

ASX Release – 10 May 2016

Middle Island completes initial placement and progresses Sandstone Project acquisition

Placement

Middle Island Resources Ltd (**Company**) is pleased to advise that the Placement, announced on 4 May 2016, has been completed, with 40,000,000 shares issued at \$0.01 each. The Placement was conducted by Bell Potter Securities which was supported by existing Shareholders. The funds are to be used for working capital and to partially fund the costs of the Sandstone gold project acquisition.

See the Appendix 3B attached for further information.

Sandstone Project Transaction Update

The deposit of A\$250,000 was paid on Monday 9 May 2016 to Black Oak Minerals Limited (in Liquidation) (Receivers and Managers appointed) (**Black Oak**). Until Completion Black Oak may apply the deposit for care and maintenance costs at Sandstone.

Following submissions made by the Company, ASX has determined that Listing Rule 11.1.2 applies to the Sandstone Project acquisition. This position is consistent with the Board of MDI whose intention was always to present the Transaction to Shareholders for approval.

The Sandstone Project acquisition is conditional upon the satisfaction or waiver of the conditions set out below:

- (a) the Company's shareholders having passed a resolution approving the acquisition of the Sandstone assets from Black Oak, including for the purpose of Listing Rule 11.1;
- (b) the relevant Minister having provided approval to Sandstone Operations Pty Ltd (**Sandstone Operations**) (the Company's wholly owned subsidiary) or Black Oak in respect of each tenement on acceptable terms and conditions; (NB: *already satisfied*)
- (c) certified true copies of the original instruments of title for all of the freehold properties being provided to Sandstone Operations, and Black Oak confirming by notice that the original duplicate instruments will be delivered at Completion;
- (d) Black Oak lodges, and the Department of Mines and Petroleum accepts, a Form 5 expenditure report in respect of Mining Lease M57/129 such that the expenditure commitment for the tenement year ended 9 April 2016 has been satisfied in full, or satisfactory waivers granted;
- (e) Sandstone Operations, Black Oak and Troy Resources Limited entering into an agreement binding Sandstone Operations to observe and perform the terms of the Royalty Deed – Net Smelter Return Royalty between Troy Resources Limited and Black Oak;

and

- (f) as at 10:00am on the date of Completion, no impediment exists as a consequence of any judgement/order by a court or any person having instituted proceedings claiming any right to or interest in the Sandstone Assets which prevents or impedes Black Oak or the Receivers from complying with any of their obligations under the transaction.

The conditions precedent must be satisfied or waived prior to 1 July 2016 (or any other date agreed between the parties).

In accordance with the Sandstone Project acquisition agreement and ASX's determination, the Company will be seeking shareholder approval for the acquisition. The Company expects to issue a notice of General Meeting at the end of May 2016, with a General Meeting anticipated to be held at the end of June. Further details on the meeting will be provided as soon as they are available.

PCF Capital assisted the Company in connection with securing the Sandstone Project, for which it will be paid a fee of \$100,000 satisfied by the issue of Middle Island ordinary shares. The Company advises that the issue price will be \$0.0103, being the 30 day VWAP of the Company's ordinary shares prior to 4 May 2016 (the date of announcement of the Transaction). The fee is payable on, and subject to, completion of the Transaction and will result in the issue of 9,708,737 Shares to PCF Capital.

Comment

Since 2013, Middle Island has been pro-actively identifying and reviewing advanced gold (and gold-copper) opportunities, primarily with Australia and Africa. The well-communicated objectives were to acquire an asset that would mitigate shareholder exposure to sovereign and political risk, provide near-term production and cash flow potential, and require limited capital expenditure to develop. While opportunities are rarer, Australia is an obvious destination due to the administrative synergies, more favourable recent exchange rate and relatively lower operating cost environment, more recently enhanced by the improving market support for ASX-listed gold stocks.

The Board of Middle Island considers that the Sandstone Project is an asset that is consistent with all these objectives in the short term, yet also includes sound resource and exploration upside in the longer term. The acquisition cost, at some US\$4 per resource ounce, compares very favourably with other care & maintenance and development project transactions globally.

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Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

Middle Island Resources Limited

ABN

70 142 361 608

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|----------------------------|
| 1 | +Class of +securities issued or to be issued | Fully paid ordinary shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 40,000,000 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully paid ordinary shares |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

4	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	Yes
5	Issue price or consideration	\$0.01
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Ongoing working capital.
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the +securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	Yes
6b	The date the security holder resolution under rule 7.1A was passed	27 November 2015
6c	Number of +securities issued without security holder approval under rule 7.1	36,626,649
6d	Number of +securities issued with security holder approval under rule 7.1A	3,373,351
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil

+ See chapter 19 for defined terms.

6f	Number of securities issued under an exception in rule 7.2	Nil								
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	Issue price is \$0.01 per share being greater than 75% of the 15 trading day VWAP of \$0.0095 as calculated under LR 7.1A.3. The Shares were issued on 9 May 2016. The source of the VWAP calculation was obtained from Miraqle.								
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A								
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	7.1: Nil 7.1A: 21,624,118								
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	9 May 2016								
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	<table><tr><th>Number</th><th>+Class</th></tr><tr><td>290,844,253</td><td>Ordinary fully paid shares</td></tr></table>	Number	+Class	290,844,253	Ordinary fully paid shares				
Number	+Class									
290,844,253	Ordinary fully paid shares									
9	Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	<table><tr><th>Number</th><th>+Class</th></tr><tr><td>600,000</td><td>Unlisted options exercise price \$0.10 expiry 07/07/2017</td></tr><tr><td>100,000</td><td>Unlisted options exercise price \$0.15 expiry 07/07/2017</td></tr><tr><td>100,000</td><td>Unlisted options exercise price \$0.20 expiry 07/07/2017</td></tr></table>	Number	+Class	600,000	Unlisted options exercise price \$0.10 expiry 07/07/2017	100,000	Unlisted options exercise price \$0.15 expiry 07/07/2017	100,000	Unlisted options exercise price \$0.20 expiry 07/07/2017
Number	+Class									
600,000	Unlisted options exercise price \$0.10 expiry 07/07/2017									
100,000	Unlisted options exercise price \$0.15 expiry 07/07/2017									
100,000	Unlisted options exercise price \$0.20 expiry 07/07/2017									
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A								

+ See chapter 19 for defined terms.

Part 2 – DELETED – NOT APPLICABLE

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete

Sign here:



(Company secretary)

Date: 9 May 2016

Print name: Dennis Wilkins

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	124,987,349
Add the following: <ul style="list-style-type: none"> Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid ordinary securities issued in that 12 month period with shareholder approval Number of partly paid ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	<ul style="list-style-type: none"> 124,987,349 fully paid ordinary shares issued on 30 July 2015 Nil Nil
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil
“A”	249,974,698

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	37,496,204
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> Under an exception in rule 7.2 Under rule 7.1A With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<ul style="list-style-type: none"> 869,555 fully paid ordinary shares issued on 13-19 August 2015 36,626,649 fully paid ordinary shares issued on 9 May 2016
“C”	37,496,204
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	37,496,204
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	37,496,204
Total [“A” x 0.15] – “C”	0

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	249,974,698
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	24,997,469
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items 	<ul style="list-style-type: none"> • 3,373,351 fully paid ordinary shares issued on 9 May 2016
“E”	3,373,351

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	24,997,469
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	3,373,351
Total [“A” x 0.10] – “E”	21,624,118 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.