material for bulk density determination, and metallurgical and geotechnical testwork, permitting the new deposits to be considered as Ore Reserves in the feasibility study update.

An exploratory RC drilling component will be undertaken at the end of the Phase 2 campaign to assess a significant 1.1km long, undrilled target corridor, referred to as the **Shillington Gap**, identified between the Shillington and Ridge deposits (Figure 2).



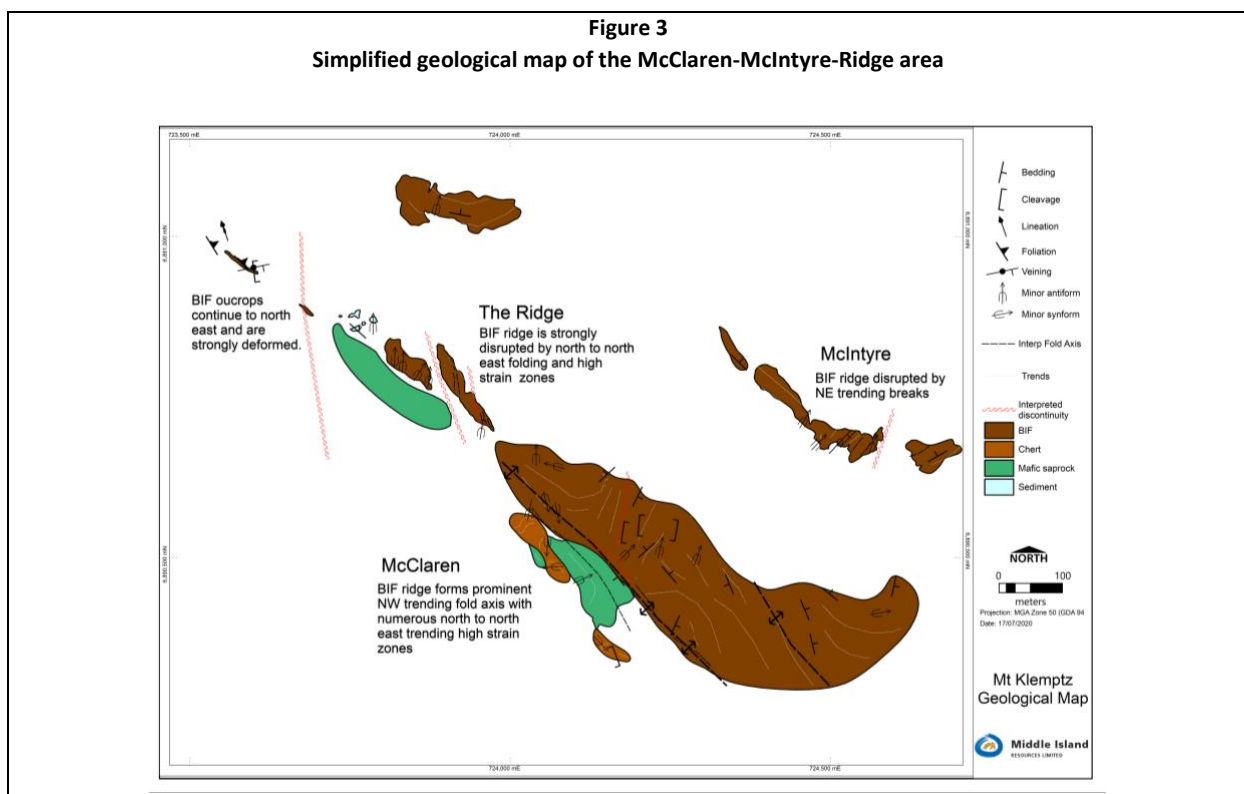
Results of the 2020 drilling campaign received to date are highlighted by several bonanza grade intercepts returned from the new Ridge and McClaren satellite open pit gold deposits (refer ASX Releases dated 14 April, 26 June and 2 July 2020), comprising:-

- **Ridge - 4m at 99.5g/t** (from 13m in MSRC530), **including 1m at 390g/t Au (repeat assay 502g/t).**
- **Ridge - 4m at 50.5g/t** (from 3m in MSRC544), **including 1m at 198g/t Au.**
- **McClaren - 4m at 90.6g/t Au** (from 60m in MSRC341).

Geological Mapping

Detailed geological mapping in the vicinity of the McClaren-McIntyre-Ridge satellite gold deposits was completed during the June quarter (Figure 3), which, together with high resolution airborne magnetic data and on-going RC and diamond drilling, will assist in resolving the complex stratigraphic and structural architecture in this highly prospective area. Given the close proximity of the satellite deposits, it's possible that further work will ultimately demonstrate continuity between the three.

Mapping identified several banded iron formation (BIF) units, which dip very shallowly to the northeast, within mafic volcanic rocks. The BIF units comprise the southeast extension of the Shillington BIF package, which hosts the more substantial Shillington and Shillington North deposits, ~1.5km to the northwest. At McClaren-McIntyre-Ridge, the BIF units form prominent ridges that strike northwest and are disrupted by north to northeast-trending structural breaks.



Airborne Magnetic Survey

A new high resolution airborne magnetic and radiometric survey was completed by MagSpec Airborne Surveys Pty Ltd over the core project tenements during the June quarter. The survey was undertaken on a 25m line spacing and 25m survey height, with the flight line orientation optimised to provide maximum architectural definition of the Shillington banded iron formation (BIF) package, which, in addition to the Shillington deposit, hosts the new McClaren, McIntyre and Ridge satellite gold deposits.



The Shillington BIF comprises at least three units that occasionally split and coalesce. These units appear to be offset (both laterally and vertically) by oblique and strike parallel faulting that has shuffled the BIF blocks. This architecture is further complicated by moderate topographic relief in the McClaren-McIntyre-Ridge area, which makes correlation of the flat lying to very shallow dipping BIF units more difficult.

The airborne magnetic interpretation (completed by Southern Geoscience Consultants), in conjunction with recent detailed geological mapping and on-going drilling, is not only assisting to resolve the relative disposition of mineralisation, but is identifying new targets within this highly prospective terrain.

UAV Terrain Survey

During the June quarter, Land Surveys Pty Ltd completed a high resolution (+/-50mm) digital terrain model, utilising a drone, over the two granted Mining Leases and Wirraminna Prospecting Licence, in advance of the feasibility study update.

Feasibility Study

Preliminary Mineral Resource estimates and pit optimisations were completed on all five new satellite deposits to assist in planning Phase 2 resource definition RC and diamond drilling.

Updated resource estimates are also being finalised for the existing Two Mile Hill, Shillington, Wirraminna, Goat Farm and Twin Shafts deposits, where infill and extension resource definition drilling has been completed, prior to final pit optimisation studies. Updated resource estimates for the three main deposits are imminent.

Final resource estimates and pit optimisations will then be progressively undertaken on the new satellite deposits as the Phase 2 drilling results are received and compiled for inclusion in the feasibility study.

Given that the majority of elements of the previously planned pre-feasibility study (PFS) have been completed to full feasibility level, the decision has been made to increase the study update confidence to a full feasibility study (FS).

Combined with the success of the 2020 drilling campaign, requiring a significant expansion of originally planned drilling to quantify new satellite discoveries, the upgrade of the PFS results in a rescheduling of the FS outcome until at least late in the 2020 December quarter.

Tribute Gold Production

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



Planned 2020 September Quarter Activities

Activities planned at the Sandstone project during the 2020 September quarter comprise:-

- Report updated (final) resource estimates for the Two Mile Hill, Shillington and Wirraminna open pit deposits.
- Complete Phase 2 infill and extension RC drilling on the new satellite deposits.
- Complete reconnaissance RC drill traverses across the new Shillington Gap target, between the Shillington and Ridge gold deposits.
- Complete large diameter oxide diamond drilling program to derive material for bulk density determination, and metallurgical and geotechnical testwork.
- Complete metallurgical and geotechnical evaluation of the new satellite deposits.
- Progressively compile and report all Phase 2 drilling results.
- Estimate and report maiden Mineral Resources for the five new satellite open pit deposits.
- Complete pit optimisations on all open pit deposits, including the five new satellite deposits.
- Advance the feasibility study.



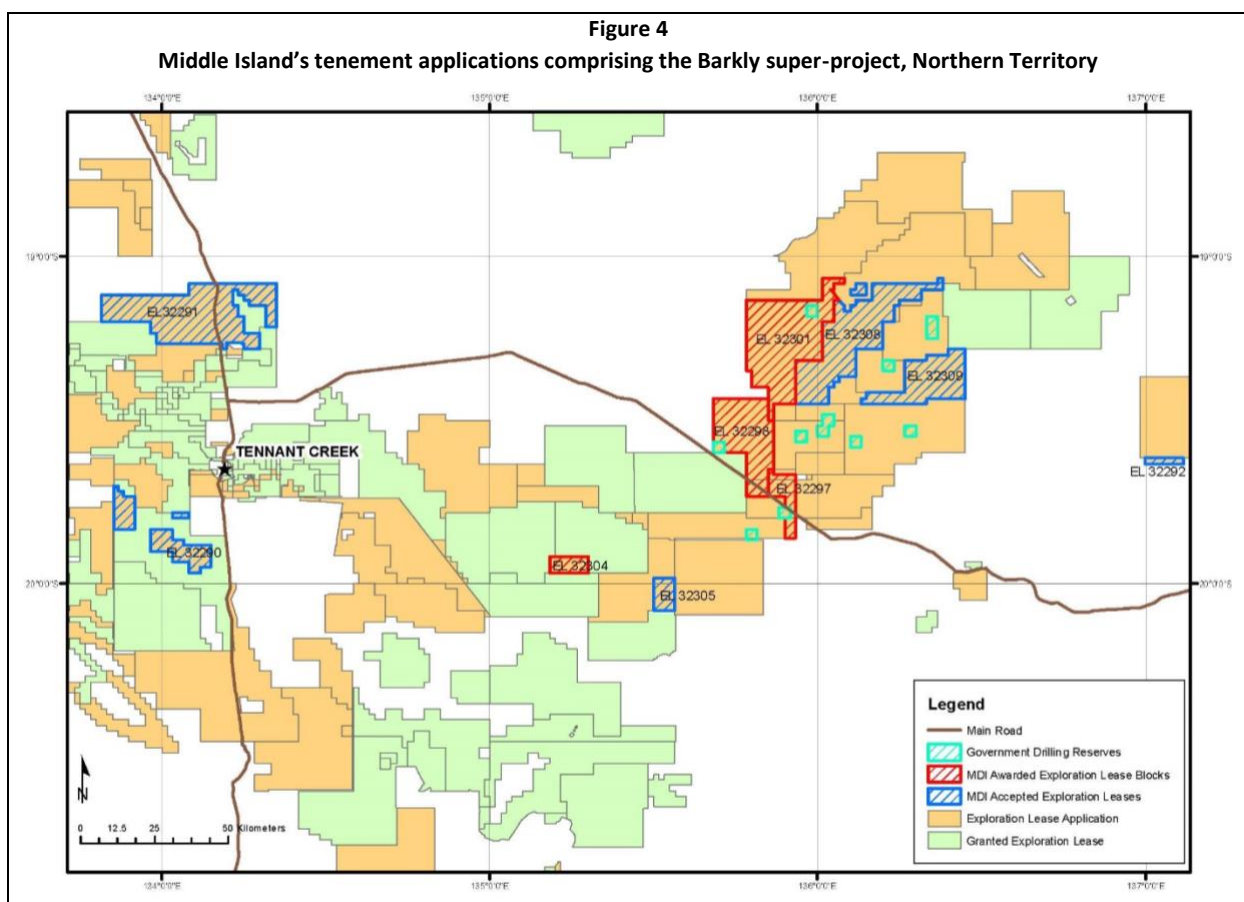
Barkly Copper-Gold Super Project (100%) – Northern Territory

Middle Island's Barkly copper-gold super-project now comprises 10 exploration licence applications covering 3,253 square kilometres as shown in Figure 4 below.

Middle Island's strategy and application success positions the Company as a first-mover along the newly identified East Tennant Ridge, highly prospective for Tier 1 IOCG targets in Proterozoic basement rocks, extending beneath the Georgina Basin across the Barkly Tableland.

Middle Island understands that the Company's 10 exploration licence applications comprising the Barkly copper/gold super-project in the NT are available for formal grant, and will either be granted once COVID-19 travel restrictions are lifted or at the Company's earlier election.

Following grant of the applications, initial Middle Island work will focus on capturing any outstanding open file and pre-competitive data, the modelling of exploration targets and the planning of high-resolution geophysical surveys to refine modelled targets in preparation for drill testing.



Mineral Resource Statement

Mineral Resources applicable to the Sandstone Gold Project as at 30 June, 2020 are provided in Table 1 below.

Table 1 Sandstone Gold Project Mineral Resource Statement						
Deposit	COG (g/t Au)	Tonnes	Grade (g/t Au)	Contained Gold (oz.)	JORC 2012 Classification	
+Two Mile Hill – Open Pit	0.7	1,012,000	1.36	44,000	Indicated	
+Two Mile Hill – Open Pit	0.7	114,000	1.10	4,000	Inferred	
^Two Mile Hill – Tonalite Deeps	NA*	14,000,000	1.10	480,000	Inferred	
^Two Mile Hill – BIF Deeps	NA*	200,000	3.10	20,000	Inferred	
+Shillington – Open Pit	0.7	1,015,000	1.33	43,000	Indicated	
+Shillington – Open Pit	0.7	272,000	1.17	10,000	Inferred	
#Wirraminna – Open Pit	0.5	307,000	1.50	14,600	Indicated	
#Wirraminna – Open Pit	0.5	243,000	1.10	8,400	Inferred	
Total Indicated		2,334,000	1.37	101,600	Indicated	
Total Inferred		14,829,000	1.09	522,000	Inferred	
Total Resource		17,163,000	1.13	623,600		

*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:

+ ASX Release dated 14 December 2016.

ASX Release dated 8 December 2017.

^ ASX Release dated 14 April 2020.

Notwithstanding the significant increase in gold price since some of these Mineral Resource estimates were prepared, and recognising that the 2020 drilling campaign is anticipated to result in increases and/or upgrades to these Mineral Resources, 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 updated 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 currently no Ore Reserves applicable 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) and/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 March 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 to acquire 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 32305	-	-	Pending Grant – 100%	Northern Territory
EL 32308	-	-	Pending Grant – 100%	Northern Territory
EL 32309	-	-	Pending Grant – 100%	Northern Territory
EL 32292	-	-	Pending Grant – 100%	Northern Territory
EL 32297	-	-	Pending Grant – 100%	Northern Territory
EL 32298	-	-	Pending Grant – 100%	Northern Territory
EL 32301	-	-	Pending Grant – 100%	Northern Territory
EL 32304	-	-	Pending Grant – 100%	Northern Territory

Safety, Environmental & Social

Health & Safety

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

Additional road signage was emplaced, and intersection clearing undertaken, on internal access roads at the Sandstone project to accommodate increased heavy vehicle movements associated with the multi-rig drilling campaign and on-going prospecting activities.

Upgraded hygiene and social distancing protocols were implemented at the Company's Perth headquarters and project sites during the quarter in response to the COVID-19 pandemic, as the office and camps were re-opened and project activities were ramped up in May 2020. 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 June quarter.

A flora survey was undertaken within portions of M57/129 during the June quarter, primarily to comply with the program of work (POW) to accommodate additional infill and extension drilling required for the new McClaren, McIntyre, Ridge and Plum Pudding satellite deposits, and to assess the Shillington Gap target.

Rehabilitation of disturbed areas at the Sandstone gold project, primarily drill sites and temporary access tracks, is being progressively undertaken in accordance with POW and other environmental requirements.

Sampling of tailings dam monitoring bores is being undertaken on a six-monthly basis in accordance with permit requirements, with all readings remaining well below statutory thresholds.



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 COVID-19 strategy and protocols to minimise any impact on the relatively isolated Sandstone community, which is characterised by an older, more vulnerable demographic.

A similar philosophical approach to community engagement is planned in the NT, once the Barkly super project tenements are granted.

Comments by Managing Director, Mr Rick Yeates:

"Some 30,000m of aircore, RC and diamond drilling have been completed in 2020 to date at Sandstone, and RC and diamond drilling is continuing. This substantial drilling campaign has proved remarkably successful, with five new satellite gold deposits identified which, together with extensions to existing deposits, represents the potential to add significant open pit Mineral Resources to the Sandstone gold project recommissioning inventory."

"With the Australian dollar denominated gold price near record levels, additional Mineral Resources identified by the current drilling campaign should significantly enhance the outcome of the FS, leading to a positive recommissioning decision in late 2020."

"Quite apart from the considerable exploration success, corporately, your Company has increased its market capitalisation by 864%, increased the number of shareholders by 235%, increased trading liquidity by 508% and increased its cash balance by 835% to date in CY2020."

"I look forward to sharing further drilling results, resource estimates, metallurgical results and feasibility study progress with shareholders during the September quarter."

RELEASE AUTHORISED BY:

Board of Middle Island Resources Limited

COMPANY CONTACTS:

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MEDIA CONTACT:

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

WEBSITE: www.middleisland.com.au

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 style of mineralisation and type 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 dated 14 April, 26 June and 2 July 2020, which are available to view on the Company's website.

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.