



Middle Island
RESOURCES LIMITED

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27 January 2022

Dear Shareholder,

SANDSTONE GOLD PROJECT SALE TO AURUMIN LIMITED

Middle Island Resources Limited (**MDI**) is pleased to advise that the sale of all shares in Sandstone options Pty Ltd to Aurumin Limited (**AUN**) should complete within a few weeks of the scheduled general meeting 10:00am, 11 February 2022.

The details of the transaction have been presented in the Notice of Meeting issued 11 January 2022. The purchase price is A\$6M cash plus A\$6m AUN shares that will be escrowed for 12 months. The transaction is scheduled to be finalised within ten working days of MDI shareholder approval; expected Friday 11 February 2022.

Independent Technical Expert, a tier 1 accountancy firm, BDO, completed an assessment of the proposed sale and found it to be fair and reasonable. BDO found the proposed price fits within current market transactions realised for sale of gold deposits.

AUN's board and management have a history of performance and effective delivery in their endeavours. The AUN current gold resources compliment the MDI resources providing the critical mass for commercial exploitation of the Sandstone assets. Further, the Two-Mile Hill Deeps was not slated by MDI for immediate development. AUN and, more specifically Mr Brad Valukas, has specific expertise in Western Australian underground gold mining implementing strategies that allow for effective commercial operations of deposits not regarded by others as immediately viable. Thus, the Two-Mile Deeps Resources and the MDI surface resources, complimented with the AUN gold resources may to provide the critical mass for exploitation of all the Sandstone resources.

The transaction provides MDI shareholders with direct exposure to the gold sector through the 18.5% holding of the AUN shares. Industry leaders are projecting a potential gold price increase over the next few years and the gold industry values exploitable resources at multiples of exploration gold resources. This transaction preserves this upside exposure for MDI shareholders.

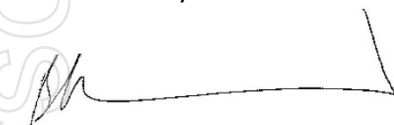
MDI's exploration focus has shifted to the exciting Barkly Copper-Gold Super Project, where the Crosswinds prospect is shaping up with weight of evidence overlaying good copper results at surface, strong Induced Polarity signature and we await the aerial geophysics to build confidence in this target before we commence drilling in April 2022. The funds from the sale of Sandstone are budgeted to run extended exploration programmes for the next two years.

The notice (**NoM**) convening the 11 February 2022 meeting of shareholder to consider approving the Sandstone sale, sought approval for the issue of options to directors. At the time the proposed terms of those options were struck, the exercise price was at a 32% premium to the then market price. After the NoM was drafted, and ASX vetted, but before the NoM was issued, due to exceptional results at Barkly Copper-Gold Super Project, the MDI share price increased 75% (before settling back to a 60% increase). Thus the optics of the options was that they were being granted at a discount to market, which was entirely contrary to the board's intent (which was that the exercise price be at least 130% of the prevailing share price). As a result, the board has resolved not to put resolutions 2, 3 and 4.

The MDI Board supports the sale of the Sandstone assets and recommends that shareholders vote for the sale because, in summary;

- a) as part of a strategic review process, a couple of leading Perth corporate advisers (separately and sequentially) led proposed transaction processes in relation to MDI and the Sandstone asset. The formal representation concluded without a suitable transaction in view;
- b) the Board, in light of the negative result of the study into the feasibility of bringing Sandstone into production, shareholder fatigue with the project and the failure of professional assistance to bring an acceptable transaction to the table, pursued numerous transaction opportunities culminating in the presently proposed sale on terms vastly superior to any advanced by the advisors;
- c) the Independent Experts opined the proposed AUN deal as being fair and reasonable;
- d) the sale of the Sandstone assets to AUN provides shareholders with ongoing exposure to an expected near term gold producing project and the upside potential of the gold price;
- e) AUN, with fresh eyes and a fresh investor base, has a new strategy and delivers the critical mass likely to see near term production and, significantly, near term potential for the mining of the underground Two Mile Hill Resources; and
- f) the funds received from the deal can be used to advance the exciting Barkly Copper-Gold Super Project and fully fund current planned exploration for two years.

Yours Sincerely



Brad Marwood
Executive Director, Middle Island Resources Limited
Director, Sandstone Operations Pty Ltd

Authorised for release by the Board of Middle Island Resources Limited