

18 May 2016

Dear Shareholder

Middle Island Resources Limited Non-Renounceable Rights Offer

Middle Island Resources Limited (**Company**) is pleased to confirm that it will be conducting a non-renounceable rights offer to Eligible Shareholders on the basis of one (1) New Share for every six (6) Shares held on the Record Date at an issue price of A\$0.03 per New Share to raise approximately A\$1.45 million (before costs) (**Offer**). Refer ASX Announcement of 17 May 2016.

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

The Offer is not underwritten. Shareholders who hold Shares at 5pm (WST) on 20 May 2016, and have a registered address in Australia or New Zealand, will be eligible to participate in the Offer (Eligible Shareholders). Eligible Shareholders will be sent a copy of the Offer Document and personalised Application Form.

Indicative Timetable

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

The dates in the table above are indicative only and the Company reserves the right to vary them in accordance with the requirements of the ASX Listing Rules.

Use of Funds from Entitlement Offer

The Rights Issue forms part of a larger capital raising by the Company as announced on 17 May 2016.

The Company has announced details of funding arrangements put in place via a placement and non-renounceable rights issue to raise up to approximately \$5.05 million (before costs). The funding arrangements are a combination of:

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

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

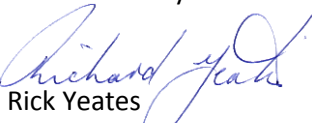
Eligible Shareholders

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

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

For further information relating to the Offer Document, please contact the Company Secretary on (08) 9389 2111.

Yours faithfully



Rick Yeates
Managing Director