

MIDDLE ISLAND RESOURCES LIMITED
ABN 70 142 361 608

NOTICE OF ANNUAL GENERAL MEETING

AND

EXPLANATORY STATEMENT

AND

PROXY FORM

Date of Meeting

26 November 2020

Time of Meeting

4.00pm WST

Place of Meeting

The Celtic Club
48 Ord Street
WEST PERTH WA 6005

This Notice of Annual 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.

*The **2020 Annual Report** may be viewed on the Company's website at www.middleisland.com.au*

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

Notice is hereby given that the 2020 annual general meeting of Middle Island Resources Limited (**Company**) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 26 November 2020 at 4.00pm AWST (**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.

2020 FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Financial Report, together with the Directors' Report and the Auditor's Report, for the financial year ended 30 June 2020.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following **advisory only resolution**:

"That, for the purpose of section 250R(2) of the Corporations Act, and for all other purposes, the Remuneration Report forming part of the Company's 2020 Annual Report be adopted."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting prohibition: In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 1:

- (a) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or their Closely Related Parties, regardless of the capacity in which the votes are cast; or
- (b) by a person who is a member of the Key Management Personnel at the date of the Meeting, or their Closely Related Parties, as a proxy.

However, the Company will not disregard a vote if the vote is cast as a proxy for a person entitled to vote on Resolution 1:

- (a) in accordance with a direction as to how to vote on the Proxy Form; or
- (b) by the Chair pursuant to an express authorisation to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

RESOLUTION 2 – RE-ELECTION OF BEAU NICHOLLS AS A DIRECTOR

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

"That, for the purpose of article 6.3 of the Constitution and for all other purposes, Beau Nicholls retires by rotation as a Director, and being eligible and having offered himself for re-election, is re-elected as a Director."

RESOLUTION 3 – APPROVAL OF 10% PLACEMENT FACILITY

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

"That in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement."

Voting exclusion: For the purposes of Listing Rule 7.3A, the Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who may participate in the 10% Placement Facility or a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their Associates, unless it is cast:

- (a) by a person as proxy 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 4 – 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 264,791,735 Placement Shares at an issue price of \$0.004 each to sophisticated and professional investor clients of Bell Potter Securities Limited, 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 5 – 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 98,844,629 Placement Shares at an issue price of \$0.004 each to sophisticated and professional investor clients of Bell Potter Securities Limited, 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 6 – RATIFICATION OF ISSUE OF CONTROLLED 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 38,095,000 Controlled Placement Shares at an issue price of \$0.021 each to Acuity Capital, 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 Acuity Capital 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 7 – APPROVAL TO ISSUE SECURITIES TO A DIRECTOR – BEAU NICHOLLS

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

"That, for the purpose of Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, Shareholders approve the issue of up to 6,250,000 Shares and 6,250,000 Entitlements Offer Options to a Director, Mr Beau Nicholls (or his nominees), 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 Mr Beau Nicholls, and any of his 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.

Voting prohibition: In accordance with the Corporations Act, a vote may not be cast (in any capacity) by Mr Nicholls or any of his Associates. The Company will also disregard any votes cast on Resolution 7 by a person who is a member of the Key Management Personnel, or their Closely Related Parties, as a proxy.

However, the Company will not disregard a vote if the vote is cast as a proxy for a person entitled to vote on Resolution 7:

- (a) in accordance with a direction as to how to vote on the Proxy Form; or
- (b) by the Chair pursuant to an express authorisation to exercise the proxy even if Resolution 7 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

RESOLUTION 8 – APPROVAL TO ISSUE SECURITIES TO A DIRECTOR – 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 Listing Rule 10.11 and for all other purposes, Shareholders approve and authorise the Company to issue 7,500,000 RC Shares to a Director, Mr Brad Marwood (or his nominees), in lieu of Director fees and otherwise 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 Mr Brad Marwood, and any of his 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.

Voting prohibition: In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 8 by a person who is a member of the Key Management Personnel, or their Closely Related Parties, as a proxy.

However, the Company will not disregard a vote if the vote is cast as a proxy for a person entitled to vote on Resolution 8:

- (a) in accordance with a direction as to how to vote on the Proxy Form; or
- (b) by the Chair pursuant to an express authorisation to exercise the proxy even if Resolution 8 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

RESOLUTION 9 – APPROVAL OF PROPORTIONAL TAKEOVER PROVISIONS

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

“That with effect from the close of the Meeting, the proportional takeover provisions set out in Annexure C to the Explanatory Statement be inserted into the Company’s Constitution in place of Schedule 5.”

RESOLUTION 10 – CONSOLIDATION OF 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 section 254H of the Corporations Act and for all other purposes, with effect from 7 December 2020, the Share capital of the Company will be consolidated on the basis that:

- (a) every 23 Shares will be consolidated into one Share; and*
- (b) where the number of Shares held by a Shareholder of the Company as a result of the consolidation effected by paragraph (a) of this Resolution includes any fraction of a Share, that fraction of a Share be rounded up to the next whole number of Shares.”*

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 4.00pm AWST on 24 November 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 AWST on 24 November 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: 9 October 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 annual general meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth WA 6005, on 26 November 2020 commencing at 4.00pm AWST and any adjournment thereof.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company that 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.

FINANCIAL STATEMENTS AND REPORTS

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report, for the financial year ended 30 June 2020.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered a reasonable opportunity to:

- (a) discuss the Annual Report which is available online from the Company's website www.middleisland.com.au;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit, the preparation and content of the Auditor's Report, accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the Company's auditor if the question is relevant to:

- (a) the content of the Auditor's Report; or
- (b) the conduct of the audit of the Annual Report to be considered at the Meeting,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office (+61 8 9389 2111).

1 RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

1.1 General

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the Key Management Personnel.

The Remuneration Report has been sent to Shareholders who have made an election to receive the Annual Report. Copies of the Annual Report are available by contacting the Company's share registry or visiting the Company's web site www.middleisland.com.au.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report. However, Shareholders will have the opportunity to remove the whole Board (except the managing director) if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive AGM's.

Where a resolution on the Remuneration Report receives a Strike at two consecutive AGM's, the Company will be required to put to Shareholders at the second AGM a resolution (**Spill Resolution**) on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2019 AGM. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2021 AGM, this may result in the re-election of the Board.

The Chair will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Report.

Resolution 1 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

1.2 Voting on the Remuneration Report

Please refer to the voting prohibition set out in the Notice for the persons who are not entitled to vote on Resolution 1.

The Chair intends to exercise all available proxies in favour of Resolution 1.

If the Chair is appointed as your proxy and you have not specified the way the Chair is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

1.3 Directors' recommendation

The Directors recommend that Shareholders vote in favour of adopting the Remuneration Report.

2 RESOLUTION 2 – RE-ELECTION OF BEAU NICHOLLS AS A DIRECTOR

2.1 General

Mr Beau Nicholls was appointed as a non-executive Director on 30 April 2010.

In accordance with Listing Rule 14.4, no director of the Company may hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever period is longer. The Company's Constitution also requires that one third of the Company's directors must retire at each AGM. Accordingly, Mr Beau Nicholls will retire by rotation and, being eligible, offers himself for re-election.

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.

2.2 Director's biography and experience

Mr Nicholls has 25 years' experience in mining and exploration geology, ranging from grass roots exploration management through to mine production environments. He is a Member of the Australian Institute of Geoscientists with a proven track record on four continents (Australia, Eastern Europe, Africa and the Americas) and in over 20 countries, Mr Nicholls has been instrumental in the discovery and/or development of a number of world class deposits. Mr Nicholls also has over 10 years international consulting experience with RSG, RSG Global and Coffey Mining, including 3 years as the resident Regional Manager in West Africa. Mr Nicholls is currently principal Consultant with Sahara Natural Resources.

2.3 Directors' recommendation

All the Directors consider that Resolution 2 is in the best interests of the Company, as Mr Nicholls' skills, knowledge and experience of mining and exploration geology is valuable to the Company. All the Directors, except Mr Nicholls, who has an interest in this Resolution, recommend that Shareholders vote in favour of Resolution 2.

The Chair intends to exercise all undirected proxies in favour of Resolution 2.

3 RESOLUTION 3 – APPROVAL OF 10% PLACEMENT FACILITY

3.1 General

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 securities it had on issue at the start of the period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its AGM, to increase this 15% limit by an extra 10% to 25% (**10% Placement Facility**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and which has a market capitalisation of \$300 million or less. The Company is an eligible entity for these purposes as at the date of this Notice. If, on the date of the Meeting, the Company is not an eligible entity under the Listing Rules for the purposes of Listing Rule 7.1A, then Resolution 3 will be withdrawn.

Resolution 3 seeks Shareholder approval by way of a special resolution for the Company to have the additional 10% capacity provided for in Listing Rule 7.1A to issue Equity Securities without Shareholder approval. The exact number of

Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

If Resolution 3 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 3 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

3.2 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows.

- (a) Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of:
- (i) the date that is 12 months after the date of the AGM at which the approval is obtained; or
 - (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

The Company will only issue and allot the Equity Securities during the 10% Placement Period.

- (b) The Equity Securities will be issued at an issue price of not less than 75% of the volume weighted average price for the relevant class of the Company's Equity Securities over the 15 Trading Days in which trades in the class were recorded immediately before:
- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (c) The Company may seek to issue the Equity Securities to raise funds for making (or to securing the right to make) one or more acquisitions and/or to further its existing projects; and/or general working capital; so that the Company has the necessary working capital and flexibility to consider, and if thought fit, to put it in a stronger position to make (or to secure the right to make) one or more acquisitions and/or to further its existing projects.
- (d) If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the relevant class of the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table shows:

- (i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.008 50% decrease in Issue Price	\$0.016 Issue Price	\$0.032 100% increase in Issue Price
Current Variable A 2,762,560,444 Shares	10% voting dilution	276,256,044 Shares		
	Funds raised	\$2,210,048	\$4,420,097	\$8,840,193
50% increase in current Variable A 4,143,840,666 Shares	10% voting dilution	414,384,066 Shares		
	Funds raised	\$3,315,073	\$6,630,145	\$13,260,290
100% increase in current Variable A 5,525,120,888 Shares	10% voting dilution	552,512,088 Shares		
	Funds raised	\$4,420,097	\$8,840,193	\$17,680,387

The table has been prepared on the following assumptions:

- (i) Shareholders approve Resolutions 3 through 6.
 - (ii) The Company issues, in a single allotment, the maximum number of Equity Securities available under the 10% Placement Facility.
 - (iii) No Convertible Securities (including any Convertible Securities issued under the 10% Placement Facility) are converted into Shares before the date of the issue of the Equity Securities.
 - (iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of this Meeting.
 - (vi) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Convertible Securities, it is assumed that those Convertible Securities are converted into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (viii) The issue price is \$0.016 being the closing price of Shares on the ASX on 9 October 2019.
 - (ix) Resolution 10 (share consolidation) has not been implemented.
- (e) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.
- (f) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an Associate of a related party of the Company.

- (g) The Company previously obtained Shareholder approval under Listing Rule 7.1A at the 2019 AGM on 28 November 2019.

In accordance with Listing Rule 7.3A.6, as at the date of this Notice, the total number of Equity Securities issued in the 12 months preceding the date of the Meeting under Listing Rule 7.1A is 98,844,629 representing 6.93% of the Equity Securities on issue at the commencement of the 12 month period.

As at the date of this Notice, the Company has issued the following Equity Securities in the 12 months preceding the date of the Meeting under Listing Rule 7.1A:

Date of Issue	Number of Securities	Class	Issue Price	Discount to Market price	Total Consideration	Issued to
20/05/2020	98,844,629	Fully paid ordinary shares	\$0.011	8.3%	\$1,087,291	Placement to sophisticated and institutional investors
TOTAL					\$1,087,291	

The Company has not spent any of the funds it has raised in the 12 months preceding the date of this Notice under Listing Rule 7.1A. The Company intends to use the funds for further exploration and development work at the Sandstone gold project, including a feasibility study update, and general working capital purposes.

- (h) A voting exclusion statement is included in the Notice.

At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

3.3 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 provide greater flexibility when considering future capital raising opportunities. The passing of Resolution 3 will increase the Directors' ability to issue new Shares permitted by the Listing Rules without requiring Shareholder approval. Application of this additional placement capacity has historically been utilised by the Company in a very judicious manner (or not at all) that has, at all times, been cognisant of potential Shareholder dilution.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chair intends to exercise all undirected proxies in favour of Resolution 3.

4 OVERVIEW OF PLACEMENT

On 14 May 2020, the Company announced a placement of approximately 363.6 million Shares at an issue price of A\$0.011 per Share to raise A\$4.0 million pursuant to the Company's existing placement capacity in accordance with Listing Rules 7.1 and 7.1A (**Placement**) to new and existing sophisticated and professional investors. The Company entered into a Mandate with Bell Potter Securities Limited (**Bell Potter**), which provided for Bell Potter to act as lead manager to the Placement and which set out the terms of the Placement.

The Company issued the following Shares on 20 May 2020 (**Placement Issue Date**) to complete the Placement:

- (a) 264,791,735 Shares under Listing Rule 7.1; and
 (b) 98,844,629 Shares under Listing Rule 7.1A,
 (together, the **Placement Shares**).

Bell Potter was paid fees of 6.0% of the total amount raised in the Placement.

The proceeds from the Placement and existing cash reserves continue to be applied to exploration and resource drilling at the Sandstone gold project and completion of the feasibility study, including:

- (a) sterilisation drilling of planned waste dump locations associated with five recent discoveries at McLaren, McIntyre, Ridge, Old Town Well and Plum Pudding, and exploration drilling of the Shillington Gap target and possible extensions to the McLaren, McIntyre and Ridge deposits;
- (b) maiden and upgraded Mineral Resource estimates prior to completion of the feasibility study;
- (c) working capital towards additional exploration drilling and recommissioning of the Company's 600,000ktpa Sandstone processing plant; and
- (d) costs of the Placement.

Refer to the Company's announcement dated 14 May 2020 for more information on the Placement.

5 RESOLUTION 4 – RATIFICATION OF ISSUE OF PLACEMENT SHARES

5.1 General

The Company issued 264,791,735 Placement Shares at \$0.011 per Share in accordance with Listing Rule 7.1 and now seeks, pursuant to Resolution 4 of the Notice, to ratify the allotment and issue of those securities. Refer to Section 4 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 4 seeks Shareholder approval to the issue of the Placement Shares under and for the purposes of Listing Rule 7.1.

If Resolution 4 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 4 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 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 7.5

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 Bell Potter who, at the date of the issue of the Shares, were not related parties of the Company. The Placement allottees were identified by Bell Potter through a bookbuild process, which involved Bell Potter seeking expressions of interest to participate in the Placement from non-related parties of the Company.
- (b) 264,791,735 Placement Shares were allotted and issued by the Company pursuant to Listing Rule 7.1, 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 \$0.011.

- (e) The funds raised continue to be applied to undertake exploration and resource drilling at the Sandstone gold project and progress the feasibility study as set out in further detail in Section 4 of this Explanatory Statement.
- (f) A voting exclusion statement is included in the Notice.

5.3 Directors' Recommendation

All of 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 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 4. The Chair intends to vote all undirected proxies in favour of the Resolution.

6 RESOLUTION 5 – RATIFICATION OF ISSUE OF PLACEMENT SHARES

6.1 General

The Company issued 98,844,629 Placement Shares at \$0.011 per Share in accordance with Listing Rule 7.1A and now seeks, pursuant to Resolution 5 of the Notice, to ratify the allotment and issue of those securities. Refer to Section 4 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. Listing Rule 7.1A provides that in addition to issues permitted without prior shareholder approval under Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under Listing Rule 7.1A may issue or agree to issue during the period the approval is valid a number of quoted equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in Listing Rule 7.1A. Shareholders approved the Company's Listing Rule 7.1A mandate by way of special resolution at the 2019 annual general meeting held on 28 November 2019 and the Company was an eligible entity under Listing Rule 7.1A on that date.

The issue of the Placement Shares the subject of Resolution 5 does not fit within any of the 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 and the 10% limit in Listing Rule 7.1A, reducing the Company's capacity to issue further equity securities without Shareholder approval under those Listing Rules 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 7.1A 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 5 seeks Shareholder approval to the issue of 98,844,629 Placement Shares under and for the purposes of Listing Rule 7.1A.

If Resolution 5 is passed, the 98,844,629 Placement Shares will be *excluded* in calculating the Company's 10% limit in Listing Rule 7.1A, 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 5 is not passed, the 98,844,629 Placement Shares will be *included* in calculating the Company's 10% limit in Listing Rule 7.1A, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the Placement Issue Date.

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 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 Bell Potter who, at the date of the issue of the Shares, were not related parties of the Company. The Placement allottees were identified by Bell Potter through a bookbuild process, which involved Bell Potter seeking expressions of interest to participate in the Placement from non-related parties of the Company.

- (b) 98,844,629 Placement Shares were allotted and issued by the Company pursuant to Listing Rule 7.1A, 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 \$0.011.
- (e) The funds raised continue to be applied to undertake exploration and resource drilling at the Sandstone gold project and progress the feasibility study as set out in further detail in Section 4 of this Explanatory Statement.
- (f) A voting exclusion statement is included in the Notice.

6.3 Directors' recommendation

All of the Directors consider that Resolution 5 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 5. 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 5. The Chair intends to vote all undirected proxies in favour of the Resolution.

7 RESOLUTION 6 – RATIFICATION OF ISSUE OF CONTROLLED PLACEMENT SHARES

7.1 General

In July 2017, the Company entered into a Controlled Placement Agreement with Acuity Capital under which the Company might (if, when and at a price or prices in one or more tranches) at its sole discretion raise up to \$2,000,000, refer to the Company's ASX announcement dated 31 July 2017. There is no requirement for the Company to utilise the Controlled Placement Agreement, which it may terminate at any time without cost or penalty. The Controlled Placement Agreement does not contractually restrict the Company's ability to otherwise raise capital. Each time the Company elects (if at all) to utilise the Controlled Placement Agreement, it sets a floor price, which floor price will be determined by the Company in its sole discretion. The final issue price is the greater of the floor price and the price which is a 10% discount to the volume weighted average on market sale price realised by Acuity Capital over a period nominated by the Company.

The Company utilised the Controlled Placement Agreement in 2020 to raise \$800,000 (inclusive of costs) by issuing 38,095,000 Controlled Placement Shares to Acuity Capital at an issue price of \$0.021 per Share. The Controlled Placement Shares were issued on 2 October 2020 (**Controlled Placement Issue Date**) in accordance with Listing Rule 7.1 and the Company now seeks, pursuant to Resolution 6 of the Notice, to ratify the allotment and issue of those securities. Refer to the Company's ASX announcements dated 30 September and 2 October 2020 for more information.

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 Controlled 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 Controlled 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 6 seeks Shareholder approval to the issue of the Controlled Placement Shares under and for the purposes of Listing Rule 7.1.

If Resolution 6 is passed, the Controlled 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 Controlled Placement Issue Date.

If Resolution 6 is not passed, the Controlled 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 Controlled Placement Issue Date.

Resolution 6 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

7.2 Information required by Listing Rule 7.5

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

- (a) The Controlled Placement Shares were issued to Acuity Capital, which is not a related party of the Company.
- (b) 38,095,000 Controlled Placement Shares were allotted and issued by the Company pursuant to Listing Rule 7.1, being fully paid ordinary shares which rank equally with all other Shares on issue.
- (c) The Controlled Placement Shares were issued on the Controlled Placement Issue Date.
- (d) The average issue price per Controlled Placement Share was \$0.021.
- (e) The funds raised will be used to finalise the feasibility study and contribute towards project development costs.
- (f) A voting exclusion statement is included in the Notice.

7.3 Directors' recommendation

All of the Directors consider that Resolution 6 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 6. 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 6. The Chair intends to vote all undirected proxies in favour of the Resolution.

8 RESOLUTION 7 – APPROVAL TO ISSUE SECURITIES TO A DIRECTOR – BEAU NICHOLLS

8.1 General

The Company undertook a non-renounceable pro rata entitlements offer early in 2020, which completed in February 2020 (**Entitlements Offer**). The proceeds raised under the Entitlements Offer were used to seek to define and convert sufficient additional Mineral Resources into Ore Reserves, to justify recommissioning the Sandstone processing plant, as well as for budgeted corporate and administration costs and additional working capital. Refer to the Company's ASX announcement dated 13 January 2020 for more information on the Entitlements Offer.

When the Board considered approving the making of the rights issue, Mr Beau Nicholls, a Director, committed to take up (a portion of) his rights in the Entitlements Offer to the value of \$25,000. However, his application was not processed in favour of underwriter shortfall applications. As announced on 9 June 2020, the Company proposes to issue to Mr Nicholls securities to the value of \$25,000 on the same terms and conditions as the Entitlements Offer, being 6,250,000 Shares at an issue price of \$0.004 per Share and 6,250,000 Entitlements Offer Options (exercise price \$0.0077, expiring 31 January 2022) (together, the **Director Entitlement Securities**).

Resolution 10 proposes a consolidation of the Company's Shares, which, if approved, will take place after the issue of any securities approved for issue pursuant to this Notice of AGM, including the issue of (any of) the Director Entitlement Securities. If Resolution 10 is approved, the Director Entitlement Securities (if approval to issue the same is forthcoming) will be adjusted in accordance with Resolution 10 and the Listing Rules and, thus, post consolidation, the Director Entitlement Securities will comprise 271,740 Shares and 271,740 Entitlements Offer Options (exercise price \$0.1771, expiring 31 January 2022). For further information on the consolidation, refer to Resolution 10 and Section 11 of this Explanatory Statement.

8.2 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- (a) a related party (Listing Rule 10.11.1);
- (b) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company (Listing Rule 10.11.2);
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so (Listing Rule 10.11.3);
- (d) an associate of a person referred to in Listing Rule 10.11.1 to Listing Rule 10.11.3 (Listing Rule 10.11.4); or

(e) a person whose relationship with the company or a person referred to in Listing Rule 10.11.1 to Listing Rule 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders, unless it obtains the approval of its shareholders.

The issue of the Director Entitlement Securities falls within Listing Rule 10.11.1 (as Mr Nicholls is a Director and therefore a related party of the Company) and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of the Company's Shareholders under Listing Rule 10.11. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Resolution 7 seeks the required Shareholder approval to the issue of the Director Entitlement Securities under and for the purposes of Listing Rule 10.11.

If Resolution 7 is passed, the Company will proceed with the issue of the Director Entitlement Securities, with the result that the Company will receive \$25,000 from Mr Nicholls to use for the purposes of the Entitlements Offer and Mr Nicholls will receive the securities he applied for under the Entitlements Offer on the terms and conditions set out in the Entitlements Offer.

If Resolution 7 is not passed, the Company will not be able to proceed with the issue of the Director Entitlement Securities and the Company will not receive \$25,000 from Mr Nicholls and Mr Nicholls will be aggrieved by the Company preferring shortfall applicants over him. The Company recognises Mr Nicholls' long contribution, often at very low cash cost to the Company, and significantly his recent contribution to adding value to the Sandstone gold project and believes it appropriate to accommodate Mr Nicholls.

Resolution 7 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

8.3 Chapter 2E of the Corporations Act – related party transactions

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors, persons the Company has reasonable grounds to believe will become Directors, and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 7 provides for the grant of securities to a related party which is a financial benefit requiring Shareholder approval. The Board has considered whether the proposed grant of Director Entitlement Securities for the benefit of Mr Nicholls is on arm's length terms, given that the Shares and Entitlements Offer Options will be issued to Mr Nicholls on the same terms as securities issued to non-related party participants in the Entitlements Offer and Mr Nicholls will provide cash consideration for the securities. In the circumstances, the Board considers it open to conclude that the proposed benefit will not be granted on arm's length terms and thus it is prudent to seek Shareholder approval under Chapter 2E of the Corporations Act for the proposed grant of Director Entitlement Securities.

For the purpose of obtaining Shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess whether or not to approve the grant of the Director Entitlement Securities to Mr Nicholls under Resolution 7.

The identity of the related party

Subject to Shareholder approval, the Director Entitlement Securities the subject of Resolution 7 will be granted to Mr Nicholls, or his nominees, within one month of the passing of this Resolution. Mr Nicholls is a Director and is therefore classified as a related party.

The nature of, reasons for and basis for the financial benefit

The proposed financial benefit is the grant of 6,250,000 Shares at an issue price of \$0.004 per Share and 6,250,000 Entitlements Offer Options (exercise price \$0.0077, expiring 31 January 2022) to Mr Nicholls, or his nominees. Each Entitlements Offer Option will allow Mr Nicholls to subscribe for one ordinary fully paid Share in the Company. The funds raised by the issue of the financial benefit to Mr Nicholls will be \$25,000.

Mr Beau Nicholls, a Director, intended and sought to take up his rights in the Entitlements Offer to the value of \$25,000, and the purpose of the issue of the Director Entitlement Securities is to fulfil that intention even though, at the time,

preference (in good faith to the underwriter) was given to shortfall applicants. The Company recognises Mr Nicholls' long contribution, often at very low cash cost to the Company, and significantly his recent contribution to adding value to the Sandstone gold project and believes it appropriate to accommodate Mr Nicholls in relation to his Entitlements Offer application. For more information, refer to Section 8.1 of this Explanatory Statement.

The basis on which the number and issue price of the Director Entitlement Securities is the same as the basis on which securities were offered to Shareholders pursuant to the Entitlements Offer.

Directors' interests and recommendation

All Directors, except Mr Nicholls, recommend Shareholders vote in favour of Resolution 7 as they believe it is in the best interests of the Company. The Directors have formed this view as the passing of this Resolution will allow Mr Nicholls to be issued with securities on the same terms as the Entitlements Offer, as originally intended.

Mr Nicholls does not wish to make a recommendation about the proposed Resolution 7 as he may potentially receive a financial benefit from the passing of the Resolution in relation to the grant of the Director Entitlement Securities and does not consider himself sufficiently independent to make a recommendation. Mr Nicholls has a material personal interest in the proposal and did not vote on the Board decision to proceed with the proposal of the grant of the Director Entitlement Securities for Shareholder approval.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant 6,250,000 Shares at an issue price of \$0.004 per Share and 6,250,000 Entitlements Offer Options (exercise price \$0.0077, expiring 31 January 2022) to Mr Nicholls, or his nominees. The Company would receive \$25,000 from Mr Nicholls in consideration of the issue of the Director Entitlement Securities.
- (b) The Shares will rank equally with existing fully paid ordinary Shares on issue. The exercise of the Entitlements Offer Options is subject to the terms and conditions as set out in Annexure A to this Explanatory Statement and as otherwise mentioned above.
- (c) As the Director Entitlement Securities are proposed for issue on the same terms as securities issued to non-related party participants in the Entitlements Offer, Mr Nicholls will provide cash consideration for the securities of \$25,000 (an issue price of \$0.004 per Share, with a free attaching Entitlements Offer Option for each Share subscribed for and issued).

The fully paid ordinary Shares of the Company have been traded on ASX since December 2010. In the 12 months prior to the date of this Notice, the Shares have traded in the range of \$0.004 to \$0.027, the most recent closing price prior to the date of this Notice was \$0.016. As such, the Shares proposed to be issued pursuant to Resolution 7 are currently valued at \$100,000.

The Entitlements Offer Options are not quoted on ASX and as such have no actual market value. The Options are capable of being converted to Shares by payment of the exercise price. The market price of the Company's Shares during the term of the Options will normally determine whether or not an Option holder exercises the Options. At the time any Entitlements Offer Options proposed pursuant to Resolution 7 are exercised, and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options.

The Directors, in conjunction with the Company's advisers, have provided an indicative value to the Entitlements Offer Options the subject of Resolution 7 by reference to the Black-Scholes valuation method.

The total value of the Director Entitlement Securities to be issued is outlined in Table 1 below.

Table 1 - Details of Director Entitlement Securities

Name	Relationship	Number of securities	Vesting	Value
Beau Nicholls	Director	6,250,000 Shares	At date of allotment	\$100,000
Beau Nicholls	Director	6,250,000 Entitlements Offer Options	At date of allotment	\$73,750 (see Table 2 below)
Total value				\$173,750

Table 2 - Option valuation details

Details	Input
Share price	\$0.016
Exercise Price	\$0.0077
Risk Free Rate	0.14%
Volatility (Annualised)	156.2%
Start Date	26 November 2020
Expiry Date	31 January 2022
Value per Option	\$0.0118

The Black-Scholes Option Pricing Model is an industry accepted method of valuing equity instruments at the date of grant. However, the Directors do not consider the resultant value as determined by the Black-Scholes Option Pricing Model is in any way representative of the market value of the Options issued. The theoretical fair value of the Options will be influenced by the terms and conditions upon which the Options were granted, the effects of non-transferability, exercise restrictions and behavioural considerations of buyers and sellers of such instruments, the impact of which are ignored in the Black-Scholes Option Pricing Model.

- (d) As at the date of this Notice, the issued capital of the Company comprised 2,762,560,444 Shares and 526,825,951 unlisted Options. On the assumptions that:
- (i) the Director Entitlement Securities which are the subject of Resolution 7 are issued and the Offer Entitlement Options are exercised;
 - (ii) the RC Shares which are the subject of Resolution 8 are issued and all convert to Shares;
 - (iii) all existing Options on issue have been exercised;
 - (iv) no other Share issues proceed; and
 - (v) the Share consolidation the subject of Resolution 10 has not yet been implemented,
- the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

Table 3 – Dilutionary effect

	Number of securities
Shares and Options	3,289,386,395
Director Entitlement Securities to be issued (Resolution 7)	12,500,000
RC Shares to be issued (Resolution 8)	7,500,000
New Total	3,309,386,395
Dilutionary effect	0.38%

- (e) Mr Nicholls's current interests in securities of the Company are set out in the table below:

Table 4 – Security interests

Director	Shareholding	Option holding
Beau Nicholls	21,075,000	10,000,000 (exercise price \$0.0299 expiring 8 November 2021) 7,025,000 (exercise price \$0.0079 expiring 31 January 2022)

- (f) Mr Nicholls receives an annual director fee of \$40,000, inclusive of statutory superannuation. Mr Nicholls is not entitled to further remuneration for his service as a Director unless he is called upon to provide extraordinary services (not in the ordinary course) on remunerative terms then approved by the Board.
- (g) Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company, in granting the Director Entitlement Securities to Mr Nicholls or his nominees pursuant to Resolution 7.
- (h) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this Resolution.

8.4 Information required by Listing Rule 10.13

The following information is provided in accordance with Listing Rule 10.13.

- (a) The Director Entitlement Securities will be issued to Mr Beau Nicholls (or his nominee), a Director.
- (b) As Mr Nicholls is a Director, he is a related party of the Company and falls within Listing Rule 10.11.1.
- (c) The number of Director Entitlement Securities that will be issued is 6,250,000 Shares and 6,250,000 Entitlements Offer Options.
- (d) The Shares to be issued are fully paid ordinary shares which rank equally with all other Shares on issue. The Entitlements Offer Options expire on 31 January 2022 and are exercisable at \$0.0077 and otherwise have the terms and conditions as set out in Annexure A. If Resolution 10 is approved and the consolidation proceeds, the Entitlements Offer Options will be adjusted in accordance with their terms – refer to Section 11.5 of this Explanatory Statement for details.
- (e) Any Director Entitlement Securities issued in accordance with Resolution 7 will be issued and allotted no later than 1 month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (f) \$25,000 will be raised from the issue of the Director Entitlement Securities.
- (g) Mr Beau Nicholls, a Director, intended and sought to take up his rights in the Entitlements Offer to the value of \$25,000, and the purpose of the issue of the Director Entitlement Securities is to fulfil that intention even though, at the time, preference (in good faith to the underwriter) was given to shortfall applicants. The funds raised will be used for the stated purposes of the Entitlements Offer, being the work required to define and convert sufficient additional Mineral Resources into Ore Reserves to justify recommissioning the Sandstone processing plant, along with budgeted corporate and administration costs and additional working capital.
- (h) A voting exclusion statement is included in the Notice.

8.5 Directors' recommendation

All the Directors (other than Mr Nicholls who abstains from making any recommendation as he is conflicted) consider that Resolution 7 is in the best interests of the Company and all the Directors recommend that Shareholders vote in favour of Resolution 7. The Directors have formed this view as the passing of this Resolution will allow Mr Nicholls to be issued with securities on the same terms as the Entitlements Offer, as originally intended.

Each Director (other than Mr Nicholls whose votes will be excluded as he is conflicted) has indicated that he intends to vote the Shares he owns or controls in favour of Resolution 7. The Chair intends to vote all undirected proxies in favour of the Resolution.

9 RESOLUTION 8 – APPROVAL TO ISSUE SECURITIES TO A DIRECTOR – BRAD MARWOOD

9.1 General

Mr Brad Marwood was appointed as a non-executive Director commencing on 2 December 2019. As announced on 29 January 2020, the Company, at Mr Marwood's request, agreed (subject to Shareholder approval) to remunerate him for 12 months services as a Director by agreeing to issue him 7,500,000 redeemable convertible shares at a deemed issue price of \$0.004 (being the price at which the Company's Shares were trading when Mr Marwood joined the Board) (**RC Shares**). The RC Shares will convert into (ordinary fully paid) Shares (ranking pari passu with other ordinary fully paid Shares then on issue) on the completion of 12 months service as a Director. In the event that Mr Marwood leaves the Board before serving 12 months, a proportion of the RC Shares equal to the number of months of service relative to 12 months will be converted (rounding up to the nearest month of service completed) and the remainder will ipso facto be redeemed (and cancelled) for no consideration.

It was agreed that Mr Marwood would not be entitled to further remuneration for his service as a Director unless he is called upon to provide extraordinary services (not in the ordinary course) on remunerative terms then approved by the Board. However, the Company has since reviewed the level of remuneration being provided to Directors and, now having the financial wherewithal, has resolved to increase Directors fees (from below to within (thought to be at the lower end of) the range generally paid by peers) as contemplated by the Company's corporate governance policy. The amount of the increase will be paid to Mr Marwood in cash.

Resolution 10 proposes a consolidation of the Company's Shares, which, if approved, will take place after the issue of any securities approved for issue pursuant to this Notice of AGM, including the RC Shares. If Resolution 10 is approved, the RC Shares (if approval to issue the same is forthcoming) will be adjusted in accordance with Resolution 10, the terms and conditions of the RC Shares and the Listing Rules. Pursuant to the terms of the RC Shares (refer to Annexure B), the RC Shares will be treated the same way as Options on issue on a reorganisation of capital. Post consolidation, the number of RC Shares on issue will be adjusted to 326,087 RC Shares with an issue price of \$0.092. For further information on the consolidation, refer to Resolution 10 and Section 11 of this Explanatory Statement.

9.2 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- (a) a related party (Listing Rule 10.11.1);
- (b) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company (Listing Rule 10.11.2);
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so (Listing Rule 10.11.3);
- (d) an associate of a person referred to in Listing Rule 10.11.1 to Listing Rule 10.11.3 (Listing Rule 10.11.4); or
- (e) a person whose relationship with the company or a person referred to in Listing Rule 10.11.1 to Listing Rule 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue of the RC Shares falls within Listing Rule 10.11.1 (as Mr Marwood is a Director and therefore a related party of the Company) and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

Resolution 8 seeks the required Shareholder approval to the issue of the RC Shares under and for the purposes of Listing Rule 10.11.

If Resolution 8 is passed, the Company will be able to proceed with the issue of the RC Shares, with the result that instead of having to remunerate Mr Marwood for his services as a Director entirely in cash, the amount of \$30,000 for 12 month's services can be satisfied in equity and Mr Marwood will receive the RC Shares which will convert, subject to the completion of 12 months service as a Director, into Shares (or pro rata if his service is for a shorter period).

If Resolution 8 is not passed, the Company will not be able to proceed with the issue of the RC Shares and the Company will pay him the sum of \$2,500 per month served (adjusted from 1 May 2020 to \$3,3334) as a Director from the cash reserves of the Company.

Resolution 8 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

9.3 Chapter 2E of the Corporations Act

Mr Marwood is a Director of the Company, and accordingly he is a 'related party' for the purposes of Chapter 2E of the Corporations Act. The proposed grant of RC Shares for the benefit of Mr Marwood constitutes a 'financial benefit' as described in the Corporations Act. Under Chapter 2E of the Corporations Act, a public company cannot give a financial benefit to a related party unless:

- (a) shareholders have resolved to approve the giving of the financial benefit; or
- (b) an exception applies.

Section 211(1) of the Corporations Act contains an exception where the financial benefit is remuneration given to an employee that is reasonable in the circumstances of the company and the employee.

In the view of the Board, the proposed grant of RC Shares for the benefit of Mr Marwood, in lieu of cash remuneration (to the extent of \$2,500 per month), does not require shareholder approval under Chapter 2E of the Corporations Act because the exception in section 211(1) of the Corporations Act applies.

The Board considers that the proposed grant of RC Shares for the benefit of Mr Marwood constitutes reasonable remuneration given the circumstances of the Company and price at which the Company's Shares were trading when Mr Marwood joined the Board. Accordingly, the Company is not seeking Shareholder approval under Chapter 2E of the Corporations Act for the proposed grant of RC Shares. The Company is seeking Shareholder approval of the proposed grant of RC Shares in accordance with Listing Rule 10.11 of the Listing Rules.

9.4 Information required by Listing Rule 10.13

The following information is provided in accordance with Listing Rule 10.13.

- (a) The RC Shares will be issued to Mr Brad Marwood, a Director.
- (b) As Mr Marwood is a Director, he is a related party of the Company and falls within Listing Rule 10.11.1.
- (c) The number of RC Shares that will be issued is 7,500,000.
- (d) The RC Shares have an issue price of \$0.004 per RC Share and otherwise are issued on the terms and conditions as set out in Annexure B. If Resolution 10 is approved and the consolidation proceeds, the RC Shares will be adjusted in accordance with their terms – refer to Section 11.5 of this Explanatory Statement for details.
- (e) Any RC Shares issued in accordance with Resolution 8 will be issued and allotted no later than 1 month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (f) The RC Shares are being issued instead of cash remuneration (to the extent of \$30,000 for 12 month's service – pro rata if a lesser period of service is applicable) in consideration for Mr Marwood's services as a Director over the 12 months commencing on 2 December 2019.
- (g) Pursuant to the non-executive Director appointment agreement between Mr Marwood and the Company, Mr Marwood was entitled to receive \$30,000 per annum, inclusive of superannuation. With effect from 1 May 2020 that amount was increased by \$834 per month. If the RC Shares are issued and subject to said increase, Mr Marwood will not be entitled to further remuneration for his service as a Director unless he is called upon to provide extraordinary services (not in the ordinary course) on remunerative terms then approved by the Board.
- (h) A voting exclusion statement is included in the Notice.

9.5 Directors' recommendation

All the Directors (other than Mr Marwood) consider that Resolution 8 is in the best interests of the Company and all the Directors recommend that Shareholders vote in favour of Resolution 8. The Directors have formed this view as the passing of this Resolution will allow Mr Marwood to be compensated for his services as a Director by the issue of securities rather than from the cash reserves of the Company and the terms of the proposal were agreed before (and in order to induce) Mr Marwood to join the board.

Each Director (other than Mr Marwood) has indicated that he intends to vote the Shares he owns or controls in favour of Resolution 8. The Chair intends to vote all undirected proxies in favour of the Resolution.

10 RESOLUTION 9 – APPROVAL OF PROPORTIONAL TAKEOVER PROVISIONS

10.1 General

Resolution 9 proposes to approve the insertion of Schedule 5 “Proportional Takeovers” as set out in Annexure C to this Notice (**Provisions**) in the Constitution in place of the existing Schedule 5.

The Provisions have the effect that transfers of shares acquired under a proportional takeover bid will not be registered unless a resolution approving the bid is passed by holders of the bid class securities. In accordance with the Corporations Act, the Provisions would cease to operate three years after their adoption unless members resolve by special resolution to renew them in accordance with the statutory procedure.

The Provisions were last approved by Shareholders at the annual general meeting of the Company in 2017 by amending the Constitution then in place accordingly. However, those provisions will cease to operate on 23 November 2020 and, by operation of section 648G(3) of the Corporations Act, shall be omitted from the Constitution.

If this Resolution 9 is passed the Provisions will be incorporated into the Constitution in place of Schedule 5 and will operate for a period of three years after their adoption.

Resolution 9 is a special resolution, requiring approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) in order to be passed.

10.2 Impact of the Provisions

The Provisions will only apply to a proportional takeover offer - that is, to takeover offers for less than 100% of each holder's holding. The Provisions will have no application to takeover bids where an offer is made for all of the securities in a class of securities.

If the Provisions are approved and a proportional takeover bid is made for securities of the Company, the Directors will be required to call a meeting of holders of bid class securities to vote on a resolution to approve that bid. The Directors will breach the Corporations Act if they fail to ensure the resolution is put to affected security holders. Each security holder affected will be entitled to vote (except for the bidder and persons associated with the bidder, who may not vote). Approval of the bid will require a simple majority of the votes cast.

The meeting must be held at least 14 days before offers close under the bid, so that holders should know the result of the voting before they have to make up their minds whether or not to accept for their own securities. However, if no resolution is voted on before that deadline, the resolution will be deemed to have passed.

In accordance with the Corporations Act, the Provisions will again cease to operate three years after their adoption unless members resolve by special resolution to renew them in accordance with the statutory procedure.

As at the date of this Notice, the Directors are not aware of any proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

Further, no takeover bids for the Company were made, either proportional or otherwise, while the proportional takeover provisions were previously in effect. The Directors are not aware of any potential takeover bid that was discouraged by the previous inclusion of proportional takeover provisions in the Company's Constitution.

10.3 Advantages of the Provisions for Shareholders

The Provisions would enable Shareholders to act in a cohesive manner and thereby avoid the coercion of Shareholders that arises where they believe the offer to be inadequate, but nevertheless accept through fear that other Shareholders will accept.

The Provisions would enable Shareholders, by combining together, to veto a change of control that would lock them into a minority position.

The existence of the approval machinery in the Company's Constitution would make it more probable that any takeover bid will be a full bid for the whole Shareholding of each member, so that Shareholders may have the opportunity of disposing of all their Shares rather than only a proportion of their Shares.

If a proportional takeover bid should be made, the existence of the approval procedure will make it more probable that a bidder will set its offer price at a level that will be attractive to the Shareholders who vote.

10.4 Disadvantages of the Provisions for Shareholders

By placing obstacles in the way of proportional takeover bids, the Provisions may tend to discourage proportional takeover bids, thus reducing the opportunity for Shareholders to sell a portion of their holding.

It is possible (though, in the opinion of the Board, unlikely) that the existence of the Provisions might have an adverse effect on the market value of the Company's Shares by making a proportional takeover bid less likely and thereby reducing any takeover speculation element in the Share price.

An individual Shareholder who wishes to accept a proportional takeover bid will be unable to sell to the bidder unless a majority of Shareholders favour the proportional takeover bid.

10.5 Advantages and disadvantages of the Provisions for the Directors

If the Directors consider that a proportional takeover bid should be opposed, they will be assisted in preventing the bidder from securing control of the Company if the bidder needs a majority of the votes cast by the independent Shareholders before it can succeed.

On the other hand, under the proposal, if a proportional takeover bid is commenced, the Directors must call a meeting to seek the Shareholders' views. The Directors must do so even though they believe that the bid should be accepted.

Under the approval procedure, the most effective view on the proportional takeover bid will become the view expressed by the vote of the Shareholders themselves at the meeting.

10.6 Reasons for proposing the Resolution

Given the advantages of the Provisions for Shareholders outlined above, the Directors consider that Shareholders should have the opportunity to consider including provisions in the Company's Constitution that require Shareholder approval for proportional takeover bids.

The Directors consider that the advantages associated with having the Provisions included in the Company's Constitution outweigh the disadvantages. They consider that Shareholders should have the power to prevent the control of the Company from passing to a bidder without it making a bid for all the bid class shares. They believe that the approval procedure is the best available for Shareholders to ensure that they are not forced to accept a proportional offer even though they do not wish the bidder to obtain control of the Company.

10.7 Directors' recommendation

Based on the information available, including the information contained in this Explanatory Statement, the Directors consider Resolution 9 to be in the interests of the Shareholders and unanimously recommend that Shareholders adopt the proportional takeover provisions by voting in favour of Resolution 9.

The Chair intends to vote all available proxies in favour of Resolution 9.

11 RESOLUTION 10 – CONSOLIDATION OF SHARES

11.1 The proposal

The Company proposes to consolidate its Share capital through the conversion of every 23 Shares into one Share. Under section 254H of the Corporations Act, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting.

If the consolidation is approved, the consolidation will take effect on 7 December 2020. The following is an indicative timetable (subject to change) of the key events:

Key Event	Indicative Date
Annual general meeting	26 November 2020
Effective Date	7 December 2020
Last day for trading in pre-consolidated securities	8 December 2020
Trading in consolidated securities on a deferred settlement basis commences ¹	9 December 2020
Record date ²	10 December 2020
First day to update register and send new holding statements	11 December 2020
Last day to update register and send new holding statements Deferred settlement trading ends ³	17 December 2020
Normal trading starts ⁴	18 December 2020
First settlement date for trades made on post-consolidation basis ⁴	21 December 2020

Notes:

1. If agreed by the ASX.
2. Last day to register transfers on a pre-consolidation basis.
3. Provided the register update takes place before noon (Sydney time), deferred settlement trading ends at close of trading on this day.
4. Providing the update of the register takes place before noon (Sydney time).

Where the consolidation of a Shareholder's holding results in an entitlement to a fraction of a share, the fraction will be rounded up to the nearest whole number of Shares.

Resolution 10 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

11.2 Reasons for the consolidation

The Company has a very large number of Shares on issue. The number of Shares on issue is approximately 2.76 billion, the number of Options on issue is approximately 527 million and the Company is proposing the issue of further securities pursuant to this Notice. The number of Shares is disproportionate to the Company's peers and so the Company proposes to reduce this number by way of a Share consolidation.

11.3 Effect of the consolidation

If Shareholders approve the proposed Share consolidation, the number of Shares on issue will be reduced from approximately 2.7 billion to approximately 120 million.

As the consolidation applies equally to all of the Company's Shareholders, individual Shareholdings (in terms of absolute numbers) will be reduced in the same ratio as the total number of the Company's Shares (subject only to the rounding up of fractions). It follows that the consolidation will have no material effect on the percentage interest of each individual Shareholder in the Company. Therefore, if a Shareholder currently has 2,762,560 Shares, representing approximately 0.1% of the Company's issued capital, then if the Share consolidation is approved and implemented, the Shareholder will have 120,112 Shares following the consolidation, still representing the same 0.1% of the Company's issued capital.

Similarly, the aggregate enterprise value of each Shareholder's holding should not materially change as a result of the Share consolidation alone. The price per Share, in theory, should be expected to increase in inverse ratio to the consolidation (to reflect the reduced number of Shares on issue) but in practice the immediate post consolidation price per Share may be either more or less than the mathematical implied result.

11.4 Tax implications for Australian resident shareholders

The Share consolidation will be undertaken in accordance with section 254H of the Corporations Act. Subject only to rounding, there will be no change to the proportionate interests held by each Shareholder in the Company as a result of the consolidation.

The Share consolidation will occur through the conversion of every 23 Shares in the Company into one Share in the Company. No capital gains tax event will occur as a result of the Company's Share consolidation and therefore there should be no taxation implications arising for the Company's Australian resident Shareholders.

The summary in this section is general in nature. Accordingly, Shareholders are encouraged to seek and rely only on their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisors assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed Share consolidation.

11.5 Effect of the consolidation on the Company's Convertible Securities

As at the date of this Explanatory Statement, the Company has granted (or agreed to grant) Options as follows.

Convertible Security class	Number	Exercise price	Expiry date
Options MDIAS	30,000,000	\$0.0299	8 November 2021
Options MDIAU	260,633,419	\$0.0079	31 January 2022
Options MDIAW	242,442,532 ¹	\$0.0077	31 January 2022

Notes:

1. 6,250,000 are part of the Director Entitlement Securities to be issued to Mr Nicholls, subject to Shareholder approval, pursuant to Resolution 7.

In addition, subject to Shareholder approval, the Company proposes to issue 7,500,000 RC Shares, each of which has a deemed issue price of \$0.004 pursuant to Resolution 8.

Listing Rule 7.22.1 states that in a consolidation of capital, the number of options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio. Where the consolidation of an Option holder's holding results in an entitlement to a fraction of an Option, the fraction will be rounded up to the nearest whole number of Options.

Therefore, in accordance with Listing Rule 7.22.1, if Shareholders approve the proposed consolidation, the Options on issue (or agreed to be issued) are expected to be adjusted as follows:

Option class	Approx. adjusted number	Adjusted exercise price	Expiry date
Options MDIAS	1,304,349	\$0.6877	8 November 2021
Options MDIAU	11,331,888	\$0.1817	31 January 2022
Options MDIAW	10,540,980 ¹	\$0.1771	31 January 2022

Notes:

1. 271,740 are part of the Director Entitlement Securities to be issued to Mr Nicholls, subject to Shareholder approval, pursuant to Resolution 7, as consolidated.

The figures in the "Approx. adjusted number" column in the table above are subject to rounding, because each class of Option were issued for the benefit of more than one Option holder, and there may be minor rounding adjustments when each individual parcel is adjusted in accordance with the principles set out above.

In accordance with the terms and conditions of the RC Shares and Listing Rule 7.22.1, if Shareholders approve the proposed consolidation and Resolution 8, the 7,500,000 RC Shares issued to Mr Marwood with a deemed issue price of A\$0.004 are expected to be adjusted into 326,087 RC Shares (rounded up) with an issue price of A\$0.092.

11.6 Directors' recommendation

All the Directors consider that Resolution 10 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 10. The Directors have formed this view as the passing of this Resolution will ensure that the number of Shares on issue is commensurate with the Company's peers.

Each Director has indicated that he intends to vote the Shares he owns or controls in favour of Resolution 10. The Chair intends to vote all available 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:

10% Placement Facility has the meaning given in Section 3.1 of the Explanatory Statement;

10% Placement Period has the meaning given in Section 3.2 of the Explanatory Statement;

Acuity Capital means Acuity Capital Investment Management Pty Ltd ACN 132 459 093;

AGM means an annual general meeting;

Annual Report means the Directors' Report, the Financial Report and Auditor's Report, in respect of the financial year ended 30 June 2020;

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;

Auditor's Report means the auditor's report on the Financial Report;

AWST means Australian Western Standard Time;

Bell Potter means Bell Potter Securities Limited ACN 006 390 772;

Board means the board of Directors;

Business Day has the meaning as defined in the Listing Rules;

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

Closely Related Party of a member of the Key Management Personnel means:

- a spouse or child of the member;
- a child of the member's spouse;
- a dependent of the member or the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- a company the member controls; or
- a person prescribed by the *Corporations Regulations 2001 (Cth)*;

Controlled Placement Agreement means the controlled placement agreement between the Company and Acuity Capital as trustee for the Acuity Capital Holdings Trust dated on or around 31 July 2017, as amended;

Controlled Placement Issue Date means 2 October 2020 as defined in Section 7.1 of the Explanatory Statement;

Controlled Placement Shares means 38,095,000 Shares issued on 2 October 2020 pursuant to the Controlled Placement Agreement;

Convertible Security means a security of the Company which is convertible into Shares;

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;

Director Entitlement Securities has the meaning as defined in Section 8.1 of the Explanatory Statement;

Directors' Report means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

Entitlements Offer means the non-renounceable pro rata entitlements issue undertaken by the Company early in 2020 pursuant to a prospectus dated 13 January 2020 and lodged with the ASIC and the ASX on that date;

Entitlements Offer Options means Options with an exercise price of \$0.0077 expiring on 31 January 2022 and otherwise on the terms and conditions set out in Annexure A;

Equity Securities has the same meaning as in the Listing Rules;

Explanatory Statement means the explanatory statement accompanying the Notice;

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company;

Listing Rules means the listing rules of the ASX;

Mandate means the mandate between Bell Potter and the Company dated 11 May 2020;

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

Notice means this notice of annual general meeting;

Option means an option to acquire a Share;

Placement has the meaning as defined in Section 4 of the Explanatory Statement;

Placement Issue Date means 20 May 2020 as defined in Section 4 of the Explanatory Statement;

Placement Shares means the 363,636,364 Shares issued on 20 May 2020 as defined in Section 4 of the Explanatory Statement;

Proxy Form means the proxy form attached to this Notice;

RC Shares means redeemable convertible shares at a deemed issue price of \$0.004, as defined in Section 9.1 of the Explanatory Statement;

Remuneration Report means the section of the Directors' Report contained in the Annual Report entitled 'remuneration report';

Resolution means a resolution contained in this Notice;

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;

Spill Resolution has the meaning set out in Section 1.1 of the Explanatory Statement;

Strike has the meaning set out in Section 1.1 of the Explanatory Statement;

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

ANNEXURE A

TERMS AND CONDITIONS OPTIONS EXPIRING 31 JANUARY 2022

The Options are issued on the following terms:

(a) **Entitlement**

Subject to Option terms (e), (f) and (g), 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.

ANNEXURE B

TERMS AND CONDITIONS REDEEMABLE CONVERTIBLE SHARES

The Redeemable Convertible Shares (**RC Shares**) are convertible securities issued on the following terms:

(a) **Entitlement**

Mr Brad Marwood has agreed to be remunerated for 12 months of director fees (to the value of \$30,000) by the issue of RC Shares.

Mr Marwood or his nominee (**Holder**) is entitled, subject to the receipt of shareholder approval and to RC Share terms (b) and (f) below, to 7,500,000 RC Shares at a deemed issue price of \$0.004 per RC Share (**Issue Price**).

(b) **Conversion and/or Redemption**

The RC Shares are subject to a **Forfeiture Event**, being the completion of less than 12 months service as a director of the Company (commencing on 2 December 2019 and completing on 1 December 2020).

If the Forfeiture Event has not occurred, then the Company must, as soon as it is reasonably practicable to do so after 1 December 2020, convert the RC Shares into fully paid ordinary shares in the capital of the Company (**Shares**) in accordance with the Listing Rules (if the Company is listed at the time of conversion of the RC Shares) and register the Holder or his nominee as a Shareholder in the register of members in respect of the Shares so converted.

If the Forfeiture Event has occurred, then the Company must convert only that proportion of RC Shares equal to the number of months of service completed relative to 12 months, rounding up to the nearest month of service completed, and must redeem and cancel the balance of the RC Shares for no consideration.

No RC Share may be converted or redeemed if to do so would contravene the Corporations Act or the Listing Rules.

Once the RC Shares convert, the Holder or his nominee will hold Shares, which will rank pari passu with all existing Shares in the capital of the Company from the date of conversion.

(c) **Rights to participation and dividends**

RC Shares will not initially (subject to conversion) carry rights to participate in issues by the Company or to receive any dividends paid by the Company.

RC Shares will not initially (subject to conversion) confer a right to notices of general meetings, a right to attend or speak at general meetings or a right to vote at general meetings, except as may be required by law.

RC Shares are not listed on the ASX.

(d) **Disposal**

Subject to any restrictions imposed by ASX, the RC Shares may not be Disposed of at any time before conversion or redemption without the prior written consent of the Board.

Disposal includes any sale, transfer, encumbrance or other disposal of any entitlement to, or legal, beneficial or equitable interest in, any RC Share (including, without, limitation, by way of gift or trust or grant of options) and any agreement for such sale, transfer, encumbrance or disposal.

(e) **New issues of securities**

Subject to the Listing Rules, if the Company makes a new issue of securities or alterations to its capital by way of a rights issue, bonus issue or other distribution of capital, there will be no adjustment to the RC Shares (including, without limitation, the number of Shares into which the RC Shares convert).

(f) **Reorganisation**

In the event of a reorganisation, the Issue Price or number of RC Shares must be adjusted in accordance with Listing Rule 7.22 and otherwise to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

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

The Holder may only participate in new issues of securities to holders of Shares to the extent the RC Share has been converted and the Holder holds Shares in respect of the RC Shares before the record date for determining entitlements to the issue.

(h) **Advice**

The Company must give notice to the Holder of any adjustment to the number of RC Shares to which the Holder is entitled or the Issue Price.

(i) **Taxation**

The Holder should seek independent advice in relation to the taxation consequences arising from the issue of RC Shares. The Holder is responsible for any taxation consequences arising from the issue of the RC Shares.

Taxation implications will vary depending on the specific circumstances of the Holder. Further, tax rules and their interpretation in relation to equity investments may change following issue of the RC Shares. In particular, both the level

MIDDLE ISLAND RESOURCES LIMITED

Notice of General Meeting 26 November 2020

and basis of taxation may change. This could alter the tax treatment of dividends paid on Shares representing converted RC Shares, as well as the tax treatment of a subsequent disposal of those equity investments.

ANNEXURE C

PROPORTIONAL TAKEOVER PROVISIONS

Schedule 5 - Proportional takeover bid approval

DEFINITIONS

In this Schedule:

"Approving Resolution" means a resolution to approve a proportional takeover bid in accordance with this Schedule.

"Deadline" means the 14th day before the last day of the bid period for a proportional takeover bid.

"Voter" means a person (other than the bidder under a proportional takeover bid or an associate of that bidder) who, as at the end of the day on which the first offer under that bid was made, held bid class securities for that bid.

REFUSAL OF TRANSFERS

REQUIREMENT FOR AN APPROVING RESOLUTION

- (a) The Company must refuse to register a transfer of Shares giving effect to a takeover contract for a proportional takeover bid unless and until an Approving Resolution is passed in accordance with this Schedule 5.
- (b) This Schedule 5 ceases to apply on the 3rd anniversary of its last adoption, or last renewal, in accordance with the Corporations Act.

VOTING ON AN APPROVING RESOLUTION

- (a) Where offers are made under a proportional takeover bid, the Directors must, call and arrange to hold a meeting of Voters for the purpose of voting on an Approving Resolution before the Deadline.
- (b) The provisions of this Constitution concerning meetings of Members (with the necessary changes) apply to a meeting held under paragraph (a).
- (c) Subject to this Constitution, every Voter present at the meeting held under paragraph (a) is entitled to one vote for each Share in the bid class securities that the Voter holds.
- (d) To be effective, an Approving Resolution must be passed before the Deadline.
- (e) An Approving Resolution that has been voted on is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50%, and otherwise is taken to have been rejected.
- (f) If no Approving Resolution has been voted on as at the end of the day before the Deadline, an Approving Resolution is taken, for the purposes of this Schedule, to have been passed in accordance with this Schedule."