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**Middle Island Resources
(ASX: MDI)**

July 2020 Update

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Contents

Sandstone Acceleration	1
Key Points	1
Activities Update	2
Background	2
Corporate	3
Sandstone Gold Project - Middle Island 100%	3
Barkly Super Project - Northern Territory	17
Peer Group Analysis.....	17
Risks	18
Appendix 1 - PFS and Re-Optimisation Parameters	20



Note: This report is based on information provided by the company as at 11 July, 2020.

Investment Profile	
Share Price as at 10 July, 2020	A\$0.022
12 month L/H	\$0.004/\$0.023
Issued Capital:	
Ordinary Shares	2,140 m
Unlisted Options	1,111 m
In-Money Options	1,081 m
Diluted for In-Money Options	3,221 m
Fully Diluted	3,251 m
Market Capitalisation	A\$47.1 m
Cash - March 31, 2020	A\$2.14 m
Subsequent Placement	A\$4.00 m
Cash on Option Conversion	A\$8.42 m

Board and Management	
Mr Peter Thomas: Chairman	
Mr Rick Yeates: Managing Director	
Mr Beau Nicholls: Non-Executive Director	
Mr Brad Marwood: Non-Executive Director	
Mr Dennis Wilkins: Company Secretary	

Major Shareholders	
Harman Family Trust	8.20%
Copulos Group	7.58%
Twynam Investments	6.31%
HSBC Custody Nominees	5.42%
Lomacott Pty Ltd	4.68%
Richard Yeates	4.45%
Board and Management	6.87%
Top 20	54.49%



The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

SANDSTONE ACCELERATION

The last eight months have seen significant activity at Middle Island Resources' ("Middle Island" or "the Company") Sandstone Gold Project ("Sandstone" or "the Project"), for which the strategy is to restart the existing 600,000 tpa mill, which is expected to require only in the order of A\$10.3 million, including owners' costs and contingencies, to refurbish.

The key plank in the strategy is to find suitable sources of feed to justify a restart of operations, and activities have been focussed towards this end. This has included a recent JORC 2012 compliant Mineral Resource Estimate ("MRE") update, which includes 123,600 oz of open pit Resources (with 80% Indicated), and 500,000 oz of underground Resources, with current JORC 2004 Resources not included. A re-optimisation study completed in late 2019 determined that a restart would be viable at gold prices at that time, using the current JORC 2012 open cut Resources.

Middle Island has recently completed a 17,300 m drilling programme that has identified a number of potential new oxide deposits within a few kilometres of the mill. This has also provided information that will allow the current JORC 2004 compliant Resources to be upgraded to JORC 2012, and thus be included in the Resources, and also allow for the upgrade and expansion of the current JORC 2012 compliant Resources.

The Company is currently undertaking a Phase 2 ~16,000 m drill programme, which is further testing the Resources and recently identified mineralisation, and is expected to add considerably to Resources, with the resulting MRE to be used in a stand alone Feasibility Study ("FS"), expected later in 2020. This programme also includes some exploration drilling and detailed airborne geophysics.

Initial Phase 2 results from The Ridge prospect supports the prospectivity and potential for a significant increase to the MRE, with three high grade intercepts of up to 4 m @ 99.5 g/t Au from 13 m recently being reported to the market - Ridge is a prospect that returned significant historical results, and for which no MRE has previously been estimated.

Other activities include the finalisation of the divestment of the Reo Gold Project in Burkina Faso, and applications for 3,253 km² of tenements over the East Tennant IOCG Province, east of Tennant Creek in the Northern Territory. The area, a significant part of which was recently released from moratorium, is considered prospective for IOCG mineralisation, similar to that at Tennant Creek, and in the Gawler Craton of South Australia.

KEY POINTS

Additional mineralisation sources identified: The recently completed Phase 1 drilling programme has identified a number of satellite areas of mineralisation that have good potential to add to the current 123,600 oz of potentially open pit gold.

Mill and infrastructure: The mill ownership (with an expected refurbishment cost of A\$10.3 million), permitted tailings storage facilities, associated infrastructure and location on permitted mining leases are all key advantages. This will result in significantly lower capital costs and shorter lead times than for an equivalent operation for which a new plant and infrastructure would have to be built - it is expected that the mill will take around five months to refurbish. It will also allow for a commencement of operations on a smaller Resource base than would otherwise be required.

Low capex per ounce: The low refurbishment cost for the mill will result in a relatively low capex per ounce in the AISC for a project if developed thus lowering the bar on what will be economically viable. In addition this low capex should make any viable project relatively simple to finance, and further cut costs through lower financing costs (if debt is required).

Third party ore sources: Should the Company successfully restart operations there are a number of projects owned by 3rd parties regionally that have shallow Resources within trucking distance and could be potential third party sources of mill feed.

Strong gold and market dynamics: Given uncertainty in a number of areas globally, and historically low interest rates, we would expect gold markets to remain strong for the foreseeable future, and for the equity markets also to perform strongly and reward success. We have seen this with Middle Island, with recent capital raisings at increased levels, and the price close to increasing 6-fold over the past six months.

Cashed-up: With A\$2.14 million at the end of March, and A\$4 million raised subsequently, the Company is well positioned to undertake current activities; in addition in the money options have the potential to provide A\$8.42 million if exercised.

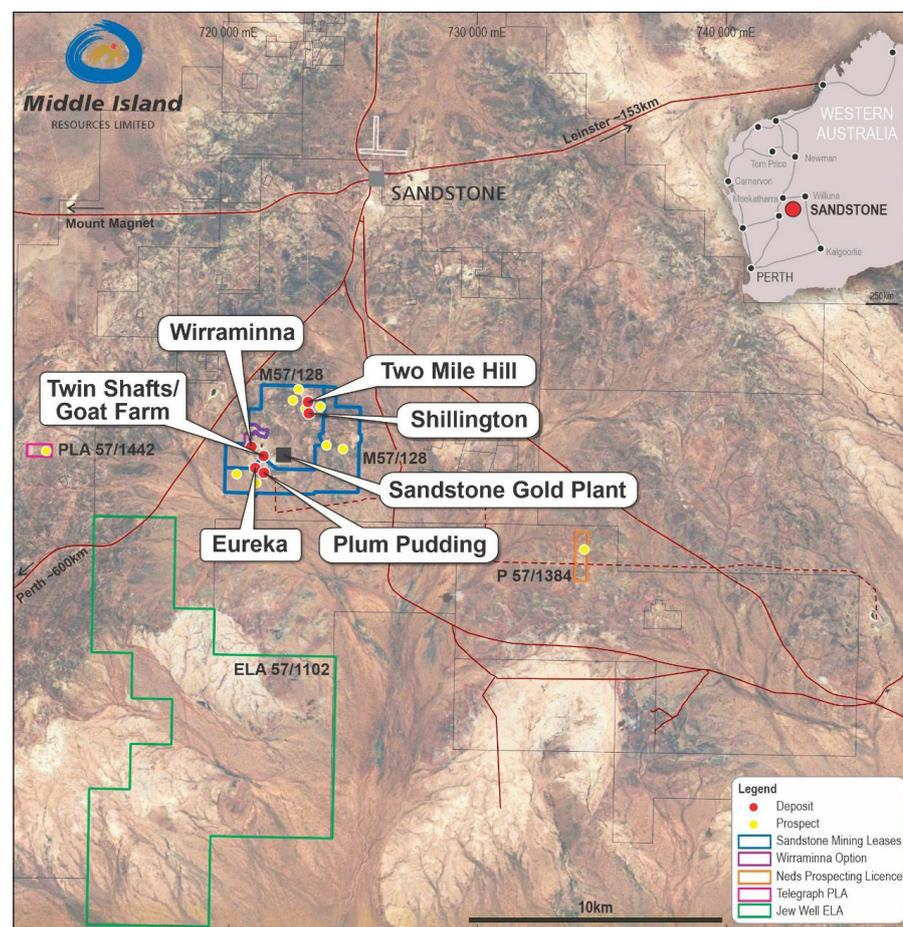
Steady News Flow: Ongoing activities should provide steady news flow through the rest of 2020.

ACTIVITIES UPDATE

BACKGROUND

- ◆ MDI's activities continue to be focused on the 100% owned Sandstone Gold Project with this including several tenements as shown in Figure 1 - key areas are located on granted Mining Leases with permitting in place to allow operations to restart without delays associated with permitting.
- ◆ Key activities, including drilling, are aimed at completing a Feasibility Study ("FS") examining a mill refurbishment to treat open cut mineralisation in Q3, 2020 - this follows on from a Pre-Feasibility Study ("PFS") that was completed in early 2017, and a subsequent underground mining study.
- ◆ The overall strategy will be to initially process open cut mineralisation, which will allow for the time and cash flow required to advance and transition to a longer life underground operation.
- ◆ Geologically, the Project is located over the Archaean Sandstone Greenstone Belt ("SGB") of the Yilgarn Craton, and 11 kilometres to the south of the town of Sandstone, some 800 km by road NE of Perth.

Figure 1: Sandstone project location map



Source: MDI

- ◆ More details of the Project, including detailed geology, infrastructure and previous activities are included in our notes of August 2017 and August 2018.
- ◆ As announced on September 3, 2019, Tajiri Resources Corp (TSX-V: TAJ, "Tajiri") exercised the option to acquire the Reo Gold Project in Burkina Faso.
- ◆ Consideration for the Reo divestment was 5 million shares in Tajiri (currently trading at C\$0.09/share, and worth ~A\$480,000) and US\$335,000 in cash; there is also a 2% NSR production royalty that Tajiri can acquire at any time for US\$5 million.
- ◆ The Company has 10 Exploration Licence Applications ("ELA") in place covering 3,253 km² over the IOCG prospective East Tennant Ridge, extending for some 350 km east from Tennant Creek across the Barkly Tableland towards Queensland - applications followed the lifting of a moratorium over the region, and included four competitive applications for which Middle Island was allocated between 19% and 95% of the areas.

CORPORATE

Alto Takeover Bid

- ◆ In March 2019 Middle Island launched an all scrip, off-market take-offer bid for Alto Metals Limited (ASX: AME, "Alto"), with an offer of five Middle Island ordinary shares for one Alto ordinary share - at the time of the offer this represented a 61 % premium over the previous Alto closing price - the consideration was subsequently increased to six Middle Island shares for one Alto share.
- ◆ Alto was seen as an ideal fit for Middle Island, as Alto's tenements surround those of Middle Island, and have gold Resources of 330,000 oz within trucking distance of Sandstone.
- ◆ The offer lapsed on November 29, 2019, with the minimum acceptance of 50.1% not being met - shares of those Alto shareholders who accepted the offer were returned.

Capital Raisings

- ◆ Over the last few quarters Middle Island has raised a total of A\$6.87 million through three capital raisings:
 - November 2019 - A\$0.52 million raised through a placement of 130 million shares at A\$0.004/share, with this including a 1 for 1, January 2022/A\$0.0077 option,
 - January 2020 - A\$2.35 million raised through a fully underwritten non-renounceable rights issue of 588.4 million shares @ A\$0.004/share - the initial take up was 55%, with the offer also including a 1 for 1, January 2022/A\$0.008 option; and,
 - May 2020 - A\$4 million raised through an oversubscribed placement of 363.64 million shares at A\$0.011/share, with the funds to be put towards the Phase 2 RC and diamond drilling.
- ◆ Positive sentiment in the Company and gold has been demonstrated by the increase in the share price between the raisings, the full underwriting of the rights issue and the oversubscription of the latest placement.
- ◆ These raisings have brought in new shareholders, including the Copulos Group, a private investment group.

Board Appointment

- ◆ In December 2019, Middle Island appointed Mr Brad Marwood as a Non-Executive Director - Mr Marwood is a Mining Engineer with 30 years' experience in development, operations, management and corporate activities, and has participated in the construction and/or development of 26 projects globally, thus bringing valuable expertise to the planned development of the Project.

SANDSTONE GOLD PROJECT - MIDDLE ISLAND 100%

Gold Plant

- ◆ A key aspect of the Project is that it includes a 600,000 tpa CIP plant, site infrastructure (including a licenced tailings storage facility ("TSF") and camp facilities in the nearby town of Sandstone; this infrastructure was previously used by Troy Resources Limited (ASX: TRY, "Troy") in its Sandstone operations, which shut down in 2010.
- ◆ The Company used independent engineering consultants GR Engineering ("GRE") to estimate costs for the refurbishment of the plant, with a figure of A\$10.3 million (including A\$1.13 million owners' costs) being used for the February 2017 PFS.
- ◆ The refurbishment cost includes allowance for a new contract crushing circuit that will have the capability to treat all potential ore types and to deliver a finer product to the mill, unlike the previous crushing plant (which has been removed from site) that was suitable only for a majority of oxide material.
- ◆ Following what the Company considered to be adverse and misleading information in the market concerning the mill, Middle Island revisited the estimate, with the conclusion, as released to the market in September 2019, being that the cost would not be materially different from that used in the PFS.
- ◆ The estimated time from commencement of refurbishment to first throughput is five months - this compares with an estimate of A\$60 million and 12 months for a new facility of comparable size.

- ◆ The remaining capacity in the TSF has been independently estimated at 6 - 9 months, with the cost for a lift to add an extra two years capacity to the in-pit storage at Twin Shafts being included in the PFS.
- ◆ It is planned to use waste from cost neutral extensions to the Goat Farm pit to provide material for the lift, and then to use the expanded Goat Farm pit for in-pit tailings storage - it is expected that this could add a further 4 to 6 years' capacity.

Overall Strategy

- ◆ Since the 2016 acquisition, the strategy at Sandstone has been to restart the mill, and to that end Middle Island has looked at different strategies to bring this to fruition:
 - Increasing Resources through expansions and new discoveries on the Sandstone tenements,
 - Toll treating of 3rd party ore; and,
 - Adding Resources through the takeovers of and/or acquisitions from 3rd parties.

Project Scenarios and Optimisations

- ◆ As mentioned earlier, Middle Island completed a PFS in early 2017 to treat open cut material, however during the study it became evident that there was insufficient material to justify a restart.
- ◆ The Company then looked at including underground mineralisation at Two Mile Hill in the restart scenario (as presented in an underground concept study completed in early 2017), however the strategy now is to initially look at open pitable mineralisation, which comprises 123,600 oz of the current Resources as shown in Table 3; in addition over 80% of the open pit Resources are in the Indicated category.
- ◆ The Company released the conclusions of a stand-alone open cut re-optimisation study to the market on October 25, 2019, with this largely using the parameters as used in the PFS (Appendix 1), however with higher Australian dollar denominated gold prices of A\$2,000 and A\$2,500 per ounce compared to the A\$1,600/ounce as used previously.
- ◆ Another change is in the estimated pit wall angles - these have been significantly steepened to match those that are seen in the current pits, and that have stood up well since mining ceased in 2010 with a resultant decrease in stripping ratios and hence costs.
- ◆ The Company reported that the results were positive, and could support a restart using the Resources as of the time of the study, which was completed by independent consultants, Mining Focus Consultants.
- ◆ No production or financial numbers however were reported in the release.
- ◆ Our view is that the inputs as presented in Appendix 1 are reasonable, however we have not undertaken any modelling to assess the viability of an operation using these inputs.

Current strategy

- ◆ The failure of the Alto takeover bid has cemented the recent strategy for Middle Island, with this now concentrating on the increase of Resources within the Sandstone tenements.
- ◆ As mentioned earlier, this is targeted at recommencing standalone operations using the existing gold plant, and with a FS due for completion in Q3, 2019 - this will initially start with open cut operations, and then use time and cash flow to transition to a longer term underground operation if found to be feasible.
- ◆ The Company has planned and undertaken intensive drilling since the adjustment in strategy, with this including (and discussed later in this report):
 - 1,800 m of aircore drilling over five targets, completed in January 2020,
 - A Phase 1 17,300 m, 172 hole RC programme completed over 14 targets, with the main purpose to test and identify areas for further work; and,
 - A current Phase 2 RC and diamond programme that is expected to be completed by the end of July - the main aim of this programme is for Resource definition, which has included some 15,000 m of RC and 1,000 m of diamond drilling, in addition to further exploration drilling.
- ◆ The Company is also continuing discussions with 3rd parties that may provide acquisition or toll milling opportunities for any restart.

Resource Expansions

- ◆ Subsequent to the completion of the 2017 PFS and until the commencement of the 2020 drilling programmes (discussed later), Middle Island completed significant drilling on the Sandstone tenements to increase the Resource base - this has resulted in an increase in contained ounces from 581,746 oz in early 2017 (with only 102,000 oz being JORC-2012 compliant, Tables 1 and 2), to 623,600 oz that are JORC 2012-compliant as of now (Table 3), and of which 123,600 oz are potentially open pittable.
- ◆ Table 2 includes potentially open pittable material for both Shillington and Two Mile Hill.
- ◆ The increase in JORC 2012-compliant Resources has come both from new additions, and the upgrade of Resources that were previously estimated under the JORC 2004 guidelines.
- ◆ We note that Table 3 does not include Goat Farm, Plum Pudding and Twin Shafts, which were estimated under JORC 2004, and for which current drilling is targeted at upgrading to JORC 2012 compliance.

Table 1: 2016 Sandstone Aggregate Mineral Resource Estimate (JORC 2012)

2016 Sandstone Aggregate Mineral Resource Estimate (2012 JORC Code)									
Grade-Tonnage Report – Multiple Indicator Kriging with a Change Support Selective Mining Unit (5mE by 10mN by 2.5mRL)									
Cut-off Grade (g/t Au)	Indicated			Inferred			Total		
	Tonnes (kt)	Au (g/t)	koz Au	Tonnes (kt)	Au (g/t)	koz Au	Tonnes (kt)	Au (g/t)	koz Au
0.5	3,292	1.05	112	699	0.9	20	3,992	1.03	132
0.6	2,560	1.2	99	532	1.01	17	3,092	1.17	116
0.7	2,028	1.34	88	387	1.15	14	2,414	1.31	102
0.8	1,631	1.48	78	293	1.28	12	1,924	1.45	90
0.9	1,327	1.63	69	223	1.42	10	1,550	1.6	80
1	1,126	1.76	64	185	1.51	9	1,311	1.72	73

Source: MDI

Table 2: Pre-2016 gold resources (JORC 2004)

Previously Estimated Gold Resources (JORC 2004)					
Deposit	Category	Tonnes	Grade (g/t Au)	Contained Gold (oz.)	Tenement
Two Mile Hill - Tonalite	Inferred	10,541,000	1.33	452,094	M57/128
- BIF	Indicated	59,100	9.90	18,811	
Shillington	Inferred	130,000	1.50	6,269	M57/128
Plum Pudding	Inferred	50,000	1.60	2,572	M57/129
Total Indicated		59,100	9.90	18,811	
Total Inferred		10,721,000	1.34	460,935	
Total Resource		10,780,100	1.38	479,746	

Source: MDI

Table 3: 2020 Sandstone Aggregate Mineral Resource Estimate (JORC 2012)

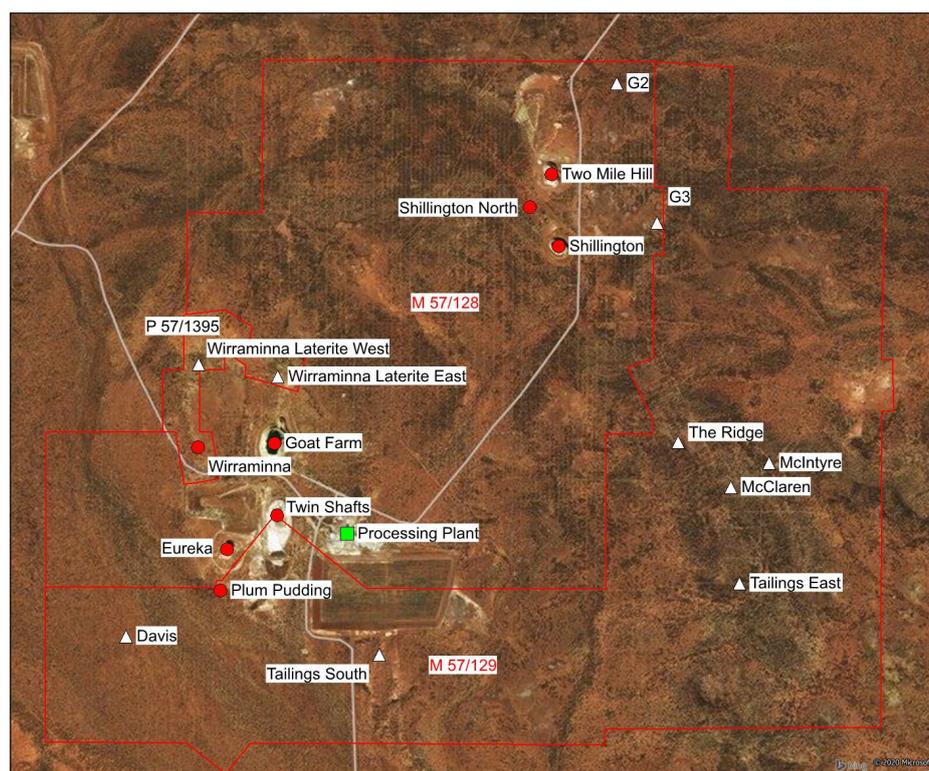
2020 Sandstone Aggregate Mineral Resource Estimate (JORC 2012)					
Deposit	Tonnes	Grade (g/t Au)	Contained Gold (oz.)	JORC Classification	JORC Year
Two Mile Hill – Open Pit	1,012,000	1.36	44,000	Indicated	2012
Two Mile Hill – Open Pit	114,000	1.10	4,000	Inferred	2012
Two Mile Hill – Tonalite (below 380m RL)	14,000,000	1.10	480,000	Inferred	2012
Two Mile Hill – BIF (below 380m RL)	200,000	3.10	20,000	Inferred	2012
Shillington – Open Pit	1,015,000	1.33	43,000	Indicated	2012
Shillington – Open Pit	272,000	1.17	10,000	Inferred	2012
Wirraminna – Open Pit	307,000	1.50	14,600	Indicated	2012
Wirraminna – Open Pit	243,000	1.10	8,400	Inferred	2012
Total Indicated	2,334,000	1.37	101,600	Indicated	2012
Total Inferred	14,129,000	1.09	522,000	Inferred	2012
Total Resource	17,163,000	1.13	623,600	Indicated & Inferred	2012

Source: MDI

2020 Drilling

- ◆ As mentioned earlier the Company is undertaking major drilling programmes over Sandstone with a view to increasing and upgrading Resources to feed into the FS - these programmes have largely been planned and executed subsequent to the lapse of the Alto takeover bid.
- ◆ The 1,800 m aircore and part of the 17,300 m Phase 1 RC programmes included testing of Weights of Evidence (“WoE”) targets identified from a 2017 study - all targets are shown in Figure 2 with results summarised in Table 4.
- ◆ The Phase 1 RC drilling tested six existing Resources and eight prospects as shown in Table 4; a number of the prospects (including the two Wirraminna laterite prospects) were also tested as part of the 1,800 m aircore programme completed in January 2020.
- ◆ Not shown is Dandaraga - this was drill tested in the September quarter, 2019, and the Company subsequently withdrew from the option due to poor results.
- ◆ Overall, the Phase 1 RC programme can be considered very successful, and includes the discovery of five new satellite zones of mineralisation for which initial Resources will be estimated, being The Ridge, McIntyre, McClaren, Old Town Well and Plum Pudding (with the latter being the previously unrecognised extensions to the historically mined shallow Plum Pudding laterite mineralisation).
- ◆ These results point towards the potential to add significant ounces to the current MRE, to add to the robustness of any restart of Sandstone.
- ◆ The majority of these prospects/deposits are being further tested in the current Phase 2 RC/diamond programme, as detailed in the June 9, 2020 release.

Figure 2: Sandstone deposits (red circles) and prospects (white triangles) - grid is one kilometre.



Source: Adapted from MDI

Table 4: Phase 1 RC results summary

Phase 1 RC results summary					
Prospect	Status	Summary	Notes	Holes	Meters
Two Mile Hill	JORC 2012	NE Quadrant of O/C tested - consistent with expectations to extend and/or improve confidence in mineralisation in basalts	Includes 22 m @ 1.42 g/t Au from 65 m. Conceptual pits are very sensitive to changes in Resources.	6	708
Shillington	JORC 2012	Infill supported existing resource, as well as potentially joining Shillington and Shillington North	Southernmost line intersected mineralisation (inc 3 m @ 6.86 g/t Au), with potential to extend the mineralisation to the south	13	1,440

Phase 1 RC results summary					
Prospect	Status	Summary	Notes	Holes	Meters
Wirraminna	JORC 2012	Drilling to upgrade peripheral inferred mineralisation to indicated	Results in agreement with historic intercepts, upgrade potential supported	15	1,446
Goat Farm	JORC 2004	Numerous 2 m to 10 m intercepts at ~1 g/t Au confirm historical work, as well as the continuity of mineralisation between Goat Farm and Twin Shafts	Should allow conversion of JORC 2004 Resource to JORC 2012	21	1,275
Twin Shafts	JORC 2004	Moderate grade extensions to previously mined material - pit is used as an in-pit TSF	Generally steeply dipping zones of oxide, drilled to ~50 mbs	7	366
Plum Pudding	JORC 2004	4th discovery - High grades in extensions of known mineralisation	Aggregate width of 120 m, and a strike length of 240 m	15	894
McClaren	Prospect	1st discovery - Good results - potential for new open pit oxide deposit.	Includes 4 m @ 90.6 g/t Au.	10	756
McIntyre	Prospect	2nd discovery - Confirmed as a possible low strip open pit target	Average grade around 1.4 g/t, up to 24 m @ 1.66 g/t Au. Consistent mineralisation, persistent down dip for ~ 140 m, 180 m in lateral extent.	12	774
The Ridge	Prospect	5th discovery - Shallow dipping mineralisation identified over a strike length of 225 m	Looks similar to McClaren, but a possible dislocation. Some high grade results, including 4 m @ 99.5 g/t Au from 13 m, and broad intercepts, including 13 m @ 3.81 g/t Au from 24 m	4	342
Old Town Well	Prospect	3rd discovery - Positive results	Mineralisation intersected to date is possibly peripheral to more significant gold mineralisation	15	1,326
Davis	Prospect	WoE target, RC drilling downgraded the prospect	Best intercept of 8 m @ 0.95 g/t Au from 44 m. (4 m composite assays)	20	1,254
Tailings East	Prospect	Possibly follow up	Only one significant result - 4 m @ 2.55 g/t Au	14	840
Tailings South	Prospect	No significant results from RC drilling	Aircore gold anomaly not explained	14	1,101
G2 and G3 Gravity	Prospect	G2 - deep weathering may explain anomaly, however at G3 target may be deeper than drilling	Target was conceptual intrusive plugs similar to the TMH Tonalite	7	876
Wirraminna Laterite East	Prospect	Downgraded - no significant results	Drilled in Phase 1 Aircore		
Wirraminna Laterite West	Prospect	Downgraded - no significant results	Drilled in Phase 1 Aircore		

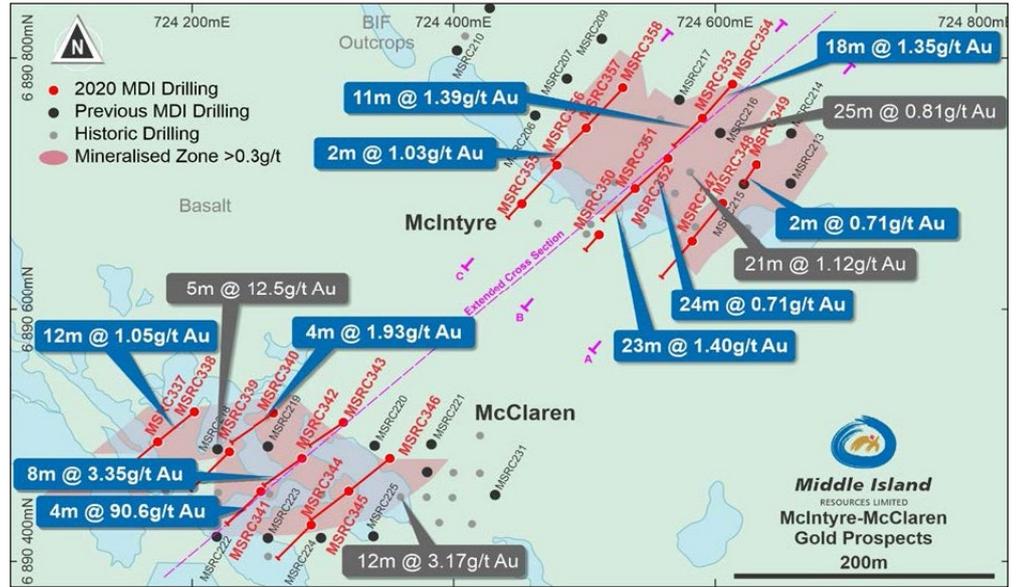
Source: IIR Analysis

- ◆ We will briefly discuss these results below - more detailed discussions are provided in a series of Company announcements released throughout April and May, 2020.

McClaren/McIntyre/The Ridge

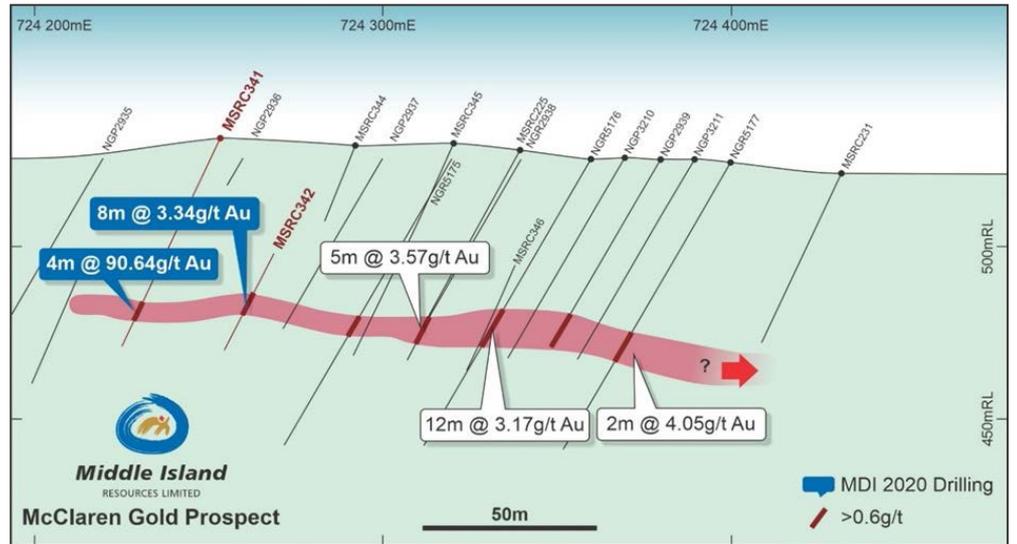
- ◆ These three prospects form a group in the SE of M57/129 (Figure 2), and have returned some very strong intersections - they were initially identified by historical reconnaissance drilling.
- ◆ The deposits are interpreted as being associated with a southeast striking, sub-horizontal to shallow northeast dipping package of banded iron formations (BIF's) - it is also interpreted that this package is consistent to that hosting the Shillington deposits.
- ◆ McClaren forms a flat lying zone of mineralisation at ~50 m to 70 m below surface, with a NW strike length of 250 m to 300 m, lateral extent of 100 m, thickness of 4 m to 20 m and with generally high grade intersections, including one of 4 m @ 90.64 g/t Au from 60 m downhole (Figures 3 and 4).

Figure 3: Plan of McIntyre and McClaren drilling and mineralisation



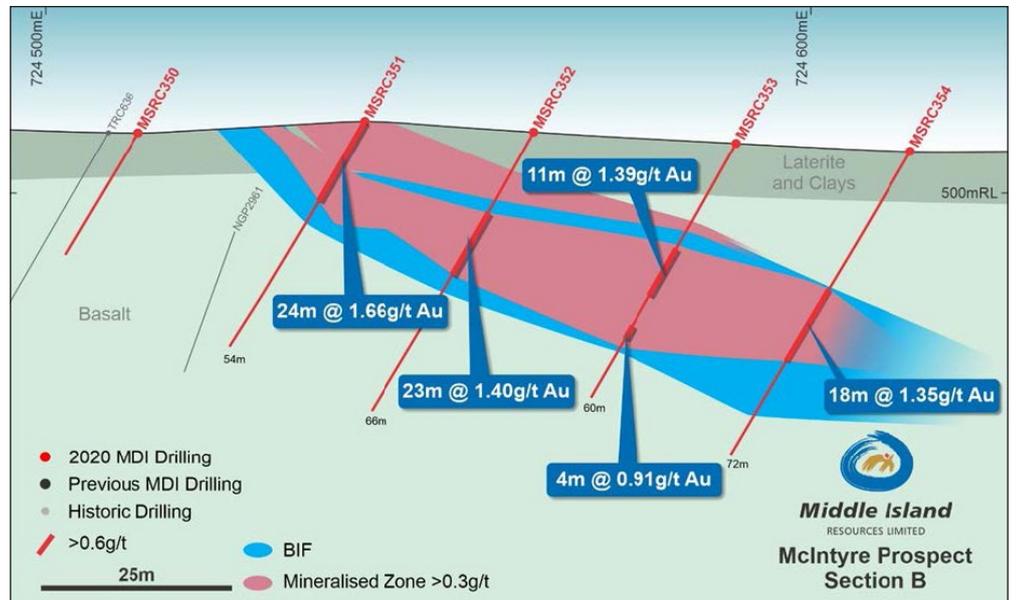
Source: MDI

Figure 4: McClaren long section looking NE



Source: MDI

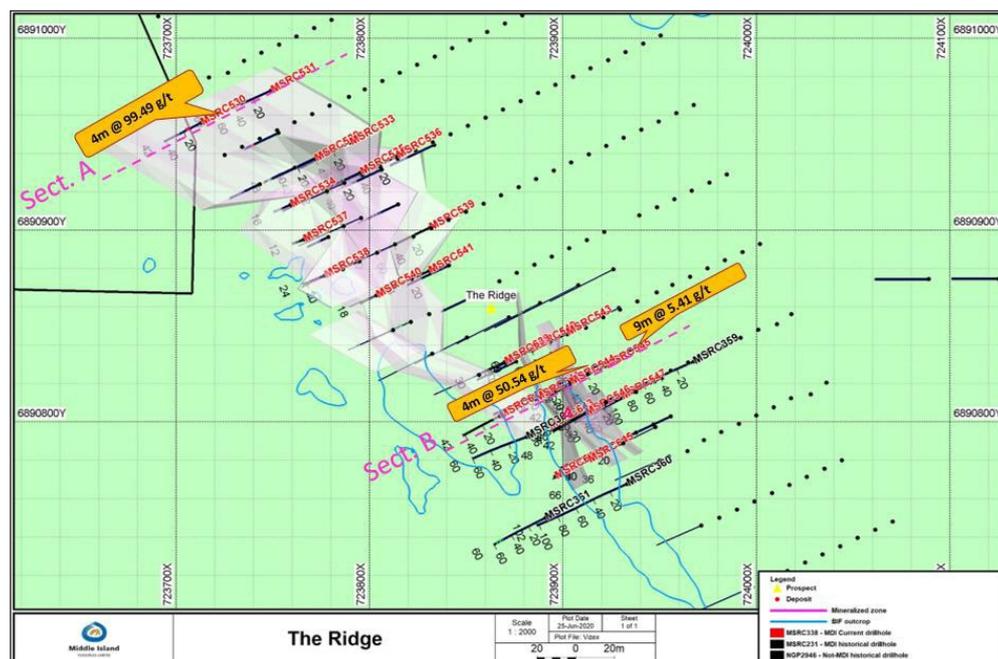
Figure 5: McIntyre cross section, looking NW



Source: MDI

- ◆ McIntyre, located some 200 m to the NE of McClaren (Figure 3), forms a very shallow, and gently NE dipping 8 m to 25 m thick zone of moderate grade mineralisation, with a down dip extent drilled to date of 140 m (and still open, Figure 5), and a lateral extent of 200 m.
- ◆ This provides the potential for a very low strip ratio open cut deposit.
- ◆ Geological mapping of the area including McClaren, McIntyre and The Ridge indicates that there may be a strong NE-trending structural control on the mineralisation within the BIF units, which would mean that the drilling was sub-parallel to this direction - this leaves open the potential to discover additional mineralisation through changing the orientation of the drilling, which may be investigated following the review of the Phase 2 programme.
- ◆ Further work, including drilling, is required to ascertain the relationship between McClaren and McIntyre; options include faulting or else mineralisation in McIntyre may be in a higher stratigraphic position than that at Shillington and McClaren.
- ◆ These areas are planned to be tested by a further ~3,000 m of RC drilling as part of the current Phase 2 programme.
- ◆ The third deposit in the group, The Ridge, was previously drilled by Troy and National Resources Corporation, with a plan being shown in Figure 6.
- ◆ Four holes in two traverses were drilled at the southern end of the mineralisation to test the continuity between The Ridge and McClaren to south, however these did not return any significant intercepts.
- ◆ Further drilling is under way in the Phase 2 programme to verify the historic work at The Ridge to allow incorporation into a JORC 2012 compliant MRE, as well as test the extents - the initial results is very positive, with these returning up to 4 m @ 99.5 g/t from 13 m in hole MSRC530, including 1 m @ 390 g/t Au which repeated at 502 g/t Au (Figure 6).
- ◆ Hole MSRC530 (along with MSRC531, for which assay results are awaited) are the northernmost holes at The Ridge, and immediately about the southern end of the Shillington Gap target, as discussed below, the other high grades received to date are near the southern end.

Figure 6: The Ridge plan, showing Phase 2 results received to date



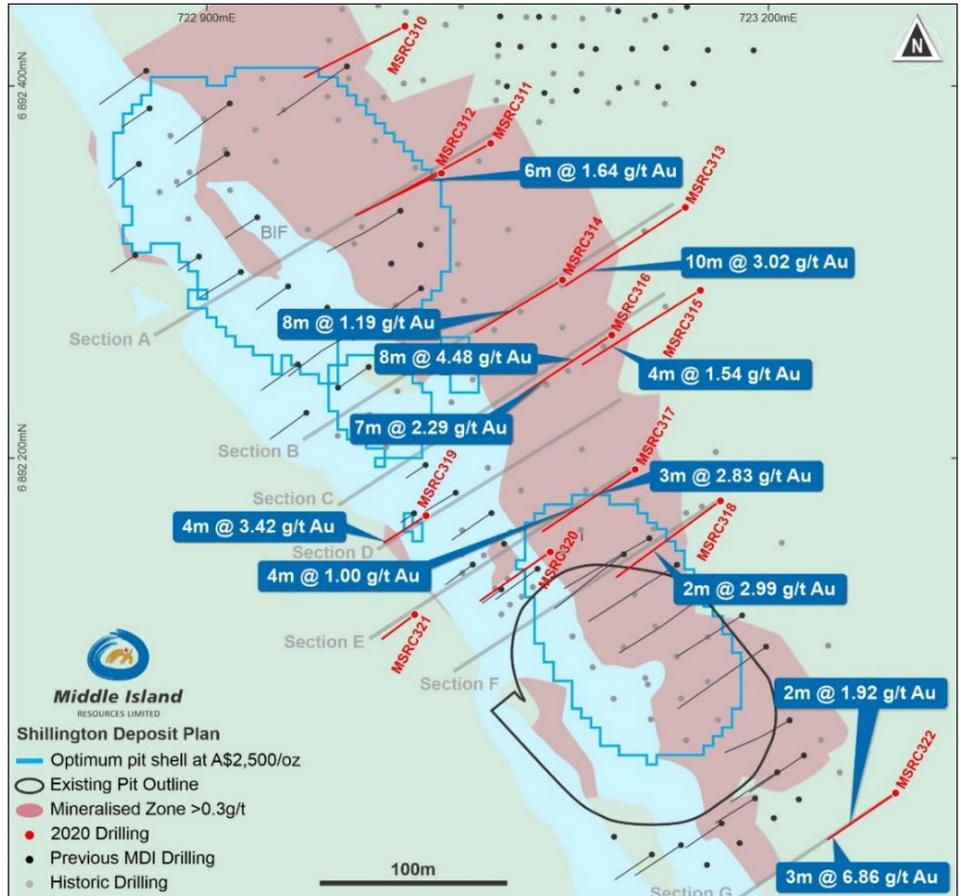
Source: MDI

Shillington/Shillington North

- ◆ Drilling at the Shillington area was largely designed to extend and provide confidence in the current JORC 2012 compliant open pit MRE (Figure 7).
- ◆ The results of this work were generally positive, and the Company considers that, with a pit re-optimisation, higher gold price and the results of the drilling, that a mineralised link between the two optimised pits shown in Figure 7 may be delineated, and thus more ounces may be added to the potential mining inventory.
- ◆ Mineralisation is also open to the south, with potential extensions to be tested in the Phase 2 RC/diamond programme.

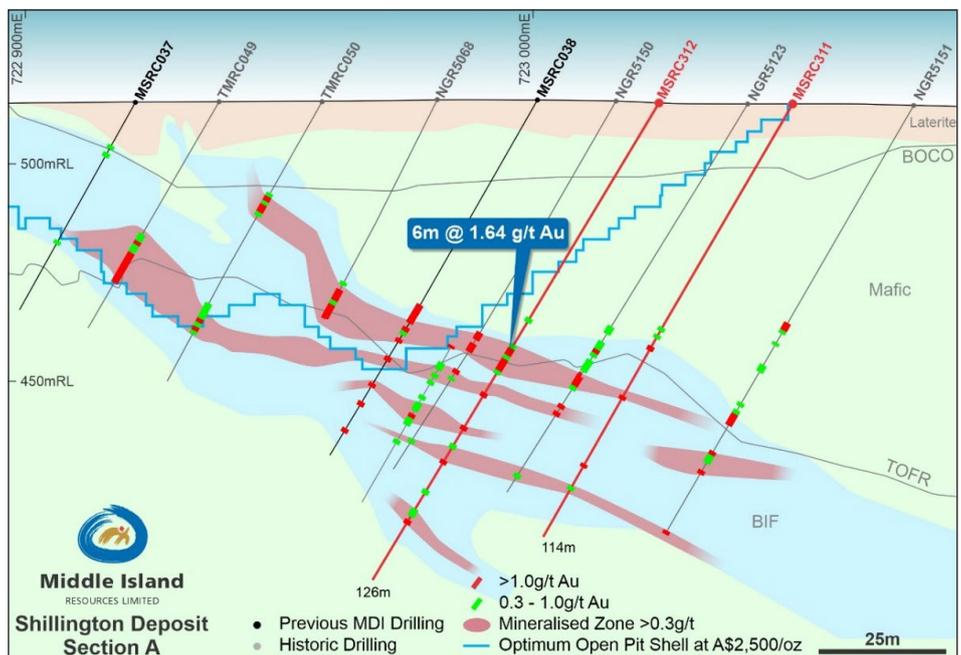
- ◆ As shown in Figure 8, mineralisation at Shillington strikes NW-SE, and dips moderately to the NE - it is hosted within a BIF package.
- ◆ The Company is also investigating a potential geological link between Shillington and the McIntyre/McClaren/The Ridge mineralisation to the SE - this presents a 1.15 km long target zone as shown in Figure 9, and largely defined by magnetics, which reflect fresh BIF.
- ◆ This link provides one of the exploration targets to be further investigated during the Phase 2 programme - a recently completed 25 m line spacing airborne magnetics and radiometrics survey over the two MLs will be partly used to better understand the BIFs.

Figure 7: Shillington plan, showing mineralisation, drilling and optimum pit shells



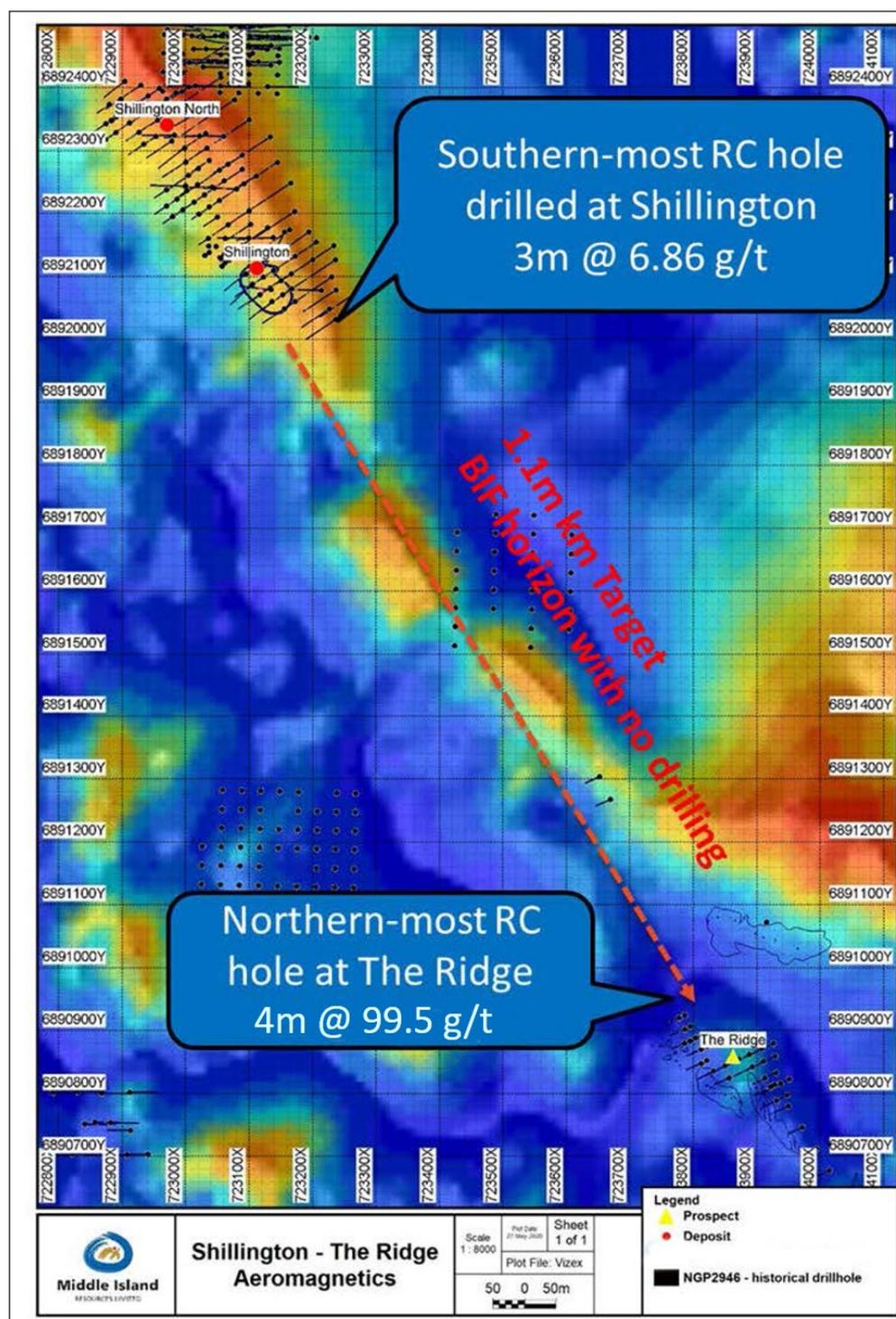
Source: MDI

Figure 8: Shillington section A looking NW



Source: MDI

Figure 9: Shillington - The Ridge link target

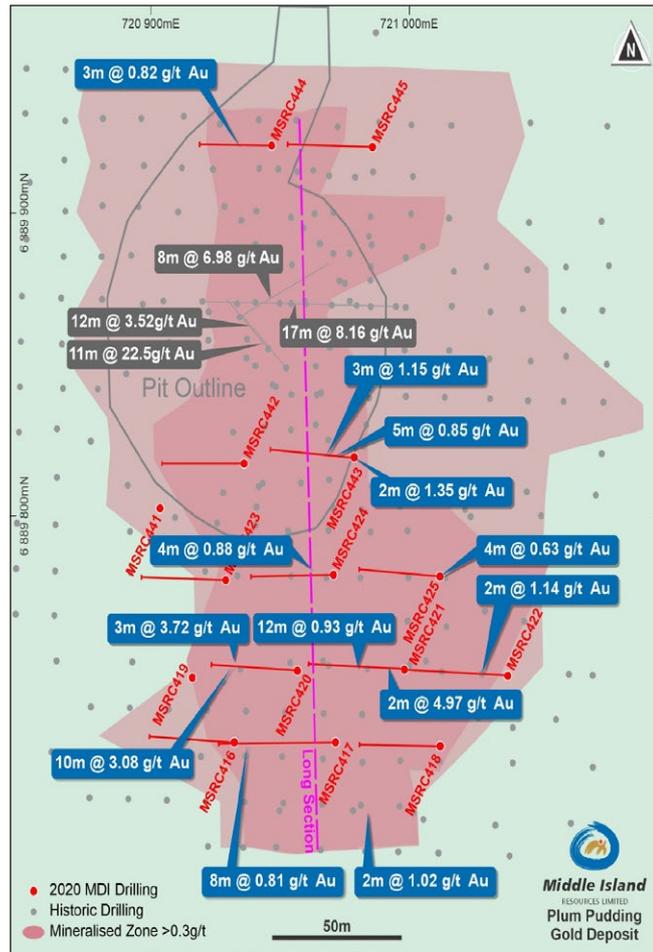


Source: MDI

Plum Pudding

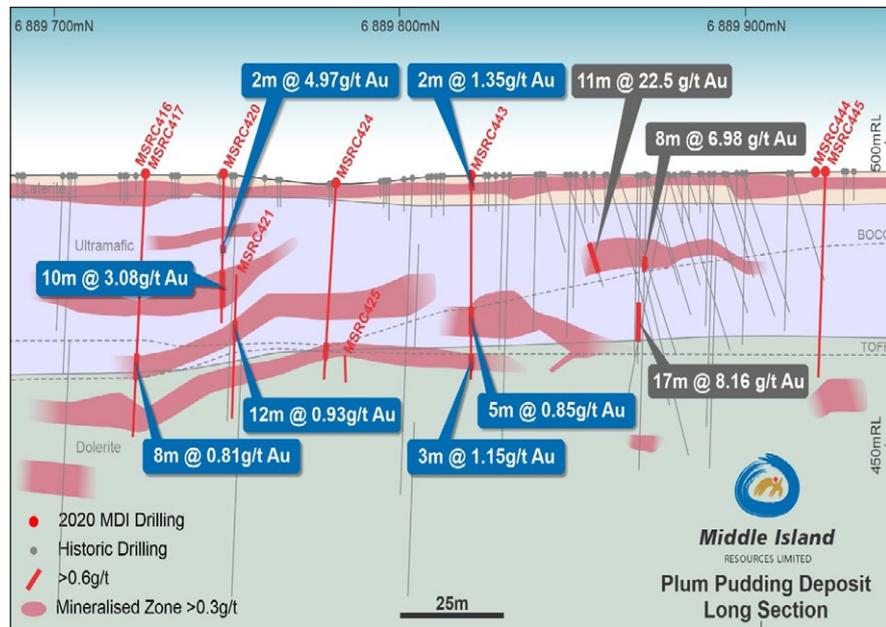
- ◆ Our view is that some of the most significant results from the western area of mineralisation, in the vicinity of the processing plant, are from Plum Pudding, which has extended the historically mined mineralisation (Figure 10) by an area covering some 240 m x 120 m, with new results of up to 10 m @ 3.08 g/t Au, extending zones delineated by historic results of up to 11 m @ 22.5 g/t Au.
- ◆ The newly discovered extensions comprise a series of shallow stacked, flat lying layers (Figure 11), all of which appear to be hosted in the laterite and saprolite profile associated with quartz veining within ultramafic and mafic rocks.

Figure 10: Plum Pudding plan



Source: MDI

Figure 11: Plum Pudding long section looking west

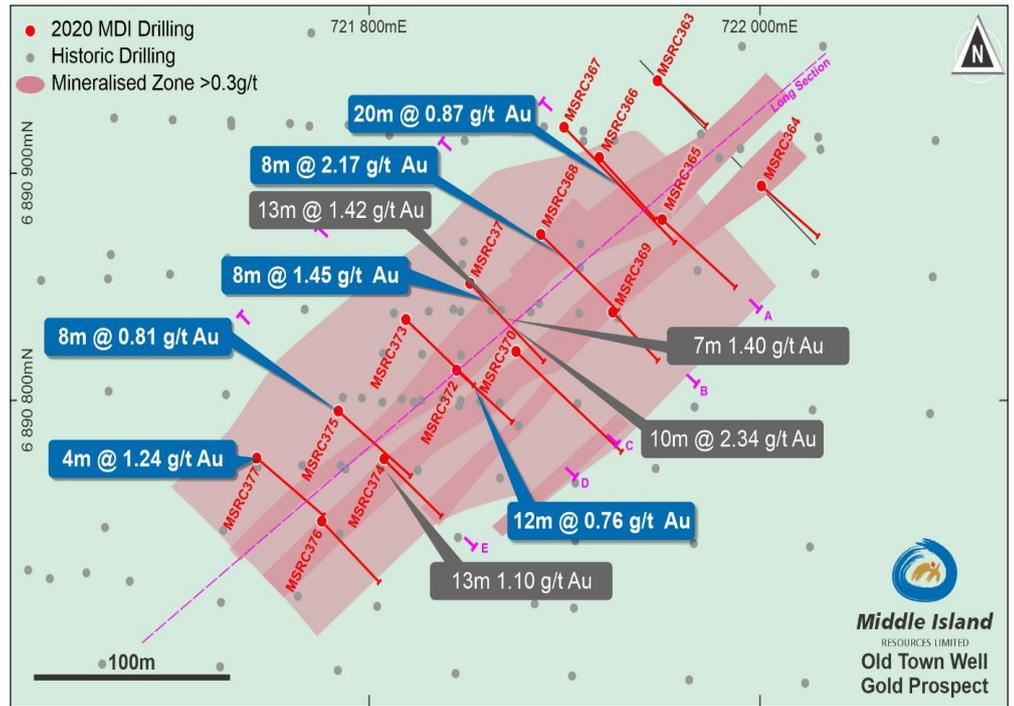


Source: MDI

Old Town Well

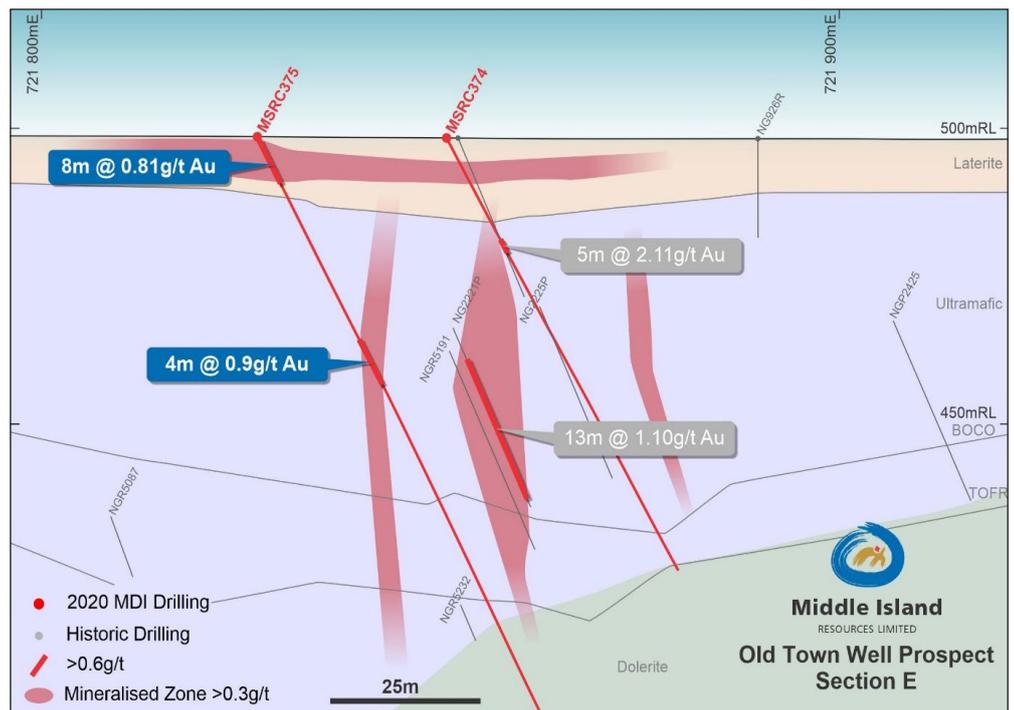
- ◆ Old Town Well is another prospect without a previous MRE, and thus has the potential to add further ounces to the upcoming updated Project MRE.
- ◆ Old Town Well comprises a series of sub-parallel, NE trending zones with a strike length of at least 340 m and an aggregate width of up to 60 m (Figures 12 and 13) - again like most prospects intercepted mineralisation is within the oxide zone, which should result in good metallurgical recoveries.

Figure 12: Old Town Well plan



Source: MDI

Figure 13: Old Town Well section E, looking NE

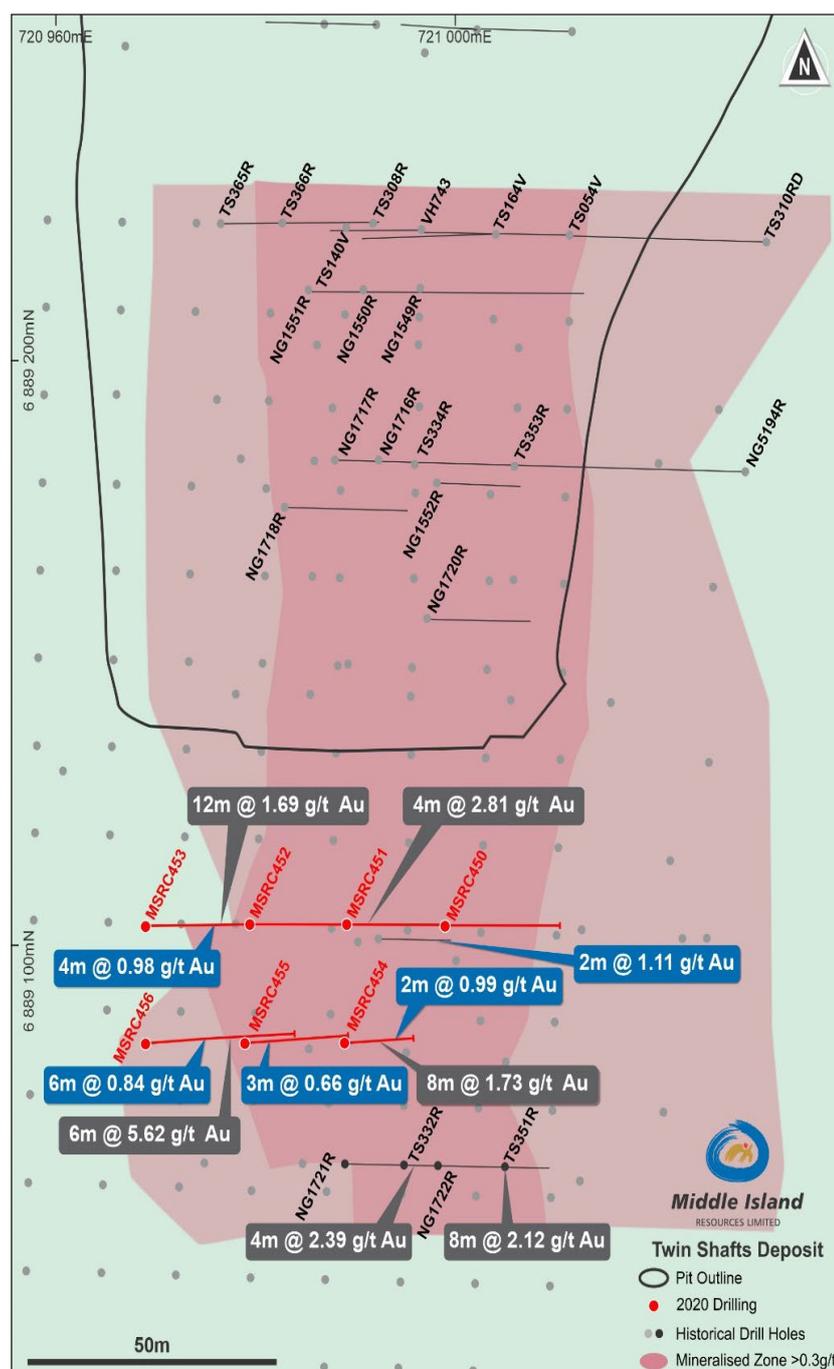


Source: MDI

Twin Shafts/Goat Farm

- ◆ Drilling at these prospects was designed to infill and extend the known mineralisation, which occurs at the southern ends of the respective pits; in addition the Goat Farm mineralisation abuts the northern end of the Twin Shafts pit.
- ◆ The mineralisation at the southern end of Twin Shafts is below 5 m of waste rock, and is immediately along strike from the pit which is used as a tailings storage facility; despite this the Company is of the view that the intersections (both historic and new) as shown in Figure 14 are of sufficient interest to be used in an MRE, and optimisation may result in them being economic.
- ◆ The waste rock present may provide suitable material for a planned lift/extension of the current TSF.

Figure 14: Twin Shafts plan



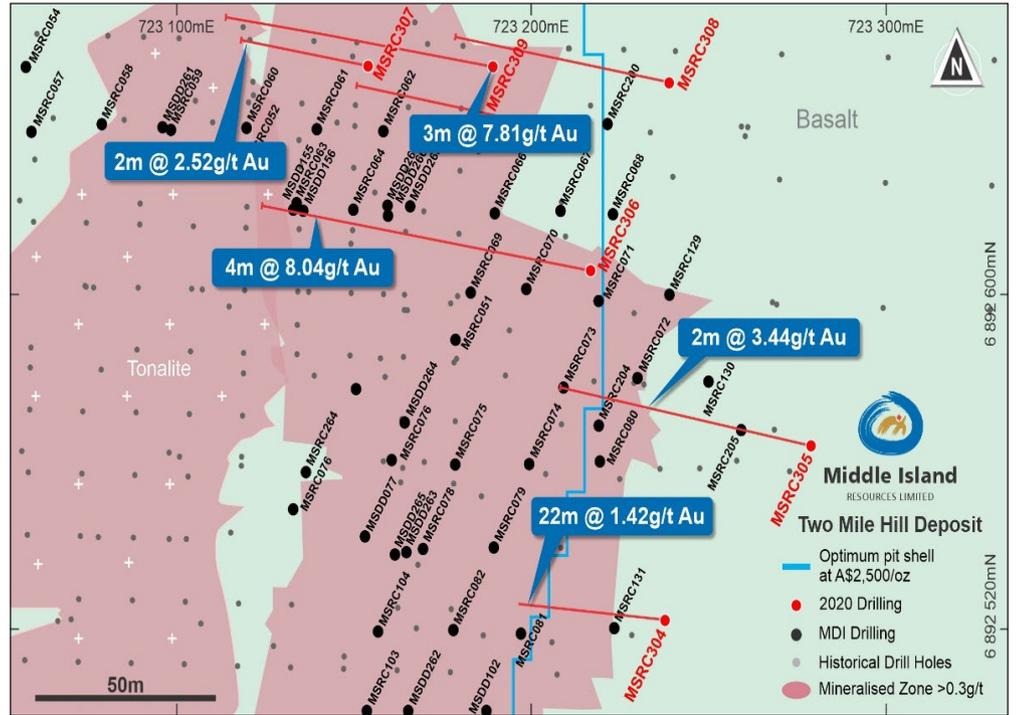
Source: MDI

- ◆ The drilling at Goat Farm intersected a number of 2 m to 4 m thick zones averaging ~1 g/t Au - like Twin Shafts the economic viability will be assessed, and if mined, like Twin Shafts, waste may be suitable for use on a lift/extension of the TSF; in addition, any mined out pit may potentially be used for in-pit tailings storage.

Two Mile Hill

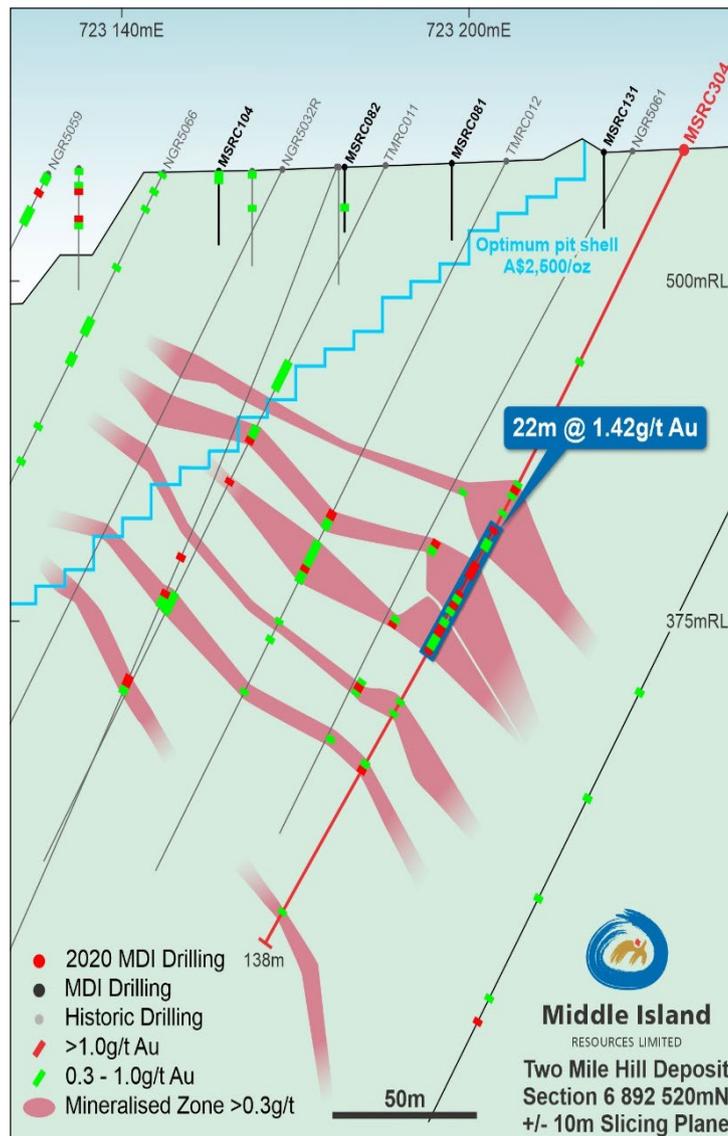
- ◆ The Two Mile Hill prospect has seen significant previous drilling, with some of this work discussed in our previous notes.
- ◆ The deposit contains two main styles of mineralisation - the vertical tonalite plug, and mineralisation hosted in basalts and BIFs intruded by the tonalite.
- ◆ There are current JORC 2012 compliant MREs for both potential open cut and underground mineralisation at Two Mile Hill, with these shown in Table 3.
- ◆ The aim of the Two Mile Hill drilling in the Phase 1 RC programme was to test the basalt-hosted mineralisation in the NE quadrant of the deposit, adjacent to the tonalite - the conceptual pit shells are sensitive to changes in Resources in this area.
- ◆ The results of the drilling were in line with expectations, with a best intersection of 22 m @ 1.42 g/t Au from 65 m in hole MSRC304 (Figures 15 and 16).

Figure 15: Two Mile Hill plan



Source: MDI

Figure 16: Two Mile Hill section



Source: MDI

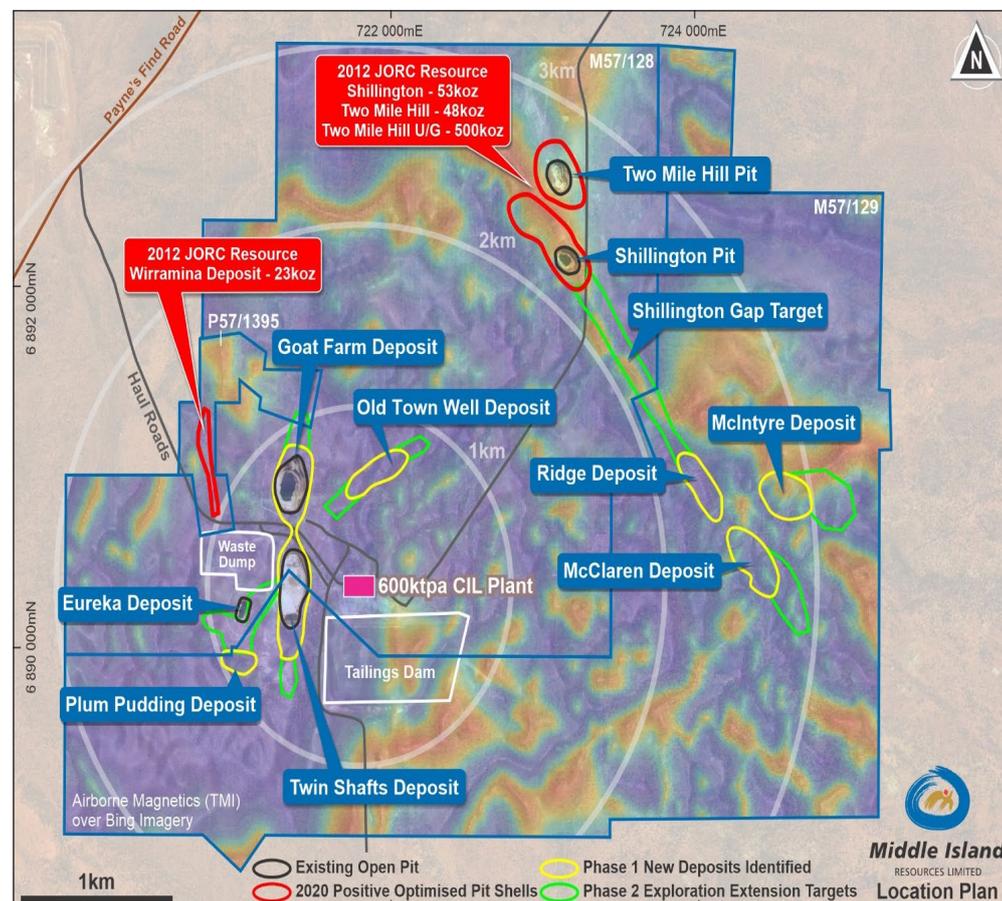
Wirraminna

- ◆ Drilling at Wirraminna, which already has a JORC 2012 compliant MRE containing 23,000 oz was largely designed to upgrade peripheral Inferred material to Indicated, and to test for the possibility of extensions.
- ◆ Although no high grade extensions were identified, results were consistent with those from adjacent holes, and it is expected that at least part of the Inferred Resources will be Upgraded.

Current and Upcoming Activities

- ◆ The Company has a comprehensive exploration programme planned, which is expected to include:
 - Phase 2 RC resource definition drilling – commenced 5 June 2020 with 13,846 m of RC drilling at the five new satellite deposits and Shillington extension (Figure 15),
 - Phase 2 diamond drilling – notionally two HQ3 diamond holes per satellite target (~1,000 m in total) to commence in the latter stages of the Phase 2 RC program (July),
 - A detailed 25 m line spacing Airborne magnetic & radiometric survey has been completed over the two granted Mining Leases and Wirraminna Prospecting License to accurately identify prospective BIF units in advance of Phase 2 RC exploration drilling,
 - Phase 2 RC exploration drilling - to commence between The Ridge and Shillington gold deposits (Shillington Gap), and adjacent to Eureka following Phase 2 RC resource definition drilling and airborne magnetic survey (July); and,
 - A recently completed drone terrain survey for high resolution digital terrain model (DTM) over the two granted Mining Leases and Wirraminna Prospecting Licence in advance of the FS.
- ◆ Targets for the current drilling and other key features are shown in Figure 17, with further details presented in the Company's release of June 9, 2020.
- ◆ This work will provide steady news flow over coming months.

Figure 17: Upcoming drilling targets and Resources

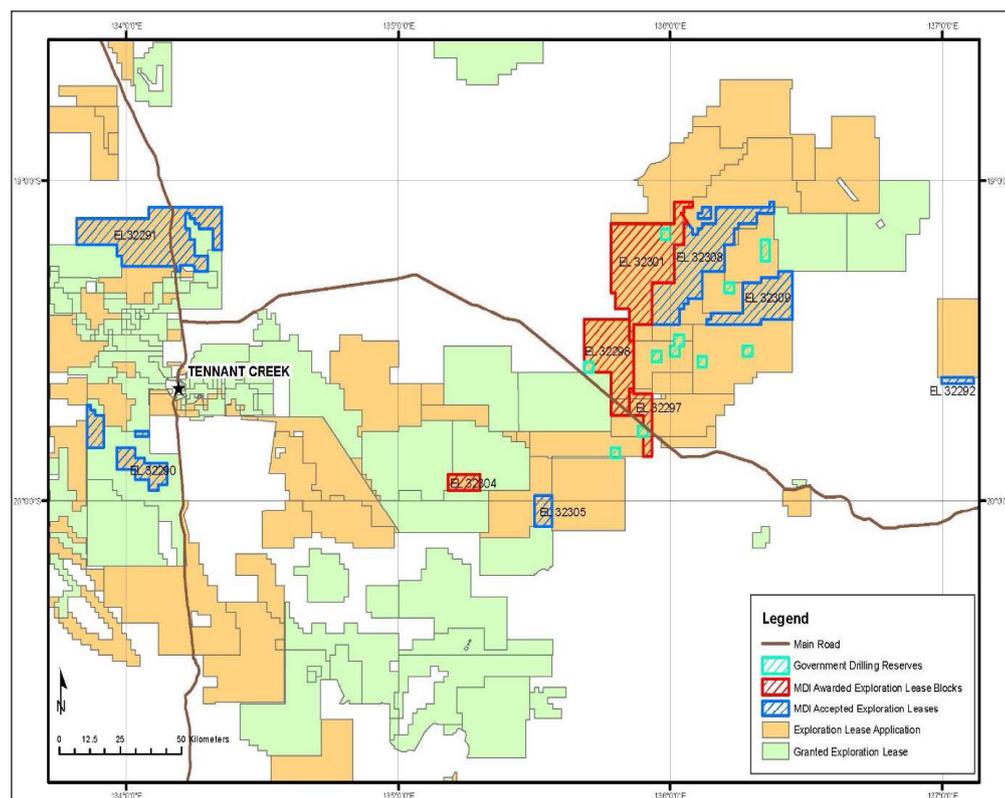


Source: MDI

BARKLY SUPER PROJECT - NORTHERN TERRITORY

- ◆ Middle Island currently has 10 ELAs covering 3,253 km² over the Barkly Tableland of the Northern Territory (Figure 18) - these cover Proterozoic units of the East Tennant IOCG Province, considered prospective for IOCG mineralisation similar to that at Tennant Creek.
- ◆ A large proportion of the former moratorium area is covered by units of the Georgina Basin.
- ◆ The tenement package includes six ELAs accepted in total, and four competitive applications, for which between 19% and 95% (overall 58%) were allocated to Middle Island - competitive applications included those by Newcrest.
- ◆ Initial work will include desk top studies, reviewing any open file exploration data and designing high-resolution geophysical surveys to refine modelled targets to be used to target drilling.

Figure 18: Barkly Super-Project tenement allocations



Source: MDI

PEER GROUP ANALYSIS

- ◆ Table 5 presents a group of Western Australian focussed ASX-listed gold developers.
- ◆ As a comparison metric, we have used EV/equity resource ounce – this however should be considered an indicative comparison only, with this being affected by any number of factors.
- ◆ This does not take into consideration the value of any other resource projects the companies may have.
- ◆ In the group below the resource weighted average EV is A\$71/ounce, and with a general increase in value with project stage - this group excludes the companies that we consider outliers, with these including those that have had recent discoveries that are not reflected in Resources amongst others.
- ◆ An analysis of the data indicates a general relationship (for the main cluster of companies with a grades of between 1 g/t and 3 g/t gold) between Resource grade and EV of "EV/ounce (A\$) = Resource grade (g/t Au) x 60" - this however has appreciable scatter, and an R² of 0.74.
- ◆ The EV of Middle Island is around that predicted by the relationship, however we would expect an increase in value with the delineation of additional ounces (as we expect given the results of the drilling) and down the track any decision to restart Sandstone.

Table 5: Middle Island peers

Table 2: Middle Island peers							
Company	Location	EV Undiluted (A\$m)	Global Resource (Mt)	Global Au Grade (g/t)	Contained Au Moz Coy Share	EV/oz Au equity share	Project Stage
Spectrum	Yilgarn	\$271.2	0.8	13.82	0.36	\$763.64	Taken Over by Ramelius - Value at A\$0.19/share
Musgrave Mining	Yilgarn	\$255.9	6.5	2.96	0.61	\$417.07	Resource Expansion/ Upgrade
De Grey Mining	Pilbara	\$896.6	37.4	1.80	2.17	\$414.08	Resource Expansion/ Upgrade
Bellevue Gold	Yilgarn	\$698.1	6.1	11.30	2.22	\$314.99	Resource Expansion/ Upgrade
Capricorn Metals	Pilbara	\$534.9	86.7	0.78	2.17	\$246.81	Development
Rox	Yilgarn	\$159.2	13.5	2.95	0.69	\$232.05	Resource Expansion/ Upgrade
Vango Mining	Yilgarn	\$109.7	2.0	7.97	0.51	\$213.58	Resource Expansion/ Upgrade
Genesis Minerals	Yilgarn	\$99.1	8.5	3.21	0.87	\$113.34	Resource Expansion/ Upgrade , FS
Pantoro Limited		\$262.5	37.2	3.87	2.51	\$104.62	Production
Calidus Resources	Pilbara	\$128.2	21.3	1.83	1.25	\$102.51	DFS, Permitting on Warrawoona
Gateway Mining	Yilgarn	\$23.9	3.4	2.20	0.24	\$98.86	Resource Expansion/ Upgrade
Kin Mining	Yilgarn	\$87.1	21.1	1.40	0.95	\$91.79	Resource Expansion/ Upgrade
NTM Gold	Yilgarn	\$61.0	13.4	1.57	0.68	\$89.88	Resource Expansion/ Upgrade
Ora Banda Mining	Yilgarn	\$178.7	23.3	2.75	2.06	\$86.77	Resource Expansion/ Upgrade
Matsa	Yilgarn	\$37.6	5.9	2.32	0.44	\$85.63	Production
Saturn Metals	Yilgarn	\$64.7	24.5	1.00	0.79	\$82.10	Resource Expansion/ Upgrade
Apollo Consolidated	Yilgarn	\$82.9	27.1	1.22	1.06	\$78.25	Resource Expansion/ Upgrade
Medusa Mining	Mindanao	\$101.7	11.3	3.89	1.42	\$71.81	Production
Middle Island	Yilgarn	\$44.7	17.2	1.13	0.62	\$71.74	Resource Expansion/ Upgrade
First Au	Yilgarn, Pilbara	\$4.7	0.6	3.30	0.07	\$68.92	Pilbara Exploration
Kairos Minerals	Pilbara	\$56.9	20.9	1.30	0.87	\$65.21	Resource Expansion/ Upgrade
Alto Metals	Yilgarn	\$21.8	6.2	1.68	0.34	\$64.85	Resource Expansion/ Upgrade , Under Takeover
Horizon	Yilgarn	\$64.1	24.9	1.32	1.06	\$60.70	Production by July
Alt Resources	Yilgarn	\$28.4	10.5	1.54	0.52	\$54.65	Resource Expansion/ Upgrade
Breaker Resources	Yilgarn	\$54.4	23.2	1.34	1.00	\$54.55	Resource Expansion/ Upgrade
Bardoc Gold	Yilgarn	\$118.5	49.4	1.90	3.02	\$39.23	PFS Completed, Resource Expansion/ Upgrade
Ausgold	Yilgarn	\$46.8	33.9	1.10	1.20	\$38.96	Resource Expansion/ Upgrade

Source: IRESS, Company Reports, IIR analysis. Values as of July 10, 2020.

RISKS

- ◆ **Resource upside** – This is the key risk for MDI at Sandstone (either from exploration success, acquisitions or third-party agreements), with an increase in resources required to realistically justify a plant refurbishment and restart of robust operations at Sandstone – results of work to date however have highlighted the potential for this to occur.

- ◆ **Exploration** - This is the main risk at the newly Acquired Barkly Super-Project.
- ◆ **Funding** - This is a perennial issue for junior resource companies, however having just raised A\$4 million, and with the potential to bring in over A\$8 million from option conversions, Middle Island is well funded for the time being.
- ◆ **Markets** – Although they are strong at the moment, markets can turn on a dime (and current global events could trigger a severe market crisis) and funding for juniors can dry up very quickly.
- ◆ **Metals prices and exchange rates** – Although we are seeing relatively high AUD denominated gold prices at the moment, the grades and relatively small throughput of any operation at Sandstone will mean that economics of any operation will be relatively sensitive to changes in the gold price.
- ◆ **Sovereign and permitting** – Being in a mining friendly jurisdiction and being on granted mining leases these are low risk factors for MDI.

APPENDIX 1 - PFS AND RE-OPTIMISATION PARAMETERS

Summary Whittle Four-X Input Parameters			
Item		Unit	Value
Mill throughput		Ktpa	500
Gold price (3 scenarios)		\$/oz	1,600/2,000/2,500
Royalty	Two Mile Hill & Shillington		4.5
	Wirraminna	%	2.5
Doré transport, insurance and refining costs		\$/oz	1.00
	Two Mile Hill	%	92.9
Processing recovery	Shillington		93.5
	Wirraminna		92.2
	Two Mile Hill		25.80
Processing cost	Shillington	\$/t milled	28.80
	Wirraminna		25.80
	Two Mile Hill & Shillington		9.50
General and administration	Wirraminna	\$/t milled	11.93
	Two Mile Hill & Shillington	\$/t milled	4.52
Owner's fixed mining costs	Wirraminna		0.82
Grade control (All deposits)		\$/t milled	0.50
Pit-dewatering (All deposits)		\$/t milled	0.05
Rehabilitation (All deposits)		\$/T waste	0.03
	Two Mile Hill		-3.45
Average Mining Costs	Shillington	\$/t mined	-3.60
	Wirraminna		-3.40/t
Dilution	Two Mile Hill Shillington Wirraminna	%	(inherent in resource estimation technique) (inherent in resource estimation technique) 5%
	Two Mile Hill		97
Mining recovery	Shillington	%	97
	Wirraminna		95
Overall pit wall slope angle (incl. ramp system)	Degree	2016	2019
	Oxide	34	45
Two Mile Hill	Transition	34	45
	Fresh	38	50
	Oxide	34	50
Shillington	Transition	34	50
	Fresh	38	50
Wirraminna	Ranging from FW – Oxide: 35° to HW – Fresh: 49°		

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