

MIDDLE ISLAND RESOURCES LIMITED
ABN 70 142 361 608

NOTICE OF GENERAL MEETING

AND

EXPLANATORY STATEMENT

AND

PROXY FORM

Date of Meeting

31 March 2020

Time of Meeting

10:30am WST

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 a general meeting of Middle Island Resources Limited (**Company**) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 31 March 2020 at 10:30am WST (**Meeting**) for the purpose of transacting the following business, in each case, as more particularly described in the Explanatory Statement accompanying this Notice.

Capitalised terms and abbreviations used in this Notice and Explanatory Statement are defined in the Glossary.

RESOLUTION 1 – RATIFICATION OF ISSUE OF PLACEMENT SHARES

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

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 130,000,000 Placement Shares at an issue price of \$0.004 each to sophisticated and professional investor clients of Pinnacle Corporate Finance Pty Ltd, for the purposes and on the terms set out in the Explanatory Statement."

Voting exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who participated in the issue and any of their Associates, unless it is cast:

- (a) by a person as proxy or attorney for a person who is entitled to vote (in accordance with the directions on the Proxy Form); or
- (b) by the Chair as proxy or attorney for a person who is entitled to vote (in accordance with a direction on the Proxy Form to vote as the Chair decides); or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided: the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and the holder votes in accordance with the directions on the Proxy Form.

RESOLUTION 2 – RATIFICATION OF ISSUE OF PLACEMENT OPTIONS

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

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 27,000,000 Placement Options to sophisticated and professional investor clients of Pinnacle Corporate Finance Pty Ltd, for the purposes and on the terms set out in the Explanatory Statement and Annexure A."

Voting exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who participated in the issue 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 Chair as proxy or attorney for a person who is entitled to vote (in accordance with a direction on the Proxy Form to vote as the Chair decides); or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided: the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and the holder votes in accordance with the directions on the Proxy Form.

RESOLUTION 3 – APPROVAL TO ISSUE PLACEMENT OPTIONS

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 7.1 and for all other purposes, Shareholders approve the issue of up to 103,000,000 Placement Options to sophisticated and professional investor clients of Pinnacle Corporate Finance Pty Ltd, for the purposes and on the terms and conditions set out in the Explanatory Statement and Annexure A."

Voting exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities), 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 Chair as proxy or attorney for a person who is entitled to vote (in accordance with a direction on the Proxy Form to vote as the Chair decides); or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided: the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and the holder votes in accordance with the directions on the Proxy Form.

RESOLUTION 4 – APPROVAL TO ISSUE UNDERWRITER OPTIONS

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 authorise the Company to issue 25,000,000 Underwriter Options to Pinnacle Corporate Finance Pty Ltd (or its nominees), for the purposes and on the terms set out in the Explanatory Statement."

Voting exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities), 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 Chair as proxy or attorney for a person who is entitled to vote (in accordance with a direction on the Proxy Form to vote as the Chair decides); or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided: the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and the holder votes in accordance with the directions on the Proxy Form.

RESOLUTION 5 – ELECTION OF DIRECTOR – MR BRAD MARWOOD

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

"That for the purposes of article 6.3 of the Constitution and for all other purposes, Mr Brad Marwood, retires and, being eligible, having offered himself for election, is elected as a Director."

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 proxy to vote on their behalf. 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 one or two proxies and if appointing two 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 10:30am WST on 29 March 2020 by:

1. post to GPO Box 5193, Sydney NSW 2001;
2. email at meetings@automicgroup.com.au; or
3. online at <https://investor.automic.com.au/#/loginsah>.

If you are a beneficial Shareholder and receive these materials through your broker or through another intermediary, please complete and return the Proxy Form 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 5:00pm WST on 27 March 2020 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.

ELECTRONIC COMMUNICATION

All Shareholders may, and are encouraged to, elect to receive communications from the Company's share registry electronically. To provide or update your email address, please contact the Company's share registry.

REVOCATION 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 Chair 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 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.



Dennis Wilkins
Company Secretary
Date: 25 February 2020

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 31 March 2020 commencing at 10:30am WST and any adjournment thereof.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice.

This Explanatory Statement should be read in conjunction with the Notice. Capitalised terms in this Explanatory Statement are defined in the Glossary.

1 OVERVIEW OF CAPITAL RAISING

1.1 Placement

On 19 November 2019, the Company announced a placement of up to 260,000,000 Shares at A\$0.004 per Share to raise up to \$1.04m (before costs), with a free attaching Option to be issued for each Share issued, to new sophisticated and professional investors, corner-stoned by prominent mining investor Mr Stephen Copulos (and/or related entities) (**Placement**). The Company entered into a Mandate with Pinnacle Corporate Finance Pty Ltd (**Pinnacle**) which provided for Pinnacle to act as lead manager to the Placement and which set out the terms of the Placement, as detailed below.

The free attaching Options are on the same terms as those existing unlisted Options on issue which expire on 31 January 2022 and are exercisable at \$0.0079 (as adjusted, refer to the Company's ASX announcement dated 5 February 2020). Refer to Annexure A for full terms and conditions.

The Placement was structured in two tranches. The **Tranche 1 Placement** completed on 26 November 2019 and was an unconditional placement of 130,000,000 Shares at A\$0.004 per Share (**Placement Shares**) under the Company's existing Listing Rule 7.1 capacity, together with a free attaching Option (on the terms and conditions set out in Annexure A) for each Placement Share issued (**Placement Options**). 27,000,000 Placement Options were issued on 26 November 2019 under the Company's then remaining Listing Rule 7.1 capacity and the issue of the balance of 103,000,000 Placement Options is subject to Shareholder approval (proposed pursuant to Resolution 3).

The second tranche was to be effected, only at the election of Mr Copulos, following publication of the results of the then proposed updated pre-feasibility study in relation to the Sandstone Gold Project (**PFS**). The funds from the placement were to be used to fund the PFS and for general working capital purposes. As announced on 20 December 2019, the Company and Mr Copulos agreed to abandon the second tranche of the Placement on the basis that updating the PFS would be deferred, with the then remaining funds from the Tranche 1 Placement to be used in a campaign directed at defining and converting sufficient additional Mineral Resources into Ore Reserves to justify recommissioning the Sandstone processing plant, along with provision for budgeted corporate and administration costs and additional working capital.

By the same agreement, the Company and Mr Copulos agreed the Company would undertake a fully underwritten entitlement issue with an entity associated with Mr Copulos acting as a priority sub-underwriter for \$500,000.

Pinnacle was paid fees of 2.0% of the total amount raised in the Placement and 4.0% of the total amount raised in the Placement from clients of Pinnacle.

1.2 Entitlement Issue

On 20 December 2019, the Company announced the fully underwritten, pro-rata, non-renounceable entitlement issue on the basis of one new Share (**New Shares**) for every two ordinary Shares held on the record date, at an issue price of \$0.004 per New Share, together with a free attaching New Option for each New Share subscribed for and issued, to raise gross proceeds of approximately \$2.35 million, before costs (**Entitlement Issue**). The purpose of the Entitlement Issue is to raise funds for the work required to define and convert sufficient additional Mineral Resources into Ore Reserves to justify recommissioning the Sandstone processing plant, along with provision for budgeted corporate and administration costs and additional working capital.

The Company entered into the Underwriting Agreement with and for Pinnacle to act as underwriter to the Entitlement Issue. Pursuant to the Underwriting Agreement, the Underwriter agreed to fully underwrite the Entitlement Issue. The Company has agreed to:

- (a) pay the Underwriter a management fee of 2% of the total gross amount raised under the Entitlement Issue;

- (b) pay the Underwriter an underwriting fee of 4% of the total dollar amount underwritten by the Underwriter under the Entitlement Issue (with all sub-underwriting fees to be paid by the Underwriter from this underwriting fee); and
- (c) issue the Underwriter (or its nominees) 25,000,000 New Options (**Underwriter Options**).

The Underwriter is also entitled to be reimbursed for out-of-pocket expenses directly related to the Entitlement Issue. The Underwriter must obtain the Company's consent prior to incurring any single expense greater than \$2,000.

The obligation of the Underwriter to underwrite the Entitlement Issue is subject to certain events of termination, a summary of which is set out in the Company's prospectus dated 13 January 2020 and released to the Company's ASX announcement platform on that date (**Prospectus**).

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

Refer to Resolution 4 and Section 5 of this Explanatory Statement for the proposed issue of the Underwriter Options.

For more information on the Entitlement Issue, including the identity of priority sub-underwriters and potential effect on control of the Company, refer to the Prospectus.

2 RESOLUTION 1 – RATIFICATION OF ISSUE OF PLACEMENT SHARES

2.1 General

The Company issued the Placement Shares on 26 November 2019 (**Placement Issue Date**), as part of the Tranche 1 Placement. The Company issued 130,000,000 Placement Shares at \$0.004 per Share in accordance with Listing Rule 7.1 and now seeks, pursuant to Resolution 1 of the Notice, to ratify the allotment and issue of those securities. Refer to Section 1 of this Explanatory Statement for more information on the Placement.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of the Placement Shares does not fit within any of these exceptions and, as it has not yet been approved by Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rules 7.1 for the 12 month period following the Placement Issue Date.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 1 seeks Shareholder approval to the issue of the Placement Shares under and for the purposes of Listing Rule 7.1.

If Resolution 1 is passed, the Placement Shares will be *excluded* in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the Placement Issue Date.

If Resolution 1 is not passed, the Placement Shares will be *included* in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the Placement Issue Date.

Resolution 1 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

2.2 Information required by Listing Rule 7.5

The following information is provided in accordance with Listing Rule 7.5.

- (a) The Placement Shares were allotted to sophisticated and professional investor clients of Pinnacle who, at the date of the issue of the Shares, were not related parties of the Company, including entities associated with Mr Stephen Copulos (**Tranche 1 Allottees**). The Tranche 1 Allottees were identified by Pinnacle through a bookbuild process, which involved Pinnacle seeking expressions of interest to participate in the Placement from non-related parties of the Company.

- (b) 130,000,000 Placement Shares were allotted and issued by the Company, being fully paid ordinary shares which rank equally with all other Shares on issue.
- (c) The Placement Shares were issued on the Placement Issue Date.
- (d) The issue price per Placement Share was \$0.004.
- (e) The funds raised are being used to seek to define and convert sufficient additional Mineral Resources into Ore Reserves to justify recommissioning the Sandstone processing plant, along with provision for budgeted corporate and administration costs and additional working capital.
- (f) A voting exclusion statement is included in the Notice.

2.3 Directors' Recommendation

Based on the information available, including the information contained in this Explanatory Statement, all of the Directors consider that Resolution 1 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 1. The Directors have formed this view as the passing of this Resolution will provide greater flexibility when considering future capital raising opportunities.

Each Director has indicated that he intends to vote the Shares he owns or controls in favour of Resolution 1. The Chair intends to vote all undirected proxies in favour of the Resolution.

3 RESOLUTION 2 – RATIFICATION OF ISSUE OF PLACEMENT OPTIONS

3.1 General

The Company issued some Placement Options on the Placement Issue Date, as part of the Tranche 1 Placement. The Company issued 27,000,000 Placement Options on a pro rata basis to all allottees of the Placement Shares in accordance with Listing Rule 7.1 and now seeks, pursuant to Resolution 2 of the Notice, to ratify the allotment and issue of those securities. The balance of the Placement Options to each of the Tranche 1 Placement allottees will be issued after the Meeting (assuming Resolution 3 is approved by Shareholders). The Placement Options are on the same terms as those existing unlisted Options on issue which expire on 31 January 2022 and are exercisable at \$0.0079 (as adjusted, refer to the Company's ASX announcement dated 5 February 2020). Refer to Annexure A for full terms and conditions of the Placement Options and refer to Section 1 of this Explanatory Statement for more information on the Placement.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of the Placement Options the subject of Resolution 2 does not fit within any of these exceptions and, as it has not yet been approved by Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rules 7.1 for the 12 month period following the Placement Issue Date.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 2 seeks Shareholder approval to the issue of 27,000,000 Placement Options under and for the purposes of Listing Rule 7.1.

If Resolution 2 is passed, the 27,000,000 Placement Options will be *excluded* in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the Placement Issue Date.

If Resolution 2 is not passed, the 27,000,000 Placement Options will be *included* in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the Placement Issue Date.

Resolution 2 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

3.2 Information required by Listing Rule 7.5

The following information is provided in accordance with Listing Rule 7.5.

- (a) The Placement Options were allotted to the Tranche 1 Allottees, being sophisticated and professional investor clients of Pinnacle who, at the date of the issue, were not related parties of the Company, including entities associated with Mr Stephen Copulos (refer to Section 2.2 of the Explanatory Statement for further information on the Tranche 1 Allottees).
- (b) 27,000,000 Placement Options were allotted and issued by the Company.
- (c) The Placement Options expire on 31 January 2022 and are exercisable at \$0.0079 (as adjusted, refer to the Company's ASX announcement dated 5 February 2020) and otherwise have the terms and conditions as set out in Annexure A.
- (d) The Placement Options the subject of Resolution 2 were issued on the Placement Issue Date.
- (e) The Placement Options the subject of Resolution 2 were issued as free attaching Options on a pro rata basis to allottees of the Placement Shares, so no funds were raised from the issue of the Placement Options.
- (f) A voting exclusion statement is included in the Notice.

3.3 Directors' Recommendation

Based on the information available, including the information contained in this Explanatory Statement, all of the Directors consider that Resolution 2 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 2. The Directors have formed this view as the passing of this Resolution will provide greater flexibility when considering future capital raising opportunities.

Each Director has indicated that he intends to vote the Shares he owns or controls in favour of Resolution 2. The Chair intends to vote all undirected proxies in favour of the Resolution.

4 RESOLUTION 3 – APPROVAL TO ISSUE PLACEMENT OPTIONS

4.1 General

As announced on 19 November 2019, the Tranche 1 Placement was an unconditional placement of 130,000,000 Placement Shares at A\$0.004 per Share under the Company's existing Listing Rule 7.1 capacity, together with a free attaching Placement Option for each Placement Share issued. 27,000,000 Placement Options were issued on the Placement Issue Date under the Company's remaining Listing Rule 7.1 capacity on a pro rata basis to the Tranche 1 Allottees and the issue of the balance of 103,000,000 Placement Options is subject to Shareholder approval pursuant to Resolution 3. The Placement Options are on the same terms as those existing unlisted Options on issue which expire on 31 January 2022 and are exercisable at \$0.0079 (as adjusted, refer to the Company's ASX announcement dated 5 February 2020). Refer to Annexure A for full terms and conditions of the Placement Options and refer to Section 1 of this Explanatory Statement for more information on the Placement.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The agreement to issue the Placement Options fell within Listing Rule 7.2 Exception 17 as it was conditional on Shareholders approving the issue under Listing Rule 7.1 before the issue was made. The issue of the Placement Options the subject of Resolution 3 does not fall within any of these exceptions and, at the time they were agreed to be issued (subject to Shareholder approval), exceeded the 15% limit in Listing Rule 7.1. Therefore, and as agreed with Tranche 1 Allottees, the issue of the Placement Options the subject of Resolution 3 requires the approval of the Company's Shareholders under Listing Rule 7.1.

Resolution 3 seeks the required Shareholder approval to the issue of 103,000,000 Placement Options under and for the purposes of Listing Rule 7.1. If Resolution 3 is passed, the Company will be able to proceed with the issue of the 103,000,000 Placement Options and will fulfil its obligations to the Tranche 1 Allottees under the terms of the Tranche 1 Placement. In addition, the 103,000,000 Placement Options will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1. If Resolution 3 is not passed, the Company will not be able to proceed with the issue of the 103,000,000 Placement Options. In order to fulfil its obligations to Tranche 1 Allottees, the Company may seek to issue the Placement Options pursuant to its placement capacity under Listing Rule 7.1.

Resolution 3 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

4.2 Information required by Listing Rule 7.3

The following information is provided in accordance with Listing Rule 7.3.

- (a) The Placement Options will be issued to the Tranche 1 Allottees, being sophisticated and professional investor clients of Pinnacle who are not related parties of the Company, including entities associated with Mr Stephen Copulos (refer to Section 2.2 of the Explanatory Statement for further information on the Tranche 1 Allottees).
- (b) The number of Placement Options that will be issued is 103,000,000.
- (c) The Placement Options expire on 31 January 2022 and are exercisable at \$0.0079 (as adjusted, refer to the Company's ASX announcement dated 5 February 2020) and otherwise have the terms and conditions as set out in Annexure A.
- (d) Any Placement Options issued in accordance with Resolution 3 will be issued and allotted no later than 3 months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (e) No funds will be raised from the issue of the Placement Options. The Placement Options are being issued as free attaching Options to allottees of the Placement Shares.
- (f) A voting exclusion statement is included in the Notice.

4.3 Directors' Recommendation

Based on the information available, including the information contained in this Explanatory Statement, all the Directors consider that Resolution 3 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 3. The Directors have formed this view as the passing of this Resolution will allow allottees of the Placement Shares to be issued one free attaching Placement Option for each Placement Share issued, as agreed.

Each Director has indicated that he intends to vote the Shares he owns or controls in favour of Resolution 3. The Chair intends to vote all undirected proxies in favour of the Resolution.

5 RESOLUTION 4 – APPROVAL TO ISSUE UNDERWRITER OPTIONS

5.1 General

As set out in the Prospectus in relation to the Entitlement Issue, the Company entered into the Underwriting Agreement with Pinnacle to act as Underwriter to the Entitlement Issue. Pursuant to the Underwriting Agreement, the Company has agreed to pay Pinnacle a management fee of 2.0% of the total amount raised in the Entitlement Issue and an underwriting fee of 4.0% of the total amount underwritten by the Underwriter, as well as 25,000,000 Underwriter Options on the same terms as the New Options to be issued pursuant to the Entitlement Issue, subject to Shareholder approval (and completion of the Underwriter's obligations).

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The agreement to issue the Underwriter Options fell within Listing Rule 7.2 Exception 17 as it was conditional on Shareholders approving the issue under Listing Rule 7.1 before the issue was made. The issue of the Underwriter Options the subject of Resolution 4 does not fall within any of the Listing Rule 7.1 exceptions and, at the time they were agreed to be issued, exceeded the 15% limit in Listing Rule 7.1. Therefore, and as agreed with the Underwriter, the issue of the Underwriter Options the subject of Resolution 4 requires the approval of the Company's Shareholders under Listing Rule 7.1.

Resolution 4 seeks the required Shareholder approval to the issue of 25,000,000 Underwriter Options under and for the purposes of Listing Rule 7.1. If Resolution 4 is passed, the Company will be able to proceed with the issue of the 25,000,000 Underwriter Options and will fulfil its obligations to the Underwriter under the terms of the Underwriting Agreement. In addition, the 25,000,000 Underwriter Options will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1. If Resolution 4 is not passed, the Company will not be able to proceed with the issue of the 25,000,000 Underwriter Options. In order to fulfil its obligation to the Underwriter, the Company may seek to issue the Underwriter Options pursuant to its placement capacity under Listing Rule 7.1 or make a compensatory payment to the Underwriter, on terms to be negotiated.

Refer to Section 1.2 of this Explanatory Statement for more information on the Entitlement Issue.

Resolution 4 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

5.2 Information required by Listing Rule 7.3

The following information is provided in accordance with Listing Rule 7.3.

- (a) The Underwriter Options will be issued to Pinnacle Corporate Finance Pty Ltd (or its nominees).
- (b) The number of Underwriter Options that will be issued is 25,000,000.
- (c) The Underwriter Options are unlisted Options that will be issued on the terms and conditions as set out in Annexure B.
- (d) Any Underwriter Options issued in accordance with Resolution 4 will be issued and allotted no later than 3 months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (e) The Underwriter Options are being issued to Pinnacle as part consideration for acting as underwriter to the Entitlement Issue. No funds will be raised from the issue of the Underwriter Options.
- (f) Refer to Section 1.2 of the Explanatory Statement for a summary of the terms of the Underwriting Agreement or the Prospectus in relation to the Entitlement Issue.
- (g) A voting exclusion statement is included in the Notice.

5.3 Directors' Recommendation

Based on the information available, including the information contained in this Explanatory Statement, all the Directors consider that Resolution 4 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 4. The Directors have formed this view as the passing of this Resolution will ensure the Company can comply with the terms of the Underwriting Agreement.

Each Director has indicated that he intends to vote the Shares he owns or controls in favour of Resolution 4. The Chair intends to vote all undirected proxies in favour of the Resolution.

6 RESOLUTION 5 – ELECTION OF DIRECTOR – MR BRAD MARWOOD

6.1 General

Mr Brad Marwood was appointed as a non-executive Director on 2 December 2019. The Board considers Mr Marwood to be an independent director.

In accordance with article 6.3 of the Constitution, a Director appointed as an addition to the Board by the other Directors may retire at the next general meeting but is eligible for re-election at that meeting.

Accordingly, Mr Marwood, who was appointed by the other Directors, now retires and, being eligible, offers himself for re-election as a Director.

Resolution 5 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

6.2 Director's biography and experience

Mr Marwood is a mining engineer and a highly experienced resources industry executive with more than 30 years of experience. He was instrumental in bringing into production the copper mine at Kipoi (DRC); completing development of the Svartliden gold mine (Sweden); and has managed numerous Feasibility Studies and advanced stage resource projects in Australia, Africa, North America and Asia.

He has worked in senior roles for groups such as Normandy, Dragon Mining, Lafayette, Moto Goldmines, Perseus Mining and Tiger Resources before his current role as Managing Director of Consolidated Zinc Ltd. Mr Marwood's involvement has seen growth in several companies with a significant increase in their market capitalisation and by protecting investments through restarting suspended mine projects.

6.3 Directors' recommendation

Based on the information available, including the information contained in this Explanatory Statement, all the Directors consider that Resolution 5 is in the best interests of the Company, as Mr Marwood has a wealth of experience and expertise which is valuable to the Company. All the Directors, except Mr Marwood, recommend that Shareholders vote in favour of Resolution 5.

Each Director has indicated that he intends to vote the Shares he owns or controls in favour of Resolution 5. The Chair intends to vote all undirected proxies in favour of the Resolution.

OTHER BUSINESS

The Company is not aware of any other business to come before the Meeting other than as set forth in the accompanying Notice.

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;

Chair means the person appointed to chair the Meeting, or any part of the Meeting;

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 the Notice;

Listing Rules means the listing rules of the ASX;

Mandate means the mandate between Pinnacle and the Company dated 14 November 2019;

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

New Options means an Option issued pursuant to the Entitlement Issue with an exercise price of \$0.0077 expiring on 31 January 2022 and otherwise on the terms and conditions set out in Annexure B;

New Shares means the Shares to be issued pursuant to the Entitlement Issue;

Notice means this notice of general meeting;

Option means an option to acquire a Share;

Pinnacle means Pinnacle Corporation Finance Pty Ltd (ABN 461 4926 3543). Pinnacle is the holder of Australian Financial Services Licence No 403684;

Placement has the meaning as defined in Section 1.1 of the Explanatory Statement;

Placement Issue Date has the meaning as defined in Section 2.1 of the Explanatory Statement;

Placement Shares has the meaning as defined in Section 1.1 of the Explanatory Statement;

Placement Options means Options with an exercise price of \$0.0079 expiring on 31 January 2022 and otherwise on the terms and conditions set out in Annexure A, as defined in Section 1.1 of the Explanatory Statement;

PFS means the updated pre-feasibility study in relation to the Sandstone Gold Project;

Prospectus has the meaning as defined in Section 1.2 of the Explanatory Statement;

Proxy Form means the proxy form attached to this Notice;

Resolution means a resolution contained in this Notice;

Sandstone Gold Project means the Sandstone project and processing facility, situated 12km south of the township of Sandstone and ~400km northwest of Kalgoorlie in the East Murchison Mineral Field of Western Australia;

Section means a section of the Explanatory Statement;

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

Shareholder means the holder of a Share;

Underwriter means Pinnacle;

Underwriter Options has the meaning as defined in Section 1.2 of the Explanatory Statement;

Underwriting Agreement means the underwriting agreement between the Company and Pinnacle in relation to the Entitlement Issue;

Tranche 1 Allottees has the meaning as defined in Section 2.2(a) of the Explanatory Statement;

Tranche 1 Placement has the meaning as defined in Section 1.1 of the Explanatory Statement; and

WST means Australian Western Standard Time.

**ANNEXURE A
TERMS AND CONDITIONS
OPTIONS EXPIRING 31 JANUARY 2022**

The Options are issued on the following terms:

(a) **Entitlement**

Subject to Option terms (f), (g) and (h), each Option entitles the registered Option holder to subscribe for and be allotted one Share in the capital of the Company, credited as fully paid, at an exercise price of \$0.0079 per Share.

The Company must, as soon as it is reasonably practicable to do so, allot Shares on exercise of the Option in accordance with the Listing Rules (if the Company is listed at the time of exercise of the Option) and register the Option holder or its nominee as a Shareholder in the register of members in respect of the Shares so allotted. No Option may be exercised if to do so would contravene the Corporations Act or the Listing Rules.

Shares issued on the exercise of Options will rank *pari passu* with all existing Shares in the capital of the Company from the date of issue.

(b) **Exercise of Options**

An Option is exercisable by the registered Option holder lodging notice of exercise of option together with the exercise price for each Share to be issued on exercise and the relevant option holding statement, at any office of the Company's share registrar. The Options may be exercised in whole or in part and, if exercised in part, multiples of 100,000 must be exercised on each occasion. Subject to the expiry date, the exercise of some Options only does not affect the registered Option holder's right to exercise other Options at a later time.

Remittances must be made payable to the Company and cheques should be crossed "not negotiable".

Options may be exercised at any time on or before 5.00pm WST on 31 January 2022.

An Option not exercised by 5.00pm WST on 31 January 2022 lapses.

(c) **Transfer**

Subject to any restrictions imposed by ASX, Options may be transferred at any time before lapsing.

(d) **Dividends**

Shares issued on any exercise of an Option will rank *pari passu* with all existing Shares in the capital of the Company from the date of issue and will be entitled to dividend for which the books closing date for determining entitlements falls after the date of issue.

(e) **Bonus issue**

If the Company makes a bonus issue of Shares or other securities *pro rata* to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) at a time when:

- an Option has not been exercised in full; or
- an Option has been exercised, but Shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the bonus issue,

then the number of Shares over which the Option is exercisable or has been exercised (as the case may be) will be increased by the number of securities which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

(f) **Rights issue**

If the Company makes an offer of Shares *pro rata* to all or substantially all holders of ordinary Shares (other than a bonus issue or an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment), the exercise price of the Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2.

(g) **Reconstruction**

The rights of an Option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

(h) **Advice**

The Company must give notice to the Option holder of any adjustment to the number of Shares which the Option holder is entitled to subscribe for or be issued on exercise of the Option or the exercise price per Share in accordance with the Listing Rules.

(i) **Right to participate in future issues**

The Option holder may only participate in new issues of securities to holders of Shares to the extent the Option has been exercised, if that is permitted by its terms, and the Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give notice to the option holder of any new issue before the books closing date for determining entitlements to the issue in accordance with the Listing Rules.

**ANNEXURE B
TERMS AND CONDITIONS
OPTIONS EXPIRING 31 JANUARY 2022**

The Options are issued on the following terms:

(a) **Entitlement**

Subject to Option terms (f), (g) and (h), each Option entitles the registered Option holder to subscribe for and be allotted one Share in the capital of the Company, credited as fully paid, at an exercise price of \$0.0077 per Share.

The Company must, as soon as it is reasonably practicable to do so, allot Shares on exercise of the Option in accordance with the Listing Rules (if the Company is listed at the time of exercise of the Option) and register the Option holder or its nominee as a Shareholder in the register of members in respect of the Shares so allotted. No Option may be exercised if to do so would contravene the Corporations Act or the Listing Rules.

Shares issued on the exercise of Options will rank *pari passu* with all existing Shares in the capital of the Company from the date of issue.

(b) **Exercise of Options**

An Option is exercisable by the registered Option holder lodging notice of exercise of option together with the exercise price for each Share to be issued on exercise and the relevant option holding statement, at any office of the Company's share registrar. The Options may be exercised in whole or in part and, if exercised in part, multiples of 100,000 must be exercised on each occasion. Subject to the expiry date, the exercise of some Options only does not affect the registered Option holder's right to exercise other Options at a later time.

Remittances must be made payable to the Company and cheques should be crossed "not negotiable".

Options may be exercised at any time on or before 5.00pm WST on 31 January 2022.

An Option not exercised by 5.00pm WST on 31 January 2022 lapses.

(c) **Transfer**

Subject to any restrictions imposed by ASX, Options may be transferred at any time before lapsing.

(d) **Dividends**

Shares issued on any exercise of an Option will rank *pari passu* with all existing Shares in the capital of the Company from the date of issue and will be entitled to dividend for which the books closing date for determining entitlements falls after the date of issue.

(e) **Bonus issue**

If the Company makes a bonus issue of Shares or other securities *pro rata* to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) at a time when:

- an Option has not been exercised in full; or
- an Option has been exercised, but Shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the bonus issue,

then the number of Shares over which the Option is exercisable or has been exercised (as the case may be) will be increased by the number of securities which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

(f) **Rights issue**

If the Company makes an offer of Shares *pro rata* to all or substantially all holders of ordinary Shares (other than a bonus issue or an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment), the exercise price of the Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2.

(g) **Reconstruction**

The rights of an Option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

(h) **Advice**

The Company must give notice to the Option holder of any adjustment to the number of Shares which the Option holder is entitled to subscribe for or be issued on exercise of the Option or the exercise price per Share in accordance with the Listing Rules.

(i) **Right to participate in future issues**

The Option holder may only participate in new issues of securities to holders of Shares to the extent the Option has been exercised, if that is permitted by its terms, and the Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give notice to the option holder of any new issue before the books closing date for determining entitlements to the issue in accordance with the Listing Rules.