

ASX Release – 17 May 2016

Funding Arranged to Acquire the Sandstone Project, Fund Expedited Drilling Program & Initiate Feasibility Studies

Highlights

- Funding arranged to meet the obligation to pay \$1.25M at completion, fund an expedited drilling program and progress feasibility studies
- Conditional placement and rights issue at \$0.03 per share to raise up to \$5.05 million
- Directors intend to participate in the rights issue

Middle Island Resources Limited (ASX: MDI) (**MDI** or **Company**) is pleased to announce the details of funding arrangements put in place via a placement and non-renounceable rights issue to raise up to approximately \$5.05 million (before costs). The funding arrangements are a combination (together the **Capital Raising**) of:

- conditional placement of 120 million shares at \$0.03 per share to raise \$3.6 million (**Conditional Placement**); and
- 1 for 6 non-renounceable rights issue at \$0.03 per share to raise up to \$1.45 million (**Rights Issue**)

Conditional Placement

Conditional Placement to professional and sophisticated investors has been completed (and heavily oversubscribed) via commitment letters in favour of and enforceable by the Lead Manager of the Capital Raising, Bell Potter Securities Limited. Settlement of the Conditional Placement is subject to shareholder approval at a general meeting expected to be held on or around Friday 24 June 2016.

Rights Issue

The Company will undertake a Rights Issue to eligible MDI shareholders on the Record Date. The Rights Issue will be undertaken at the same price as the Conditional Placement. It is the intention of the Directors of MDI to participate in the Rights Issue.

MDI shareholders who hold Shares at 5pm (WST) on 20 May 2016 and have a registered address in Australia or New Zealand, will be eligible to participate in the Rights Issue (**Eligible Shareholders**). The Rights Issue is to be carried out pursuant to an offer document dated 17 May 2016 (**Offer Document**). Eligible Shareholders will be sent a copy of the Offer Document and a personalised application form. Subscribers to the Conditional Placement will not, as a result of participation in that placement, be on the register on the record date therefore will not, by virtue of participating in that placement, be eligible to participate in the Rights Issue. Eligible shareholders will be offered a top up facility to participate in any shortfall that may arise from the Rights Issue.



Application of Funds

The Capital Raising will enable the Company to meet its obligations at completion of the acquisition of the Sandstone Project, implement an expedited exploration and drilling program with the objective of materially upgrading the existing mineral resources already estimated on the tenements being acquired and for working capital purposes. The Capital Raising is partially directed at enabling the Company to bring forward the \$500,000 deferred cash payment (otherwise due 18 months after completion) associated with the Sandstone Project acquisition resulting in a cost saving of \$100,000 (being the agreed discount for early payment). Consideration will be given to paying out, subject to receipt of a heavy discount being agreed, the further \$500,000 payment contingently due under the purchase agreement if and when commercial production is derived from the tenements. Upon both these deferred payments being made, the security to be given by Middle Island to the seller at completion will either not be required or will be released, as the case may be.

Acquisition Cost of Sandstone

The headline acquisition cost, reported on 4 May 2016, for the Sandstone Project is \$2.5M (or \$2.4M if the first deferred payment is brought forward) has been paid (by deposit on 9 May) as to \$250,000, is payable as to \$1,250,000 at completion, \$500,000 18 months after completion (or \$400,000 if paid by 1 October 2016) and a further \$500,000 upon the first sale of gold produced by MDI's subsidiary, Sandstone Operations Pty Ltd, from any source.

Timetable

The proposed timetable for the Capital Raising is set out below.

Event	Date
Announcement of Issue	17 May 2016
Lodgement Date (Offer Document and Appendix 3B and Section 708AA(2)(f) Notice with ASX)	17 May 2016
Notice of Issue sent to Shareholders	18 May 2016
"Ex" Date	19 May 2016
Record Date	20 May 2016
Opening Date (Dispatch of Offer Document to Shareholders)	25 May 2016
Closing Date	24 June 2016
General meeting to approve Conditional Placement	24 June 2016
Shortfall Notice Deadline Date (notice of the Shortfall Shares)	27 June 2016
Notify ASX of under subscriptions	28 June 2016
Settlement of Conditional Placement	28 June 2016
Shortfall Notification to ASX	29 June 2016
Issue Date for Conditional Placement and Rights Issue	29 June 2016

The timetable is indicative only and the Company reserves the right to vary the dates including the right to extend the Closing Date or to withdraw the Rights Issue (subject to the Corporations Act and the ASX Listing Rules).

For further information:

Dennis Wilkins

Company Secretary

Tel: +61 8 9389 2111



Middle Island

RESOURCES LIMITED

RIGHTS ISSUE

OFFER MEMORANDUM

For a non-renounceable rights offer to Eligible Shareholders on the basis of one (1) New Share for every six (6) Share held on the Record Date at an issue price of A\$0.03 per New Share to raise approximately A\$1.45 million (before costs)

The Company is also conducting a concurrent placement to clients of Bell Potter that is subject to Shareholder approval, of up to 120,000,000 Shares at \$0.03 per Share to raise up to A\$3.6 million (before costs)

CLOSING DATE: 5:00pm AWST time on Friday, 24 June 2016

THIS OFFER BOOKLET IS AN IMPORTANT DOCUMENT AND REQUIRES IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY. IF YOU DO NOT UNDERSTAND IT, OR ARE IN DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

IMPORTANT NOTICES

Reliance on Offer Memorandum

This Offer Memorandum has been prepared in accordance with section 708AA of the Corporations Act. In general terms, section 708AA relates to rights issues by certain companies that do not require the provision of a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Memorandum is considerably less than the level of disclosure required in a prospectus and does not contain all of the information which an investor may require to make an informed investment decision.

In deciding whether or not to accept the Offer, your directors strongly recommend you refer to disclosures made by the Company to ASX (which are available for inspection on the ASX website at www.asx.com.au and on the Company's website at <http://www.middleislandresources.com.au>) and, if you have any doubts about your ability to assess the Company, its state of affairs, prospects or the effect of the Offer thereon, that you seek the advice of your professional adviser.

Forward looking statements

Any forward looking statements in this Offer Memorandum have been based on current expectations about future acts, events and circumstances. Any such statements are subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such statements. These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company or which are insufficiently uncertain to be of a character requiring disclosure under the statutory continuous disclosure regime.

No overseas offering

No offer is made by this Offer Memorandum in any jurisdiction outside of Australia and New Zealand. The distribution of this Offer Memorandum within jurisdictions outside Australia and New Zealand may be restricted by law and persons into whose possession this Offer Memorandum comes should inform themselves about and observe any such restrictions. This Offer Memorandum is not an investment statement or prospectus under New Zealand law, and does not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

This Offer Memorandum may not be released or distributed in the United States. This Offer Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

Representations and warranties

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Memorandum or in an announcement referring to this offer and which is published by the Company via the Companies Announcement Platform on the ASX. Any information or representation not so contained or published may not be relied on as having been authorised by the Company in connection with the Offer.

Defined terms and time

Defined terms used in this Offer Memorandum are contained in Section 7. All references to time are references to AWST unless otherwise specified.

Governing law

This Offer Memorandum, the Offer and the contracts formed on acceptance of valid applications to subscribe for New Shares pursuant to the Offer are governed by the law of Western Australia. Each Eligible Shareholder who has applied to subscribe for New Shares in accordance with this Offer Memorandum submits to the exclusive jurisdiction of the courts of Western Australia.

CHAIRMAN'S LETTER

Dear Eligible Shareholder,

On behalf of the Directors of Middle Island Resources Limited, I am pleased to confirm the details of funding arrangements put in place via a placement and non-renounceable rights issue to raise up to approximately \$5.05 million (before costs). The funding arrangements are a combination of (together the **Capital Raising**):

- conditional placement of 120 million shares at \$0.03 per share to raise \$3.6 million (**Conditional Placement**); and
- 1 for 6 non-renounceable rights issue at \$0.03 per share to raise approximately \$1.45 million (**Rights Issue**)

Conditional Placement

Conditional Placement to professional and sophisticated investors has been completed (and heavily oversubscribed) via commitment letters in favour of and enforceable by the Lead Manager of the Capital Raising, Bell Potter Securities Limited. Settlement of the Conditional Placement is subject to shareholder approval at a general meeting expected to be held on or around Friday 24 June 2016.

Rights Issue

The Company will undertake a Rights Issue to eligible MDI shareholders on the Record Date. The Rights Issue will be undertaken at the same price as the Conditional Placement. It is the intention of the Directors of MDI to participate in the Rights Issue.

MDI shareholders who hold Shares at 5pm (WST) on 20 May 2016 and have a registered address in Australia or New Zealand, will be eligible to participate in the Rights Issue (Eligible Shareholders). The Rights Issue is to be carried out pursuant to an offer document dated 17 May 2016 (Offer Document). Eligible Shareholders will be sent a copy of the Offer Document and a personalised application form. Subscribers to the Conditional Placement will not, as a result of participation in that placement, be on the register on the record date therefore will not, by virtue of participating in that placement, be eligible to participate in the Rights Issue. Eligible shareholders will be offered a top up facility to participate in any shortfall that may arise from the Rights Issue.

Application of Funds

The Capital Raising will enable the Company to meet its obligations at completion of the acquisition of the Sandstone Project, implement an expedited exploration and drilling program with the objective of materially upgrading the existing mineral resources already estimated on the tenements being acquired and for working capital purposes. The Capital Raising is partially directed at enabling the Company to bring forward the \$500,000 deferred cash payment (otherwise due 18 months after completion) associated with the Sandstone Project acquisition resulting in a cost saving of \$100,000 (being the agreed discount for early payment). Consideration will be given to paying out, subject to receipt of a heavy discount being agreed, the further \$500,000 payment contingently due under the purchase agreement if and when commercial production is derived from the tenements. Upon both these deferred payments being made, the security to be given by Middle Island to the seller at completion will either not be required or will be released, as the case may be.

Acquisition Cost of Sandstone

The headline acquisition cost, reported on 4 May 2016, for the Sandstone Project is \$2.5M (or \$2.4M if the first deferred payment is brought forward) has been paid (by deposit on 9 May) as to \$250,000, is payable as to \$1,250,000 at completion, \$500,000 18 months after completion (or \$400,000 if paid by 1 October 2016) and a further \$500,000 upon the first sale of gold produced by MDI's subsidiary, Sandstone Operations Pty Ltd, from any source.

The Offer provides you with an opportunity to increase your investment in the Company (and maintain your relative equity holding in the Company) at an attractive price relative to the last price at which securities in the Company traded on the ASX.

Should you wish to increase your holding in the Company, you may also wish to apply for Shortfall Shares. This can be done by completing the Application Form provided by accepting your Entitlement and also filling in the number of Shortfall Shares you wish to apply for in the space provided on the Application Form. Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions and then at the discretion of the Directors.

Proceeds from the Offer will be applied to the Acquisition of the Sandstone Project, to fund an aggressive exploration programme, ongoing working capital requirements and costs of the Offer.

Please consider this document carefully and seek professional advice, if necessary, to make an informed decision. All investors should be aware of the very speculative nature of mineral exploration and mining.

On behalf of the Directors I am pleased to offer Eligible Shareholders the opportunity to participate in this Offer.

Yours faithfully

Peter Thomas

Chairman

Directors

Mr Peter Thomas – Chairman

Mr Rick Yeates – Managing Director

Mr Beau Nicholls – Non Executive Director

Mr Linton Kirk – Non Executive Director

Mr Dennis Wilkins – Alternate Director for Mr Beau Nicholls

Company Secretary

Mr Dennis Wilkins

Registered Office

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Website

www.middleisland.com.au

Solicitors

William and Hughes

28 Richardson Street

WEST PERTH WA 6005

Share Registry

Security Transfer Registrars Pty Ltd*

770 Canning Highway

APPLECROSS WA 6153

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

KEY DATES

The indicative timetable for the Offer is as follows:

EVENT	DATE
Announcement of Rights Issue – Offer Memorandum, ASX Appendix 3B and Cleansing Notice lodged with ASX	17 May 2016
Notice to Shareholders – notice of Offer sent to Shareholders containing information required by Appendix 3B	17 May 2016
Ex date – the date on which Shares commence trading without the entitlement to participate in the Offer	19 May 2016
Record Date – the date for determining entitlements of Shareholders to participate in the Offer	20 May 2016
Offer Memorandum sent to Shareholders – despatch of Offer Memorandum and Acceptance Forms – Offer opens for acceptance	23 May 2016
Opening Date – the day the Offer opens	25 May 2016
Closing Date – the last day for receipt of Acceptance Forms	24 June 2016
Deferred settlement trading commences – New Shares commence quotation on ASX on deferred settlement basis	27 June 2016
Shortfall notification to ASX	28 June 2016
Issue date – allotment of New Shares.	29 June 2016

*The Company reserves the right to vary the above dates subject to the ASX Listing Rules.

SECTION 1: DETAILS OF THE OFFER

1. Offer

Middle Island Resources Limited offers each of its Eligible Shareholders the opportunity to subscribe for New Shares under a pro-rata non-renounceable rights issue.

Each Eligible Shareholder is entitled to subscribe for and be allotted one (1) New Share for every six (6) Shares held by that Eligible Shareholder as at the Record Date at an issue price of A\$0.03 per New Share.

The issue price of the New Shares represents a discount of approximately 13.55% to the volume weighted average price of Shares on the 30 trading days up to and including 16 May 2016 (being the trading day prior to announcement of the Offer) of \$0.0347 per Share.

If an Eligible Shareholder becomes entitled to a fraction of a Share, the entitlement will be rounded up to the nearest whole number.

The New Shares will be fully paid and will rank equally in all respects with the Company's existing Shares on issue. The Company has applied to ASX for quotation of the New Shares.

2. What is my entitlement?

The number of New Shares to which you are entitled is shown in the accompanying Application Form (**Entitlement**). You can subscribe for all, or part, of your Entitlement to New Shares. Detailed instructions on how to accept all or part of your Entitlement are set out in Section 3.

Please note that if you choose not to accept your Entitlement under the Offer, your shareholding in the Company will be diluted to the extent that the Offer is taken up by other Shareholders.

3. Shortfall Shares

In addition to being able to apply for New Shares in the manner described in paragraph 2 above, Shareholders who subscribe for their full Entitlement will also have the opportunity to apply for, and be allocated, additional New Shares that are not subscribed for under the Offer (Shortfall Shares), subject to the limitations set out in Section 4.

4. Opening and closing dates

The Offer opens for receipt of acceptances on 25 May 2016. The Closing Date and time for acceptances and payments is 5:00pm AWST on Friday, 24 June 2016, subject to the Directors varying the closing date in accordance with the Listing Rules.

5. Who is entitled to participate in the Offer?

Each Shareholder with a registered address in Australia or New Zealand who is registered as the holder of Shares at 5:00pm AWST on, **20 May 2016** is entitled to participate in the Offer in respect of the number of Shares that person is then registered as the holder of.

Existing option holders may only participate in the Offer in respect of Shares to be issued on exercise of the options held by them if they exercise their options and are registered as the holder of the underlying Shares before the Record Date.

6. Offer not made to Excluded Shareholders

The Company has decided that it is unreasonable to make the Offer to shareholders who have a registered address in a country outside of Australia or New Zealand having regard to the number of shareholders in such places, the number and value of the New Shares they would be offered and the substantial costs of complying with the legal and regulatory requirements in those jurisdictions. Accordingly, the New Shares to which Excluded Shareholders would otherwise be entitled will form part of the Shortfall.

Eligible Shareholders holding Shares on behalf of persons who are resident outside of Australia or New Zealand are responsible for ensuring that subscribing for the New Shares under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Application Form will constitute a representation that there has been no breach of such regulations. Where the Offer Memorandum is received by persons domiciled in a country outside Australia or New Zealand and where that country's securities code or legislation prohibits or restricts in any way the making of the Offer, the Offer Memorandum and accompanying Application Form are provided for information purposes only.

7. Conditional Placement

The Company has also announced a supplementary capital raising, via a private share placement (refer Conditional Placement).

The Conditional Placement consists of an issue up to 120,000,000 new fully paid ordinary shares in the capital of the Company at an issue of \$0.03 per share, is subject to shareholder approval and is expected to raise approximately \$3.6 million (before costs).

8. Effect on share capital

The effect of the Offer on the capital structure of the Company will be as follows:

Shares	Number
Number on issue at 17 May 2016 (the last practicable trading day prior to announcement of the Offer)	290,844,253
Maximum number to be issued under Conditional Placement	120,000,000
Maximum number to be issued under the Offer	48,474,042
Maximum number on issue following the Conditional Placement B and Offer	459,318,295

The figures in the table above are approximate as individual Entitlements will be rounded up to the nearest whole figure.

There are 600,000 unlisted options to subscribe for Shares currently on issue. If any of these options are exercised prior to the Record Date this will also impact the maximum number of New Shares to be issued under the Offer and the maximum number of Shares on issue following the Offer.

9. Non-Renounceable Offer

The Offer is non-renounceable. This means that your right to subscribe for New Shares under the Offer is not transferable. Any Entitlements not taken up by Shareholders will be dealt with in accordance with Section 4 of this Offer Memorandum.

10. Director Interests

The relevant interest of each of the Directors in the securities of the Company as at the date of this Offer Document, together with their respective Entitlement is set out in the table below.

Director	Shares held by Directors and Associates	Voting power of Directors and Associates	Offer Entitlement	\$
Peter Thomas	11,600,000	3.99%	1,933,334	58,000
Richard Yeates	40,000,020	13.75%	6,666,670	200,000
Beau Nicholls	12,600,000	4.33%	2,100,000	63,000
Linton Kirk	2,139,638	0.74%	356,606	10,698

The Directors intend to participate in the rights issue.

11. Potential Dilution

In addition, Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 17% (as compared to their holdings and number of Shares on issue as at the date of this Offer). Examples of how the dilution may impact Shareholders is set out in the table below:

Holder	Holding as at Record Date	% at Record Date	Entitlements under the Offer	Holding if Offer not taken up	% post Offer
Shareholder 1	10,000,000	3.44%	1,666,667	10,000,000	2.95%
Shareholder 2	5,000,000	1.72%	833,334	5,000,000	1.47%
Shareholder 3	1,500,000	0.52%	250,000	1,500,000	0.44%
Shareholder 4	400,000	0.14%	66,667	400,000	0.12%
Shareholder 5	50,000	0.01%	8,334	50,000	0.01%

Note:

1. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer. In the Event the Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

12. Issue of New Shares

The Company expects that the New Shares will be issued by no later than 29 June 2016. The issue of New Shares will only be made after permission for their quotation on ASX has been granted.

SECTION 2: PURPOSE OF THE OFFER

The Offer, part of the broader Capital Raising, will enable the Company to meet its obligations at completion of the acquisition of the Sandstone Project, implement an expedited exploration and drilling program with the objective of materially upgrading the existing mineral resources already estimated on the tenements being acquired and for working capital purposes. The Capital Raising is partially directed at enabling the Company to bring forward the \$500,000 deferred cash payment (otherwise due 18 months after completion) associated with the Sandstone Project acquisition resulting in a cost saving of \$100,000 (being the agreed discount for early payment). Consideration will be given to paying out, subject to receipt of a heavy discount being agreed, the further \$500,000 payment contingently due under the purchase agreement if and when commercial production is derived from the tenements. Upon both these deferred payments being made, the security to be given by Middle Island to the seller at completion will either not be required or will be released, as the case may be.

The exact allocation of amounts will depend on how much is raised under the Offer and contingencies about which it is not possible to provide clear guidance as to the outcome.

SECTION 3: HOW TO ACCEPT THE OFFER

1. How to take up all or part of your entitlement

To subscribe for New Shares offered to you, please complete the accompanying Application Form according to the instructions on the form for all, or that part of your Entitlement you wish to subscribe for.

You must make payment for the appropriate application monies (at A\$0.03 per New Share subscribed) as provided in paragraph 4 below.

Acceptances will not be valid if they are received after the Closing Date. Please note that all applications, once received, are irrevocable, except as permitted by law.

2. How to apply for Shortfall Shares

If you wish to accept your Entitlement in full and apply for Shortfall Shares, complete the Application Form and also fill in the number of Shortfall Shares you wish to apply for in the space provided on the Application Form. You must make payment for the appropriate application monies (at A\$0.03 per New Share subscribed) as provided in paragraph 4 below.

There is no limit on the number of Shortfall Shares that may be applied for by Eligible Shareholders in excess of their Entitlement. However, Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions and then at the discretion of the Directors.

The Directors reserve the right to reject any application for Shortfall Shares or to allot a lesser number of Shortfall Shares than applied for. Application monies received but not applied towards subscriptions for Shortfall Shares will be refunded as soon as practicable. No interest will be paid on application monies held and returned.

Notwithstanding the foregoing, any application for full Entitlement and Shortfall Shares together with cleared funds in support received on or before the Offer Close Date will be dealt with as follows (subject to the Offer not being withdrawn):

1. the applicant will be allocated the full Entitlement; and
2. the applicant will be allocated that proportion of Shortfall Shares as is the number of Shortfall Shares applied for by such applicant bears to the totality of Shortfall Shares applied in accordance with this condition.

3. Lapse of Rights

If you decide not to accept all or part of your Entitlement or fail to do so by the Closing Date, your Entitlement will lapse and will form part of the Shortfall.

4. Payment

Payments must be made by 5:00 pm AWST on Friday, 24 June 2016 and must be made in Australian currency and by:

- a) cheque drawn on and payable at any Australian bank;
- b) bank draft drawn on and payable at any Australian bank; or
- c) Electronic Funds Transfer (EFT) direct to the Company.

Application Forms, together with a cheque or bank draft for the appropriate application monies (at A\$0.03 per New Share subscribed) must be sent to the Company at the address shown in the table below so that they reach the Company by no later than 5:00 pm AWST time on Friday, 24 June 2016. Cheques or bank drafts must be made payable to 'Middle Island Resources Limited Share Issue Account' and crossed 'Not Negotiable'. Cash payments will not be accepted and receipts for payment will not be provided. Alternatively, funds may be transferred for the appropriate application monies (at A\$0.03 per New Share subscribed) by EFT to 'Middle Island Resources Limited Share Issue Account', BSB: 086-492 Account Number: 16994-0268 (Swift Code: NATAAU3303M) citing your Sequence Number (as shown on your personalised application form) as the reference information, and enclosing of a copy of the funds transfer confirmation page with the completed Application Form and sending to the address shown in the table below. If you pay by EFT, you may forward a scan of the duly completed Application Form together with the scan of the payment receipt/confirmation to the email address as shown in the table below. It is your responsibility to ensure that funds transferred by EFT are received by the Closing Date.

The Company's share registry is located at:

By delivery	Security Transfer Registrars Pty Ltd 770 Canning Highway APPLECROSS WA 6153
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By Post	Security Transfer Registrars Pty Ltd PO Box 535 APPLECROSS WA 6953
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5. Binding nature of applications

Cooling-off rights do not apply to an investment in New Shares. You cannot, except as permitted by law, withdraw your application for New Shares once it has been received. A completed and lodged Application Form constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Memorandum and, once lodged, cannot be withdrawn. If the Application Form is not completed correctly, it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Application Form is final.

6. Declarations

By completing and returning your Application Form along with your cheques, bank draft or making a payment by EFT, you will be deemed to have:

- (a) represented and warranted that you are an Eligible Shareholder;

- (b) acknowledged that you have fully read and understood both this Offer Memorandum and the Entitlement and Acceptance Form in their entirety and you acknowledge the matters and make the warranties and representations and agreements contained in this Offer Memorandum and the Application Form;
- (c) agreed to be bound by the terms of the Offer, the provisions of the Offer Memorandum and the Company's constitution;
- (d) authorised the Company to register you as the holder of the New Shares and Shortfall Shares (if any) allotted to you;
- (e) declared that all of the details and statements in the Application Form are complete and accurate;
- (f) declared that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Application Form;
- (g) acknowledged that once the Company receives your Application Form or any payment of application monies via EFT you may not withdraw your application for funds provided except as allowed by law;
- (h) agreed to apply for and be issued up to the number of New Shares and Shortfall Shares (if any) specified in the Application Form, or for which you have submitted payment of any application monies via EFT, at the issue price of A\$0.03 per New Share;
- (i) authorised the Company, its Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares and any Shortfall Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your Application Form;
- (j) declared that you were a registered holder(s) at the Record Date of the Shares indicated in Application Form as being held by you on the Record Date;
- (k) represented and warranted that you are a resident of Australia or New Zealand;
- (l) acknowledged that the information contained in this Offer Memorandum and your Entitlement and Acceptance Form is not investment advice nor a recommendation that the New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- (m) acknowledged that this Offer Memorandum is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to ASX;
- (n) acknowledged that investments in the Company are subject to risk;
- (o) acknowledged that none of the Company or its related bodies corporate, affiliates or directors, officers, employees, representatives, agents, consultants or advisers, guarantees the performance of the Company, nor do they guarantee the repayment of capital;
- (p) agreed to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Offer and your holding of Shares on the Record Date;
- (q) authorised the Company to correct any errors in your Application Form or other form provided by you;
- (r) represented and warranted that the law of any place does not prohibit you from being given this Offer Memorandum and the Application Form, nor does it prohibit you from making an application for New Shares or, if applicable, Shortfall Shares;

- (s) represented and warranted that if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Application Form is resident in Australia or New Zealand, and you have not sent this Offer Memorandum, the Entitlement and Acceptance Form or any information relating to the Offer to any person who is not a resident of Australia and New Zealand.

SECTION 4: SHORTFALL SHARES

Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions.

The Directors reserve the right to issue Shortfall Shares to applicants at their absolute discretion.

If the Company receives applications for Shortfall Shares that would result in the Offer being oversubscribed then the Company will not accept such oversubscriptions and will reject or scale back applications at its discretion.

Any Shortfall Shares will, in accordance with the Listing Rules, be issued within 3 months after the Closing Date and will be issued at a price that is not less than the issue price of the New Shares under the Offer.

The Company will not issue Shortfall Shares where it is aware that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant legislation or law. Eligible Shareholders wishing to apply for Shortfall Shares must consider whether the issue of the Shortfall Shares applied for would breach the Corporations Act or the Listing Rules having regard to their own circumstances.

The Directors reserve the right to reject any application for Shortfall Shares or to allot a lesser number of Shortfall Shares than applied for. Application monies received but not applied towards subscriptions for Shortfall Shares will be refunded as soon as practicable. No interest will be paid on application monies held and returned.

SECTION 6: FURTHER INFORMATION

If you have any questions about your entitlement to New Shares, please contact either:

- a) Mr Dennis Wilkins on (08) 9389 2111; or
- b) your stockbroker or professional adviser.

SECTION 7: DEFINED TERMS

In this Offer Memorandum, the following words have the following meanings unless the context requires otherwise:

A\$	Australian Dollars.
Acquisition	has the meaning set out in the Explanatory Statement of the Notice.
Application Form	the personalised entitlement and acceptance form accompanying this Offer Memorandum
Associates	has the meaning as given in the Corporations Act 2001 (Cth)
ASX	Australian Securities Exchange or ASX Limited (ACN 008 624 691), as the context requires.
Board	the board of Directors of the Company.
Business Day	has the meaning given in the Listing Rules.
Closing Date	the last date for accepting the Offer, being 5:00 pm AWST on 24 June 2016 (or such other date determined by the Directors in accordance with the Listing Rules).
Company or Middle Island	Middle Island Resources Limited (ACN 142 361 608).
Completion	means completion of the Acquisition.
Conditional Placement	means the placement, subject to Shareholder approval, of up to 120,000,000 Shares at \$0.03 per Share to clients of Bell Potter to raise up to \$3,600,000 (before costs) anticipated to complete after the Meeting and prior to Completion.
Conditional Placement Shares	means Shares issued pursuant to the Conditional Placement.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Directors	the directors of Middle Island Resources Limited.
Eligible Shareholder	a registered holder of Shares with a registered address in Australia or New Zealand at the Record Date.
Entitlement	as defined in paragraph 2 of Section 1.
Excluded Shareholder	a registered holder of Shares on the Record Date with a registered address in a country outside of Australia and New Zealand
Listing Rules	the official listing rules of ASX Limited.
Meeting or General Meeting	means the general meeting of Shareholders to be convened on 24 June 2016 for the purpose of considering the Resolutions.
Notice	means notice of General Meeting.
New Share	a Share to be issued pursuant to this Offer Memorandum at A\$0.03 per Share.
Offer	the offer made under this Offer Memorandum of one (1) New Share for every six (6) Share held by a Shareholder on the Record Date.
Offer Memorandum	this memorandum under which the Offer is being made.
Option	means an option to subscribe for one Share.
Record Date	5:00 pm AWST on, 20 May 2016.
Sandstone Project	means the gold project known as the Sandstone Gold Project located in the vicinity of the township of Sandstone, Western Australia and with a central plant site located approximately 12 kilometres south of the township of Sandstone
Share	a fully paid ordinary share in the capital of the Company.
Shareholder	means the holder of a Share.
Shortfall Shares	means those New Shares forming Entitlements or part of Entitlements not accepted under the Offer.
AWST	Australian Western Standard Time

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

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

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

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Middle Island Resources Limited

ABN

70 142 361 608

We (the entity) give ASX the following information.

Part 1 - All issues

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

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | Ordinary fully paid shares (Shares) |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | Up to 48,474,042 |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Non Renounceable Pro Rata Rights Issue with on the terms set out in the Offer Memorandum dated 17 May 2016 and lodged with ASX on the same date (Offer Document)

Ordinary fully paid shares |

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

<p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes</p>
<p>5 Issue price or consideration</p>	<p>\$0.03 per share.</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Non-Renounceable pro rata offer (Offer) to raise up to \$1,454,221 (before costs) to enable the Company to meet its obligations at completion of the acquisition of the Sandstone Project, implement an expedited exploration and drilling program and for working capital purposes as more fully described in the Company's ASX Announcement of today's date.</p>
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the +securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	<p>Yes</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>27 November 2015</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>Nil</p>
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	<p>Nil</p>

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil	
6f	Number of +securities issued under an exception in rule 7.2	48,474,042	
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	7.1: 7,271,107 7.1A: 26,471,523	
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	29 June 2016	
8	Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in section 2 if applicable)	Number	+Class
		339,318,295	Ordinary fully paid shares

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	600,000	Unlisted options exercise price \$0.10 expiry 07/07/2017
	100,000	Unlisted options exercise price \$0.15 expiry 07/07/2017
	100,000	Unlisted options exercise price \$0.20 expiry 07/07/2017
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

Part 2 - Pro rata issue

11 Is security holder approval required?	No
12 Is the issue renounceable or non-renounceable?	Non-Renounceable
13 Ratio in which the +securities will be offered	1 new share for every 6 existing shares held on the record date
14 +Class of +securities to which the offer relates	Ordinary fully paid shares
15 +Record date to determine entitlements	5:00pm (WST) 20 May 2016
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17 Policy for deciding entitlements in relation to fractions	Fractional entitlements will be rounded up to the nearest whole number
18 Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	All countries except Australia and New Zealand
19 Closing date for receipt of acceptances or renunciations	5:00pm (WST) 24 June 2016

+ See chapter 19 for defined terms.

20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	Bell Potter
23	Fee or commission payable to the broker to the issue	5% of funds raised
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	23 May 2016
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	17 May 2016
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

- 32 How do security holders dispose of their entitlements (except by sale through a broker)? N/A
- 33 ⁺Issue date 29 June 2016

Part 3 - Quotation of securities

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

- 34 Type of ⁺securities
(tick one)

(a) ☒ ⁺Securities described in Part 1

(b) ☐ All other ⁺securities

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

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Quotation agreement

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



Sign here:

(Company secretary)

Date: 17 May 2016

Print name: Dennis Wilkins

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

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

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
<i>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</i>	
<i>Insert</i> number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	124,987,349
<i>Add</i> the following: <ul style="list-style-type: none"> Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<ul style="list-style-type: none"> 124,987,349 fully paid ordinary shares issued on 30 July 2015 48,474,042 fully paid ordinary shares the subject of the Offer Document dated 17 May 2016 Nil Nil
<i>Subtract</i> the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	298,448,740

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	44,767,311
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • This applies to equity securities, unless specifically excluded – not just ordinary securities • Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed • It may be useful to set out issues of securities on different dates as separate line items 	<ul style="list-style-type: none"> • 869,555 fully paid ordinary shares issued on 13-19 August 2015 • 36,626,649 fully paid ordinary shares issued on 9 May 2016
“C”	37,496,204
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	44,767,311
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	37,496,204
Total [“A” x 0.15] – “C”	7,271,107 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	298,448,740
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	29,844,874
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<ul style="list-style-type: none"> • 3,373,351 fully paid ordinary shares issued on 9 May 2016
“E”	3,373,351

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	29,844,874
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	3,373,351
Total [“A” x 0.10] – “E”	26,471,523 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.

ASX ANNOUNCEMENT - 17 May 2016

Entitlement Offer Cleansing Notice

under section 708AA(2)(f) Corporations Act (Notice)

Middle Island Resources Limited (**MDI**) has announced today that it will undertake a non-renounceable entitlement offer of 48,474,042 fully paid ordinary MDI shares to its shareholders (**Issue**) on the basis of an entitlement to subscribe for 1 ordinary MDI share (**New Share**) for every 6 ordinary MDI shares held at the Record Date, being 20 May 2016, with each such share being issued at an issue price of \$0.03 to raise approximately \$1.45M (before costs) (**Offer**).

The Company advises that it will offer the New Shares for issue to investors under Part 6D.2 of the *Corporations Act 2001* (**Act**) and states that this notice is given to ASX under paragraph 708AA(2)(f) of the Act, as modified by ASIC Corporations Instruments 2016/73 and 2016/84.

Further details regarding the Offer are set out in the Offer Memorandum lodged with ASX.

Accordingly, the Company confirms that:

1. The Company will offer the New Shares under the Entitlement Offer and the Placement Offer without disclosure to Investors under Part 6D.2 of the Act.
2. As at the date of this notice, the Company has complied with:
 - (a) the provisions of Chapter 2M of the Act as they apply to the Company; and
 - (b) section 674 of the Act.
3. As at the date of this notice, there is no excluded information as defined in section 708AA(8) and section 708AA(9) of the Act which is required to be disclosed by the Company.
4. The potential effect of issue of the New Shares under the Capital Raising on the control of the Company, and the consequences of that effect, is dependent on a number of factors, including the extent to which Eligible Shareholders participate in the Entitlement Offer and existing shareholdings.

As the Entitlement Offer is a pro-rata issue, and given the current level of holdings of substantial holders (based on substantial holder notices that have been given to the Company and lodged with ASX before the date the Entitlement Offer was announced), the Capital Raising is not expected to have any material effect on the control of the Company and, as a result, there are not expected to be any consequences flowing from that effect.

Yours sincerely

Rick Yeates
Managing Director