

MIDDLE ISLAND RESOURCES LIMITED
ABN 70 142 361 608

NOTICE OF GENERAL MEETING

AND

EXPLANATORY STATEMENT

AND

PROXY FORM

Date of Meeting

4 October 2013

Time of Meeting

10:00 am

Place of Meeting

The Celtic Club
48 Ord Street
WEST PERTH WA 6005

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

MIDDLE ISLAND RESOURCES LIMITED
ABN 70 142 361 608
NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of Shareholders of Middle Island Resources Limited (**Company**) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 4 October 2013 at 10:00 am (**Meeting**) for the purpose of transacting the following business.

Resolution 1 – Change to scale of activities

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purpose of Listing Rule 11.1.2 and for all other purposes, the Company be authorised to make a significant change in the scale of its activities in the manner stated in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any associates of that person. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Extremely Important Note: Any shareholder either (i) wishing to participate in the Placement or (ii) having any concern regarding proposed Resolutions 3 – 6, should read section 3.3 of the Explanatory Statement and only then contact Middle Island’s administration manager, Kate Manning on 9322 1430, to take the matter further.

Resolution 2 - Approval for Placement of Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorize the Company to issue up to 66,666,667 fully paid ordinary shares at an issue price being at least 80% the VWAP over any 5 business day period in the preceding 30 days , on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement:

For the purposes of Listing Rule 7.3, the Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any of their associates, unless it is cast:

- (a) by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form); or
- (b) by the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

Resolution 3 - Issue of Shares to a Director – Mr Beau Nicholls

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purposes of Listing Rule 10.11, Section 195(4) of the Corporations Act and for all other purposes, approval is given to issue fully paid ordinary shares to Mr Beau Nicholls, or his nominee, on the terms and conditions set out in the Explanatory Statement”.

Voting Exclusion: The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 3 by Mr Nicholls and any of his Associates. However, subject to the voting prohibition below, the Company will not disregard a vote cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Voting Prohibition: The Company will, in accordance with the Corporations Act, disregard any votes cast on Resolution 3 by a member of the key management personnel or a Closely Related Party of such a member. However, the Company will not disregard a vote if it is cast by such a person if:

- (a) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the key management.

Resolution 4 - Issue of Shares to a Director – Mr Richard Yeates

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purpose of Listing Rule 10.11, Section 195(4) of the Corporations Act and for all other purposes, approval is given to issue fully paid ordinary shares to Mr Richard Yeates or his nominee, on the terms and conditions set out in the Explanatory Statement”.

Voting Exclusion: The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 4 by Mr Yeates and any of his Associates. However, subject to the voting prohibition below, the Company will not disregard a vote cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Voting Prohibition: The Company will, in accordance with the Corporations Act, disregard any votes cast on Resolution 4 by a member of the key management personnel or a Closely Related Party of such a member. However, the Company will not disregard a vote if it is cast by such a person if:

- the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the key management.

Resolution 5 - Issue of Shares to a Director – Mr Peter Thomas

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purpose of Listing Rule 10.11, Section 195(4) of the Corporations Act and for all other purposes, approval is given to issue fully paid ordinary shares to Mr Peter Thomas or his nominee, on the terms and conditions set out in the Explanatory Statement”.

Voting Exclusion: The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 5 by Mr Thomas and any of his Associates. However, subject to the voting prohibition below, the Company will not disregard a vote cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Voting Prohibition: The Company will, in accordance with the Corporations Act, disregard any votes cast on Resolution 5 by a member of the key management personnel or a Closely Related Party of such a member. However, the Company will not disregard a vote if it is cast by such a person if:

- (a) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the key management.

Resolution 6 - Issue of Shares to a Director – Mr Linton Kirk

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purpose of Listing Rule 10.11, Section 195(4) of the Corporations Act and for all other purposes, approval is given to issue fully paid ordinary shares to Mr Linton Kirk or his nominee, on the terms and conditions set out in the Explanatory Statement”.

Voting Exclusion: The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 6 by Mr Kirk and any of his Associates. However, subject to the voting prohibition below, the Company will not disregard a vote cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Voting Prohibition: The Company will, in accordance with the Corporations Act, disregard any votes cast on Resolution 6 by a member of the key management personnel or a Closely Related Party of such a member. However, the Company will not disregard a vote if it is cast by such a person if:

- (c) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (d) the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the key management.

OTHER BUSINESS

To deal with any other business that may be brought forward in accordance with the Constitution and the Corporations Act.

PROXIES

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a “proxy”) to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions on the form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- a proxy need not be a member of the Company; and
- a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

If you are a registered Shareholder of the Company and are unable to attend the Meeting in person, please date and execute the accompanying Proxy Form and return it in accordance with its instructions prior to 10.00 am. WST on 2 October 2013 by:

1. post to Security Transfer Registrars Pty Ltd, PO Box 535, Applecross, Western Australia 6953; or
2. facsimile to Security Transfer Registrars Pty Limited at (08) 9315 2233 (International: +61 8 9315 2233).

If you are a beneficial Shareholder and receive these materials through your broker or through another intermediary, please complete and return the form of proxy or voting instruction form in accordance with the instructions provided to you by your broker or by the other intermediary.

ENTITLEMENT TO VOTE

For the purposes of regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding Shares at 10:00 am WST on 2 October 2013 will be entitled to attend and vote at the Meeting.

CORPORATIONS

A corporation may elect to appoint a representative in accordance with the Corporations Act, in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to the Company, before the Meeting.

REVOCAION OF PROXIES

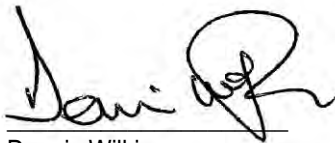
A Shareholder executing and delivering a proxy has the power to revoke it in accordance with the provisions of the Corporations Act, which provides that every proxy may be revoked by an instrument in writing executed by the Shareholder or by his or her attorney authorised in writing and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

VOTING OF PROXIES

The Proxy Form accompanying this Notice confers discretionary authority upon the proxy with respect to any amendments or variations to the matters identified in the Notice of Meeting and any other matters that may properly come before the Meeting. At the time of printing this Notice, management knows of no such amendment, variation or other matter.

Shareholders must mark the boxes directing its proxy how to vote. If no voting instructions are indicated on the appointment of proxy form, the proxy will be voted as recommended by management or as the proxyholder sees fit (in the latter case, if management is not appointed as proxy).

By Order of the Board of Directors



Dennis Wilkins
Company Secretary
Date: 4 September 2013

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the Shareholders of the Company in connection with the business to be conducted at the General Meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth WA 6005, on 4 October 2013 commencing at 10:00 am WST and any adjournment thereof.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions. **Further, Shareholders should carefully consider all announcements made by the Company via the ASX Company's Announcement Platform between the date of the Notice and the date of and including the holding of the meeting as it is anticipated that one or more such announcements may contain material having a direct bearing upon matters relevant to the business to be considered at the meeting.**

Terms used in this Explanatory Statement will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Statement.

At the Meeting, Shareholders will be asked to consider Resolutions to:

- approve the change to the Company's scale of activities; and
- approve the issue of Shares via a placement; and
- approve the issue of Shares to each of the directors or their respective nominees.

Resolution 1 – Change to Scale of Activities

1.1 Background to the Proposed Transaction

The Company was incorporated in Western Australia on 2 March 2010 to undertake mineral exploration, primarily for gold, in West Africa.

On 16 December 2010, the Company was admitted to the official list of the ASX. Since the Company's admission to ASX it has pursued the objectives stated in its initial public offering prospectus.

Since admission to the ASX, the Company has been actively conducting its exploration activities having expended in excess of \$17m in this period.

On 18 July 2013, the Company announced to ASX that the Company had entered into a non-binding heads of agreement (**HoA**) for the purchase of the entire issued capital of African GeoMin Mining Development Corporation Limited (**AGMDC**). AGMDC, a wholly owned indirect subsidiary of SEMAFO Inc (TSX, OMX:SMF) (**SMF**), holds an 80% interest in Société des Mines du Liptako S.A. (**SML**), the owner and operator of the Samira Hill gold mine in The Republic of Niger. The Government of Niger's State owned corporation (**Sopamin**) owns the remaining 20% interest in SML. The HoA provides that, subject to the fulfilment of the conditions precedent outlined in Section 1.3(b) of this Explanatory Statement, closing (**Closing**) of the Proposed Transaction is to take place on or prior to 30 September 2013. The Company anticipates that Closing will have to take place on a later date and which will need SMF's approval. Pending execution of binding formal documentation, either party can unilaterally terminate the HoA.

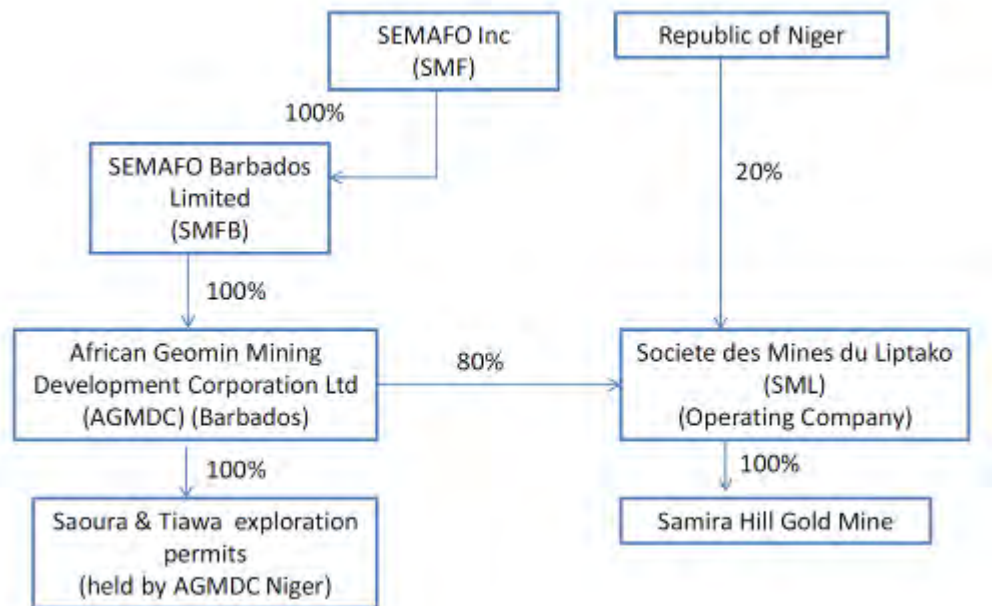
1.2 Acquisition of Samira Hill Gold Project

The current intention of the parties as described in the HoA is that the Company acquire an (indirect) 80% interest in the Samira Hill Gold Project located in the Republic of Niger from Canadian/Swedish-listed SEMAFO Inc (**SMF**), with the remaining 20% interest being held (indirectly) by Sopamin (**Proposed Transaction**).

SMF's 80% interest in the operating joint venture company, Societe des Mines du Liptako (**SML**), is held by African GeoMin Mining Development Corporation (**AGMDC**), which in turn is held by SEMAFO Barbados Limited (**SMFB**), a wholly owned, Barbados registered subsidiary of SMF.

Accordingly, the Proposed Transaction contemplates Middle Island purchasing 100% of the issued share capital of AGMDC.

Please refer to the figure below which details the current ownership structure:



1.3 Key terms of the Proposed Transaction

The terms below represent the current terms as agreed between the parties in the non-binding HoA; this was announced to the market on 18 July 2013. The formal documentation is expected to be completed around the end of September 2013. Closing was anticipated to occur on or before the end of September but this is unlikely to be possible and an extension to timeframes with respect to the completion under the HoA will be required if the Proposed Transaction is to complete. SMF has been requested to provide but not given consent to an extension. At this stage, the Directors do not anticipate that the terms of the Proposed Transaction will materially change, however if there are any amendments to the terms of the Proposed Transaction the Directors will only agree to the same if, in their business judgement, the overall terms of the transaction remain advantageous to the Company and its Shareholders. Despite any change in the terms of the Proposed Transaction, it is likely that the advantages and disadvantages listed below will continue to apply.

The Directors will keep shareholders fully informed through ensuring continued compliance with the Company's obligations under Listing Rule 3.1 (Continuous Disclosure obligations).

Currently, the key terms of the Proposed Transaction are as follows:

(a) **Purchase Price:** The proposed Purchase Price is US\$13,250,000 payable as follows:

- (i) US\$250,000 (the **Deposit**) to SMF upon execution of the HoA;
- (ii) US\$1,000,000 upon closing of the Proposed Transaction;
- (iii) a fixed net smelter return (**NSR**) royalty of 1.2% (capped at US\$12 million) on gold sold from the Samira Hill plant which is payable only if the spot price of gold quoted on the London PM Fix Exchange is at or greater than US\$1,450 per ounce on the day of sale;
- (iv) the NSR:
 - a. applies to all gold produced at the Samira Hill plant and refined, irrespective of the origin of the mineral fed into the Samira Hill plant;
 - b. shall be calculated quarterly in arrears and is payable by MDI to SMF 30 days after the end of each calendar quarter;

(b) **Conditions Precedent:** the Proposed Transaction is conditional upon the satisfaction or waiver, on or before 30 September 2013, or such other date as agreed between the parties, of the conditions set out below:

- (i) transfer by SML of the majority of the existing SML Samira Hill mining fleet to SMF;
- (ii) completion of legal and financial due diligence review of AGMDC and SML by the Company and its advisors (the Company has already completed its operational review of SML and the Samira Hill Mine);
- (iii) completion by the Company of an equity capital raising of A\$5,000,000;

- (iv) the grant of an extension to or substitute exploration permits over the land presently the subject of exploration permits Deba and Tialkam located in the vicinity of the Samira Hill plant in which Middle Island is currently earning an interest;
- (v) the absence of any material adverse change relating to the operations of SML, AGMDC or the Samira Hill Mine;
- (vi) the absence of fluctuations on the balance sheet of SML between 30 June 2013 and Closing, save those incurred in the ordinary course of business;
- (vii) receipt of all approvals and consents, including statutory approvals, required for the Proposed Transaction; and
- (viii) other customary conditions.

Pending execution of binding formal documentation, either party can unilaterally terminate the HoA. Various of the above stated conditions will or may need to be modified or waived if the Proposed Transaction is to complete.

1.4 Overview of the Samira Hill Project

The Samira Hill Project comprises three Mining Permits owned 100% and operated by SML and two Exploration Permits (Tiawa & Saoura) owned 100% by AGMDC, all 5 of which cover an aggregate area of 657km².

The Niger Government (via Sopamin) owns 20% of the issued capital of SML along with a 5.5% statutory gold royalty and a corporate tax rate of 30%.

A net smelter return (NSR) royalty of 1.5% is payable to Etruscan Resources Inc (now Endeavour Mining Inc) on gold in excess of 750,000 oz produced since 1 July 2009 from the AGMDC permit interests. As of 31 December 2012, approximately 176,400 oz had been produced, leaving approximately 573,600 oz to be produced from the AGMDC permit interests before this royalty applies.

Over the 9 years to 31 December 2012, SML paid US\$26.2M in royalties to the Niger Government.

The Samira Hill Mine is located in the southwest of Niger, on the border with Burkina Faso, approximately 100km west of the capital city Niamey. It is located within the highly prospective Sirba greenstone belt which comprises part of the Proterozoic Birimian System of the West African Craton, which hosts the majority of gold deposits in West Africa.

Middle Island's existing permit interests cover a 100km strike length of the Sirba greenstone belt, straddling the centrally located Samira Hill mine and processing plant, providing the means to process deposits within both the Tiawa and Saoura permits of AGMDC, and those identified within surrounding permits in which Middle Island is already entitled to or is earning an interest.

1.5 Effect of the Acquisition on the Company

- (a) Effect on the Company's nature of activities

The Company is a gold exploration entity. Its main business activity has been to identify gold deposits in West Africa to develop and mine.

Following the Proposed Transaction, with its controlling interest in a gold production facility, the Company will continue to conduct (with greater strategic and targeted purpose) its gold exploration activities in West Africa. The Company has interests in the surrounding 100 kilometre strike length of the prospective Sirba greenstone belt so the acquisition of the Samira Hill Project will represent a consolidation of the Company's interests in land holdings in the Sirba greenstone belt rather than the acquisition of a project in a new area.

- (b) Effect on the Company's Board or Senior Management

No change to the Company's board or senior management team is presently proposed, with the exception of the appointment of a Chief Operating Officer (COO), as a result of the Proposed Transaction.

- (c) Effect on the Company's Share Capital

The Company intends to fund the cash component of the Purchase Price from existing cash reserves; it is a condition precedent to the Closing that the Company complete an equity capital raising of A\$5,000,000 to supplement cash reserves to fund working capital requirements.

(d) Effect on the Company's Exploration Expenditure on its interests in existing tenements

Following Closing, the Company proposes to increase its exploration expenditure by \$4 million (approximately) during 2013/14. The Company has budgeted (for the 2013/14 year) approximately \$1.9 million to spend on its Reo Project in Burkina Faso, \$2.0 million to spend on its Sirba Project in Niger and a further \$5.15 million on the Samira Hill Project in Niger.

(e) Effect on the Company's Financial Position and Future Potential Earnings

The table below sets out the likely effect of the Proposed Transaction on the Company's total assets, total equity interests, annual revenue, annual profit (before tax and extraordinary items) and annual exploration expenditure assuming the Transaction occurred on 30 June 2013:

	Prior to Transaction – Position of the Company as at 30 June 2013⁽¹⁾	Post Transaction Analysis – Pro- forma*	Percentage change
Consolidated total assets	A\$9,539,397	A\$26,811,686	181%
Consolidated total equity interests	A\$9,361,045	A\$9,361,045	Nil
Consolidated Revenue	A\$382,466	A\$51,521,496	13,370%
Consolidated annual profit (before tax and extraordinary items)	(A\$6,590,713)	(A\$492,769)	93%
Annual Exploration Expenditure	A\$4,893,619	A\$9,120,000	86%
Number of tenements in which Middle Island has a participating interest	20	25	25%

⁽¹⁾ These figures are from management prepared financial statements

* The Pro-forma financial effect above has not been audited and has been prepared for illustrative purposes only and gives effect to the Proposed Transaction as if it occurred on 30 June 2013 as a going concern. The pro-forma position is not intended to be a statement of the Company's current financial position.

1.6 Pro-forma Statement of Financial Position

An unaudited pro-forma statement of financial position as at 30 June 2013 as a result of the Proposed Transaction as a going concern is set out below:

	ACTUAL	PRO-FORMA
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	5,631,116	4,262,366
Trade and other receivables	253,776	2,858,656
Inventories	-	10,000,000
TOTAL CURRENT ASSETS	5,884,892	17,121,022
NON-CURRENT ASSETS		
Plant and equipment	607,868	4,607,868
Mining properties	3,046,632	5,082,797
TOTAL NON-CURRENT ASSETS	3,654,500	9,690,665
TOTAL ASSETS	9,539,392	26,811,687
CURRENT LIABILITIES		
Trade and other payables	178,345	12,247,079
TOTAL CURRENT LIABILITIES	178,345	12,247,079
NON-CURRENT LIABILITIES		
Provisions	-	4,861,373
TOTAL NON-CURRENT LIABILITIES	-	4,861,373
TOTAL LIABILITIES	178,345	17,108,452
NET ASSETS	9,361,047	9,703,235
EQUITY		
Contributed equity	25,733,440	25,733,440
Reserves	660,193	660,193
Accumulated losses	(17,032,586)	(17,032,586)
Capital and reserves attributable to owners of Middle Island Resources Limited	9,361,047	9,361,047
Non-controlling interests	-	342,188
TOTAL EQUITY	9,361,047	9,703,235

1.7 Advantages of the Proposed Transaction

The Directors are of the view that the following non-exhaustive list of advantages of the Proposed Transaction may be relevant to a Shareholder's decision on how to vote on the proposed Resolution:

- (a) the Proposed Transaction represents a significant opportunity for the Company to increase the size of the Company's assets and projected earnings, which should increase the number and size of the investor pool that may invest in the Company's shares and thus encourage liquidity in the Company's shares;
- (b) the Proposed Transaction provides an opportunity for the Company to consolidate the entire Sirba Greenstone belt around the Samira Hill Gold Project;
- (c) the Proposed Transaction represents value to Shareholders as it removes the need for substantial capital expenditure on a new processing facility and associated infrastructure in order to get into production;
- (d) the upfront payment of the cash component of the Purchase Price can be met from MDI's cash reserves;
- (e) the proposed NSR royalty is capped at A\$12M and is only payable in respect of gold sales when the spot gold price is at or above US\$1,450/oz, thus it is likely that payment of the royalty will not render the mine unprofitable;
- (f) the Proposed Transaction provides for an extremely attractive purchase price/structure for a gold plant, mine infrastructure and defined reserves;
- (g) the Directors believe that the Proposed Transaction is an opportunity to build substantial value for shareholders through enhanced financial returns generated from the Samira Hill Project;
- (h) the Company's increased size and improved financial position following the Proposed Transaction should improve access to future equity funding (if necessary);
- (i) the Proposed Transaction, if implemented, is potentially transformational for the Company as:
 - a. it is well situated with respect to its recent gold discovery at the Tialkam South Prospect, just 12km from Samira Hill. Tialkam South is situated across the Sirba River and it seems likely that mining and hauling of any ore defined will be restricted to campaigns during the dry season. Whilst the initial resource estimate Tialkam South is unlikely to support a standalone processing operation, it will likely add mine life to Samira Hill. There is significant potential to grow the resource which remains open in several directions; and
 - b. it will then be highly leveraged to changes in the gold price,
- (j) the Proposed Transaction supports management's strategy of consolidation around what it believes is a prospective tenement holding, with future exploration discoveries expected to extend mine life well beyond the current three years; and
- (k) the replacement value for the mine infrastructure would run into the 10s of millions of dollars – its acquisition by the Company will remove the need to raise very substantial capital and prove up a substantial resource base before generating cashflow. The mine infrastructure represents a value opportunity to the Company not open to anyone else. The Company has interests in nearby deposits that can potentially be commercialised via the mine infrastructure. The Company's prospective tenure nearby the mine infrastructure and its managerial competence are key competitive advantages.

1.8 Specific Risks

The Proposed Transaction has serious risks. The Directors are of the view that the following non-exhaustive list of disadvantages of the Proposed Transaction may be relevant to a Shareholder's decision on how to vote on the proposed Resolution:

- (a) there are a number of risk factors associated with the Proposed Transaction. Some of the risks are set out in section 1.9 below;
- (b) the Proposed Transaction may not be consistent with the investment objective of all Shareholders;
- (c) the grade of the remaining reserves (the subject of the acquisition) is low at 1.25g/t Au, with metallurgical recoveries being relatively low, estimated at 80%;
- (d) the mine is not profitable at a gold price less than of ~US\$1,200/oz;

- (a) if the mine has to be placed in care and maintenance, for any reason (including the gold price falling below ~US\$1,200/oz), then the infrastructure, plant and equipment will be exposed to heightened security risks; and
- (b) SMF has indicated that if the Proposed Transaction does not complete on or before 30 September 2013 the mine will transition from a state of suspension to care and maintenance. If this occurs, there may be some delay in re-opening the Samira Hill Mine following completion of the Proposed Transaction which would have ramifications for the projected financial position of the Company about which the Company will inform the market as soon as possible.

1.9 More Generic Risk Factors

Based on the information available, a non-exhaustive list of risk factors in relation to the Proposed Transaction are as follows:

(c) Gold Price

Any material down turn in the gold price may adversely affect the Company's operations, financial position (including revenue and profitability where margins are negatively affected) and performance. In the event that the price of gold falls significantly, it is likely that the value of the Company is also likely to fall significantly.

(d) No alternative source of revenue

The Company's only business is the exploration and investment in mining tenements in Niger, Burkina Faso and Liberia. Until the Company is able to realise value from the Tenements, it is likely to incur ongoing operating losses as the Company has no other means of generating income (apart from interest) or cash flows. If the tenements are not explored on schedule, at budgeted costs and in the manner anticipated, there could be a material adverse effect on the Company's financial position and the Company may be forced to put one or all of its projects into care and maintenance to conserve its cash position.

(e) Rebel activity in Northern Niger may restrict or stop activities

The Northern region of Niger has seen recent rebel activity, including attacks on Niger Armed Forces and kidnap of expatriate workers. There remains a risk of banditry spreading to southern Niger and deteriorating security in the region.

(f) Sovereign Risk - Niger

The Company's operations in Niger are subject to the risks associated in operating in a foreign country.

These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Niger is a former French colony that became independent from France in 1960 and experienced single-party and military rule until 1991. Public pressure forced multiparty elections, which resulted in a democratic government being elected in 1993, however political infighting and military coups occurred until democratic rule was restored in 1999 with the election of Mamadou Tandja. In 2009 President Tandja attempted to pass a constitutional amendment aimed at extending his term as President. In February 2010, a military coup deposed Tandja, immediately suspended the constitution and dissolved the Cabinet, and promised that elections would be held following a transitional period of unspecified duration. In March 2011 multi-party elections were completed resulting in the election of Mahamadou Issoufou as President and a return to democracy.

The possibility that the Niger Government may adopt substantially different policies cannot be ruled out. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity.

Any future material adverse changes in government policies or legislation in Niger that affect access to permits, lands and infrastructure, compliance with environmental regulations, taxation, royalties, foreign

ownership, mineral exploration, development or mining activities (to name but a few), may affect the viability and profitability of the Company and its projects.

(g) Volatility of commodity prices

Historically, commodity prices (including gold) have displayed considerable fluctuations and are affected by numerous factors over which the Company does not have any control. These include world production and demand levels, international economic trends, currency exchange fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events.

(h) Currency Risk

The Company's operations will be subject to exchange rate fluctuations and exchange control and may become subject to other similar restrictions. Such fluctuations may affect the cash flows that the Company realises from its operations.

(i) Operational Risks

Notwithstanding the intensive investigations undertaken on the project, the Samira Hill Project's operating costs and sustaining capital requirements may change and while the recovered gold grades are based on high quality data, there may be periods of reduced cash flow due to variations in gold grades, processing recoveries and operational difficulties. Such variations may lead to reduced availability of funds.

(j) Counterparty and contractual risk

The Company is or will be a party to a number of agreements that will affect the Company post completion of the Proposed Transaction. The ability of the Company to achieve its stated objectives will depend on the performance of counterparties to each agreement, of their respective obligations under these agreements. If any of the counterparties defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy.

Legal action instituted in Australia or overseas can be costly. Further, the HoA (and any subsequent agreements) relating to the Proposed Transaction is governed by laws or jurisdictions outside Australia. There is a risk that the Company may not be able to seek the legal redress that it could expect under Australian law and generally there can be no guarantee that a legal remedy will ultimately be granted on the appropriate terms.

(k) Risks associated with Artisanal Mining

Artisanal miners are likely to be active on some of the Tenements which may have a material adverse affect including delays and/or impediments to the Company's exploration activities and schedule, and exposure to safety, security, environmental and social liabilities and losses.

1.10 ASX Listing Rule 11.1.2

Listing Rule 11.1.2 provides that if an entity proposes to make a significant change, either directly or indirectly to the nature or scale of its activities, it must obtain the approval of its Shareholders and it must set out such material as will fully and fairly inform shareholders of the matters to be considered at the meeting and enable them to make a properly informed judgement on the Proposed Transaction.

Accordingly, Resolution 1 seeks Shareholder approval under Listing Rule 11.1.2 for the proposed significant change to the scale of its activities by the Proposed Transaction.

1.11 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

The Directors have indicated that they intend to vote the Shares they own or control in favour of Resolution 1. The Chairman intends to vote all undirected proxies in favour of the Resolution.

Resolution 2 – Approval of Issue of Shares pursuant to Placement

2.1 General

The Company intends to implement a \$5,000,000 equity fund raising (“Placement”).

Listing Rule 7.1 requires that a listed company obtain Shareholder approval prior to the issue of shares representing more than 15% of the issued capital of the company in any 12 month period.

In accordance with Listing Rule 7.3, the following information is provided in respect of the Placement:

- (a) the maximum number of securities to be issued pursuant to Resolution 2 is will be dependent on the price at which the Placement is completed but as a guide the to the maximum number of shares to be issued please refer to the table below;

Raising	\$5,000,000			
Issue Price	\$0.075	\$0.10	\$0.125	\$0.15
Maximum number of shares to be issued	66,666,667	50,000,000	40,000,000	33,333,333

- (b) the issue and allotment of the Shares is likely to occur in a single event but may be effected progressively. In any event it will be completed no later than 3 months after the date of the Meeting, or such later date as approved by ASX;
- (c) the issue price of the Shares issued pursuant to Resolution 2 will be at least 80% of the VWAP over any 5 consecutive business days in the 30 days preceding issue;
- (d) the Shares will be fully paid ordinary shares in the capital of the Company and will rank equally with the Company’s current issued Shares;
- (e) unless the Shares are offered under a disclosure document, the Shares will be issued to institutional and sophisticated investors and, if Shareholders pass proposed Resolutions 3 – 6, including, possibly, the Directors;
- (f) voting exclusion statements are included in this Notice; and
- (g) the funds raised from the Placement will be used to augment the working capital requirements of the Company.

The effect of the Placement on the existing issued capital is outlined below:

	Shares	Options
Existing Shares on Issue	124,987,349	18,475,000
Maximum Number of Shares issued pursuant to Placement	66,666,667	-
Total	191,654,016	18,475,000
Dilutionary Effect	53.3%	-

2.2 Directors’ Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

The Directors have indicated that they intend to vote the Shares they own or control in favour of Resolution 2. The Chairman intends to vote all undirected proxies in favour of the Resolution.

Resolutions 3 – 6 Approval of Issue of Shares to Directors

3.1 General

Under the threat that some shareholders may be concerned that if any of the Directors participates in the Placement he will thereby benefit in a manner that is not open to all shareholders, each of the Directors seeks authority to participate in the Placement for the reasons advanced in section 3.3. To this end, approval is sought under ASX Listing Rule 10.11 and Section 195(4) of the Corporations Act.

Under section 208 of the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company (such as a director of the company), the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act. Section 210 of the Corporations Act provides that shareholder approval for the purposes of section 208 of the Corporations Act is not needed to give a financial benefit on the terms that would be unreasonable in the circumstances if the public company and the related party were dealing at arms' length.

It is the view of the Directors that the issue of the Shares to Directors under Resolutions 3 – 6 falls under the arms' length exception in Section 210 of the Corporations Act as any participation in the Placement will be on the same terms as those offered to other un-related investors and accordingly Shareholder approval is only being sought under Listing Rule 10.11.

Shareholder approval is also being sought under Section 195 of the Corporations Act which provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered, except in certain circumstances or unless non-interested directors pass a resolution approving the interested director's participation.

However, section 195(4) relevantly provides that if there are not enough directors to form a quorum for a directors meeting because of this restriction, one or more of the directors may call a general meeting and the general meeting may pass a resolution to deal with the matter. It might be argued (but it is neither conceded nor, indeed, is it thought by the board to be the case) that each of the Directors has a material personal interest in the outcome of each of Resolutions 3 to 6 but if each does have such an interest then a quorum could not be formed to consider the matters contemplated by Resolutions 3 to 6 at Board level. For the avoidance of any doubt and for the purpose of transparency and best practice corporate governance, the Directors have exercised their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve. This will authorise the Directors to effect the transactions and carry out related matters contemplated in this Notice of Meeting even if one or more of the directors has a material personal interest in the transaction.

3.2 Listing Rule Notice Requirements

Listing Rule 10.13 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 10.11, and the following information is included in this Explanatory Statement for that purpose:

- (a) the maximum number of Shares that can be issued to each of the Directors pursuant to Resolutions 3 - 6 will be dependent on the issue price per shares of the Placement and authority is therefore sought to issue up to a maximum \$ value of Shares as detailed in the table below:

Director	Current Relevant Interest (Number of Shares)	Notional entitlement¹	Authority Limit Sought (Maximum)
Peter Thomas	3,200,000	\$128,000	\$128,000
Rick Yeates	20,000,000	\$800,000	\$280,000
Mr Beau Nicholls	2,900,000	\$116,000	\$116,000
Linton Kirk	230,000	\$9,000	\$60,000
TOTAL			\$584,000

Table 1: Authority to Issue Shares to Directors

¹ Cost of following all rights under a \$5M pro-rata non-renounceable rights issue to the nearest \$'000

- (b) the maximum number of Shares to be issued to directors assuming a range of issue prices is outlined in the table below:

Raising	\$5,000,000			
Issue Price	\$0.075	\$0.10	\$0.125	\$0.15
Maximum number of shares to be issued to directors				
Beau Nicholls	1,333,333	1,000,000	800,000	666,667
Rick Yeates	3,733,333	2,800,000	2,240,000	1,866,667
Peter Thomas	1,706,667	1,280,000	1,024,000	853,333
Linton Kirk	800,000	600,000	480,000	400,000

- (c) any Shares issued under authority of any of Resolutions 3 - 6 will be allotted on a date which will be no later than 1 month after the date of the General Meeting;
- (d) the issue price per Share will be at least at least 80% of the VWAP over any 5 consecutive business days in the 30 days preceding issue and, in any event, will be at the same price as all Shares (if any) issued under the Placement – the issue of any Shares under any of Resolutions 3 – 6 will be effected as part of the Placement;
- (e) voting exclusion statements are included in this Notice; and
- (f) the funds raised from the issue of Shares to Directors pursuant to Resolutions 3-6 will be used to facilitate the working capital requirements of the Company.

3.3 Reasons for seeking approval for directors to participate in the Placement.

The Placement is proposed to meet the capital raising condition precedent in the HoA.

The issue of any Shares under any of Resolutions 3 – 6 will be effected as part of the Placement. A number of reasons for the proposal of Resolutions 3 – 6 follow.

First, the Board intends to seek an underwriting of the Placement and anticipates that any underwriter might require the directors to subscribe to the Placement as a condition to the underwriting to evidence their faith in the Proposed Transaction and alleviate some of the underwriter's exposure. The authority sought by the proposal of Resolutions 3 – 6 will enable the Company to preposition itself to empower it to meet any such requirement.

Second, your Directors have faith that the Proposed Transaction, if completed, will increase shareholders' equity and accordingly they don't want to risk the capital raising condition precedent failing for want of willing participation on their part being denied because of ASX Listing Rule 7 (which prohibits the issue of securities to directors absent prior shareholder approval in the circumstances contemplated).

Third, your directors intend to extend, via the **potential mechanisms outlined following**, to shareholders the opportunity to avoid dilution due to the Placement. To the extent they can achieve this result, the authority contemplated by proposed Resolutions 3 – 6 is thought, by the Board, to be both fair and reasonable despite the fact that Resolution 6, if passed, would allow Mr Kirk to participate to a greater extent than he would if the raising of the \$5,000,000 was effected via a non-renounceable pro rata rights issue rather than a placement. Mr Kirk has a modest shareholding in the Company and has always wanted to increase it but has been concerned about perception in the context of the implications as to his independence and the ASX Corporate Governance Recommendations. His fellow board members are convinced that the potential increase in Mr Kirk's relevant interests contemplated herein will not compromise his independence in any foreseeable scenario and he has given the Board an assurance that he is of the same view. Mr Kirk has worked tirelessly and well beyond the call of duty in assisting the Company with the Proposed Transaction. The remaining Directors commend his work and recommend shareholders support Resolution 6 – Mr Kirk abstains from making any recommendation regarding Resolution 6 as he has a material personal interest in it being passed.

For clarity, other than Mr Kirk, none of the Directors intends to take up their full notional entitlement. For example Mr Yeates intends to limit his subscription to \$280,000 rather than following his notional entitlement of \$800,000

The **first mechanism** is that your directors intend to implement a share purchase plan (**SPP**) directed at potentially allowing holders of smaller parcels of shares to maintain or even increase their proportionate holding of shares in the Company post the implementation of the Placement and the SPP.

The **second mechanism** is that your directors intend, in a non-binding informal manner, to invite shareholders that would be diluted by the Placement, despite the SPP, to participate in the Placement in proportion to their shareholdings, at a date to be advised, relative to the holdings of all other such holders. A number of limitations, such as (i) jurisdiction or (ii) the fact that a holder is not an exempt investor and the offer may not be made via a disclosure document, may make it impossible for all shareholders to be accommodated.

Your Directors intend to use a disclosure document if, in the opinion of the Board at the time and in all the circumstances, it is both practicable and sensible to so do.

3.4 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3 – 6 save that in relation to Resolution 3, Mr Nicholls makes no recommendation as he has a material personal interest in the matter, Resolution 4, Mr Yeates makes no recommendation as he has a material personal interest in the matter, Resolution 5, Mr Thomas makes no recommendation as he has a material personal interest in the matter, Resolution 6, Mr Kirk makes no recommendation as he has a material personal interest in the matter.

Each Director has indicated that he intends to vote the Shares he owns or controls in favour of Resolution 3 – 6, save to the extent that he has a material personal interest in the outcome of the Resolution. The Chairman intends to vote all undirected proxies in favour of the Resolutions.

OTHER BUSINESS

Management is not aware of any other business to come before the Meeting other than as set forth in the accompanying Notice. If any other business properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Shares represented thereby in accordance with their best judgement on such matter.

GLOSSARY

In this Explanatory Statement and the Notice, the following terms have the following meanings unless the context otherwise requires:

"**Associate**" has the same meaning as defined in section 11 and section 13 to 17 of the Corporations Act;

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Board**" means the board of Directors;

"**Company**" means Middle Island Resources Limited ABN 70 142 361 608;

"**Constitution**" means the Company's constitution, as amended from time to time;

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Director**" means a director of the Company;

"**Explanatory Statement**" means the explanatory statement accompanying this Notice;

"**Listing Rules**" means the Listing Rules of the ASX;

"**Meeting**" has the meaning in the introductory paragraph of the Notice;

"**Notice**" means this Notice of general meeting;

"**Placement**" has the meaning described in Section 2.1 of the Notice;

"**Proxy Form**" means the proxy form attached to this Notice;

"**Resolution**" means a resolution contained in this Notice;

"**Share**" means a fully paid ordinary share in the capital of the Company;

"**Shareholder**" means the holder of a Share;

"**Trading Day**" means a day determined by ASX to be a trading day in accordance with the Listing Rules;

"**WST**" means Australian Western Standard Time.

Capitalised terms referred to in this Notice are defined in the Explanatory Statement.

Shareholders are referred to the Explanatory Statement for more information with respect to these matters to be considered at the Meeting.

