

10 April 2019

The Manager
Market Announcements Office
ASX Limited

Our Ref: 190067
Solicitor: Simon Jenkins/
Peter Huljich

Dear Sirs

Notice of lodgement of Bidder's Statement pursuant to Section 633(1) Item 5 of the Corporations Act

Dear Sir/Madam

Middle Island Resources Limited ACN 142 361 608 - Off-Market Takeover Bid for Alto Metals Limited ACN 159 819 173 (ASX:AME) – Bidder's Statement

We are the solicitors for Middle Island Resources Limited (ASX: MDI) (**MDI or Company**). In accordance with Section 633(1) Item 5 of the *Corporations Act 2001 (Cth)* (**Corporations Act**), we **attach** a copy of the bidder's statement of MDI dated 10 April 2019 (**Bidder's Statement**) relating to its off-market takeover bid for all of the fully paid ordinary shares in Alto Metals Limited ACN 159 819 173 (**AME**) under Part 6.5 of the Corporations Act (**Takeover Bid**).

A copy of the Bidder's Statement has been lodged with the Australian Securities and Investments Commission and sent to AME today.

In accordance with Section 633(4) of the Corporations Act we give notice that the Company has specified 16 April 2019 as the date for the purposes of determining the persons to whom information must be sent under Items 6 and 12 of the table in Section 633(1) of the Corporations Act in relation to the Takeover Bid.

Yours faithfully



PRICE SIERAKOWSKI



Middle Island
RESOURCES LIMITED

Bidder's Statement

ACCEPT

The Offer by

Middle Island Resources Limited
(ACN 142 361 608)

to acquire ALL of your shares in

Alto Metals Limited
(ACN 159 819 173)

You will receive 5 MDI Shares for every 1 AME Share you own

This Offer is dated [XXXX] 2019 and closes at 5.00pm (WST) on [XXXX] 2019, unless extended or withdrawn. To accept the Offer, simply follow the instructions on the enclosed personalised Acceptance and Transfer Form.

This is an important document and requires your immediate attention. If you are in doubt as to how to deal with this document, you should consult your financial or other professional adviser immediately.

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IMPORTANT INFORMATION

Bidder's Statement

This document (**Bidder's Statement**), dated 10 April 2019, is issued by Middle Island Resources Limited ACN 142 361 608 (**MDI**) under Part 6.5 of the Corporations Act in relation to an off-market offer (**Offer**) by MDI to acquire all AME Shares and sets out certain disclosures required by the Corporations Act. A copy of this Bidder's Statement was lodged with ASIC 10 April 2019. Neither ASIC nor any of its officers take any responsibility for the content of this Bidder's Statement.

Defined Terms

A number of defined terms are used in this Bidder's Statement. Unless expressly specified otherwise, defined terms have the meaning given in Section 11.

Where a capital letter is used at the beginning of a word or each word in a phrase on a consistent basis that is an indication the word or phrase is being used according to the meaning ascribed thereto in Section 11.

Investment Risks

There are a number of risks that may have a material impact on the value of the Offer, the future performance of MDI and the value of MDI Shares. These are detailed in Section 7.

Foreign Jurisdictions

This Bidder's Statement and the Offer are subject to Australian disclosure requirements, which may be different from those applicable in other jurisdictions. This Bidder's Statement and the Offer do not in any way constitute an offer in any place which, or to any person to whom, it would not be lawful to make such an offer.

This Bidder's Statement is intended to be distributed in Australia. Distribution in other jurisdictions may be restricted by law or regulation. Persons who come into possession of this Bidder's Statement should inform themselves of, and observe, these restrictions.

If you are an Ineligible Overseas Shareholder, you will not be issued MDI Shares. Any MDI Shares that you would otherwise be entitled to receive if you accept the Offer will be issued to a nominee who will sell them and remit the proceeds of that sale to you. Refer to Section 9.8 for further details of the sale process for Ineligible Overseas Shareholders.

Refer in Section 11 for the definition of an Ineligible Overseas Shareholder but, in essence, it means an AME Shareholder whose address, as shown in the register of members of AME on the date the allotment calculation is performed, is in a jurisdiction other than Australia or its external territories.

Disclosure Regarding Forward-Looking Statements

This Bidder's Statement includes forward-looking statements that have been based on MDI's current expectations and predictions, including MDI's intentions (which include those detailed in Sections 2 and 5, and all of which MDI reserves the right to change), the operations of MDI and AME and the economic and regulatory environment in which MDI and AME will operate. Forward-looking statements may generally be identified by the use of forward looking verbs such as aim, anticipate, believe, estimate, expect, foresee, intend or plan, by words denoting uncertainty such as likely, may, potential or should, or by derived or similar words. These forward-looking statements are, however, subject to inherent risks, uncertainties and assumptions that are specific to the industry in which MDI and AME operate as well as, but not limited to, general economic conditions, prevailing exchange rates and conditions in the financial market. These factors (which include the risks identified in Section 7) could cause the actual results, performance and achievements of MDI, AME and the Combined Entity to differ materially from the expectations and predictions expressed or implied in such forward-looking statements. All forward-looking statements should be read in light of such risks, uncertainties and assumptions.

Subject to applicable law, none of MDI, its officers, persons named in this Bidder's Statement with their consent nor any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of any forward-looking statements proving true in hindsight. You are cautioned you will not be entitled to place reliance on these statements in the event that the outcome is not achieved.

The forward-looking statements in this Bidder's Statement reflect views held only at the date of this Bidder's Statement and are subject to change. Except as required by law, MDI and its officers, employees and advisers disclaim any obligation to revise or update any forward-looking statements after the date of this Bidder's Statement to reflect any change in the assumptions or expectations on which those statements are based.

Information Regarding AME and the Combined Entity

In preparing the information relating to AME and the Combined Entity contained in this Bidder's Statement, MDI has relied on publicly available information relating to AME including that made available by AME as at the date of this Bidder's Statement, and none of MDI nor the MDI Directors represent they or any of them has independently verified the information. Risks may exist in relation to AME (which will affect the Combined Entity) of which MDI is unaware. If any material risks are known to AME, they must be disclosed in the Target's Statement to be issued by AME. Accordingly, subject to applicable law, MDI makes no representations or warranties (express or implied) as to the accuracy and completeness of information provided by it in relation to AME.

Further information on AME may be included in the Target's Statement that AME is required to provide to all AME Shareholders in response to this Bidder's Statement.

Value of MDI Shares

The value of the Offer as implied by securities listed for quotation on the ASX will vary with the market price of MDI Shares and AME Shares. Further information on the implied value of the Offer is detailed in this Bidder's Statement. It is important to appreciate that enterprise value may, but often does not, align with market capitalisation. Before accepting the Offer, MDI recommends that AME Shareholders consider obtaining advice from their financial or other professional advisers as to the value of MDI Shares relative to AME Shares.

In addition, all references to the implied value of the Offer are subject to the effects of rounding.

Investment Advice

The information in this Bidder's Statement is general only and does not take into account, and you should consider whether the information in this Bidder's Statement is appropriate for you in light of, your individual objectives, financial situation and needs. You should consider seeking independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Privacy

The Corporations Act requires the names and addresses of AME Shareholders to be held in a public register. The personal information collected includes the names and addresses of AME Shareholders and details of their holdings of AME Shares. MDI has collected your information from AME's register of members for the purposes of making the Offer and, if applicable, administering your acceptance thereof.

MDI and its share registry may use your personal information on a confidential basis in the course of making and implementing the Offer. MDI and its share registry may also disclose your personal information to their Related Bodies Corporate and external service providers and may be required to disclose such information to regulators, such as ASIC.

If you would like details of information about you held by MDI, please contact Security Transfer Australia Pty Ltd Registry Services on 1300 992 916 (from within Australia) or +61 3 9628 2200 (from outside Australia).

Websites

MDI maintains a website, the URL location of which is www.middleisland.com.au. AME maintains a website, the URL location of which is www.altometals.com.au. Information contained in or otherwise accessible through these websites is not part of this Bidder's Statement. All references to these sites in the Bidder's Statement are for information purposes only.

Estimates and Assumptions

Unless otherwise indicated, all references to estimates, assumptions and derivations of the same in this Bidder's Statement are references to estimates, assumptions and derivations of the same by MDI's management. Management estimates reflect and are based on views as at the date of this Bidder's Statement, and actual facts or outcomes may materially differ from those estimates or assumptions.

Effect of Rounding

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Bidder's Statement may be subject to the effect of rounding. Accordingly, the actual figures may vary from those included in this Bidder's Statement.

Currencies

In this Bidder's Statement, references to "Australian dollars", "AUD", "A\$" or "\$" are to the lawful currency of Australia, and references to "USD" or "US\$" are references to the lawful currency of the United States of America.

This Bidder's Statement may contain or reflect conversions of relevant currencies to other currencies for convenience. These conversions should not be construed as representations that the relevant currency could be converted into the other currency at the rate used or at any other rate.

Maps and Diagrams

Any diagrams and maps appearing in this Bidder's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, maps, graphs and tables is based on information available at the date of this Bidder's Statement.

Queries

You should contact your legal, financial or professional adviser if you are unsure about how to deal with this Bidder's Statement. If you have any enquires about the Offer, please contact MDI's Company Secretary on +61 8 9389 2111 between 9.00am and 5.00pm (WST) Monday to Friday or contact your legal, financial or other professional adviser.

LETTER FROM MDI'S DIRECTORS

Dear AME Shareholder

On behalf of the Directors of Middle Island Resources Limited (**MDI**), I am pleased to enclose an offer by MDI to acquire all of your shares in Alto Metals Limited (**AME**) to become part of a merged entity that has a genuine prospect of emerging as a gold developer and producer in the near term. By accepting the Offer you will, subject to the terms and conditions of the Offer, receive 5 MDI Shares for every 1 of your AME Shares. The full terms and conditions of the Offer are detailed in Section 9.

The Offer provides an opportunity for AME Shareholders to join, in equal degree, with MDI Shareholders to benefit from the synergy of the consolidation, under a single entity, of the exploration and mining tenure held respectively by AME and MDI in the Sandstone greenstone belt of the Yilgarn Craton.

MDI believes that a transition of MDI and AME from explorers to a combined gold miner would see a synergistic uplift in both enterprise value and share value.

Capital market sentiment for AME, as reflected by its recent failed non-renounceable rights offer, is negative; as it is presently for most junior gold explorers. By contrast, at about the same time, MDI's non-renounceable rights offer was fully subscribed.

If, as MDI anticipates, the consolidated tenement holdings justify the recommissioning of MDI's wholly-owned Sandstone Gold Plant, MDI is confident that its shareholder, broker and management support will see the necessary funds being sourced for the refurbishment and recommissioning of the Sandstone Gold Plant.

In MDI's view, AME's present resource base, in isolation, does not and never will justify the cost of a new plant. MDI's Sandstone Gold Plant represents the only plant within economic trucking distance of AME's gold resources through which the treatment of those resources is economically feasible.

MDI has determined that its current gold resource base, in isolation, applying current economics, does not justify the expense of refurbishing and recommissioning the Sandstone Gold Plant.

MDI believes that consolidating AME's and MDI's resources under a combined entity is plain common, commercial sense as it anticipates that this will:

- (i) provide the critical mass of gold resources to justify the refurbishment and recommissioning of the Sandstone Gold Plant;
- (ii) unlock and deliver value from AME and MDI resources;
- (iii) deliver a self-sustaining company;
- (iv) facilitate the rational, production-funded, assessment of and vectored exploration for the residual gold endowment of the Sandstone greenstone belt; and
- (v) see a significant rerating of the current combined market capital of MDI and AME Shares, translating into an uplift in the value of your MDI shares relative to the value of your AME shares should you retain them.

Who is MDI?

MDI is a West Australian gold exploration company, with ordinary shares listed on ASX (ASX Code: MDI). MDI has a 100% interest in the Sandstone Gold Project in Western Australia, including the 600,000tpa Sandstone Gold Plant, currently on care & maintenance.

Refer to Section 2 for further details of MDI.

Value and acceptance of the Offer

Completion of the Offer will create a Combined Entity listed on ASX, with enhanced scale, and positioned for growth as a West Australian gold miner. The Offer values each AME Share at the date:

- the intention to make the bid herein was announced -\$0.045,
- of this Bidder's Statement - \$0.0377.¹

¹ Based on the 30 day VWAP of \$0.007531 for MDI Shares up to and including the Last Practicable Date.

Please read this Bidder's Statement carefully, including the risk factors detailed in Section 7. The Offer is open for your acceptance until 5.00pm (WST) on [XXXX] 2019, unless extended or withdrawn. To accept the Offer, please follow the instructions in the Acceptance and Transfer Form enclosed with this Bidder's Statement.

If you require any assistance, please contact MDI's Company Secretary on +61 8 9389 2111 between 9.00am and 5.00pm (WST) Monday to Friday or contact your legal, financial or other professional adviser.

Final Observation

On 19 March 2019, AME made a release to the ASX headed "Major shareholders representing 32.12% do not intend to accept the Middle Island offer" of 5 MDI shares for every one AME share.

The MDI Directors note that those major AME shareholders referred to in the ASX release are associated with or connected to current or former AME board members, namely:

- Windsong Valley Pty Ltd and Marymount Pty Ltd - associated with Terry Wheeler, current Chair of AME;
- Enterprise Metals Limited - Jingbin Wang, current director of AME, and Dermott Ryan, ex Managing Director of AME are both directors of Enterprise Metals Limited and
- Sinotech (Hong Kong) Corporation Limited - Jingbin Wang, current director of AME is Chairman of Sinotech Mineral Exploration Corporation Limited (which wholly owns Sinotech (Hong Kong) Corporation Limited).

The statements were made without the benefit of reviewing MDI's Bidder's Statement, thereby effectively pre-empting an AME Board recommendation and potentially undermining the opportunity for all other AME Shareholders.

As a result, on 10 April 2019, the MDI Directors amended the initial proposal for the Offer by reducing the minimum acceptance condition from 90% to 50.1% in order to ensure that AME Shareholders were still afforded a reasonable opportunity to assess the Offer presented by MDI.

I encourage you to accept the Offer as soon as possible and look forward to welcoming you as an MDI Shareholder.

Yours faithfully



Peter Thomas
Non-Executive Chair
Middle Island Resources Limited

CORPORATE DIRECTORY

Company Details

ASX Code: MDI
ACN: 142 361 608
ABN: 97 142 361 608
www.middleisleland.com.au

Registered Office

DWCorporate Pty Ltd
Suite 2, 11 Ventnor Avenue
West Perth WA 6005
Telephone: +61 8 9389 2111
Facsimile: +61 8 6166 0261

Legal Adviser

Price Sierakowski Corporate
Level 24,
44 St Georges Terrace
Perth WA 6000

Share Registry

Security Transfer Australia Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone (domestic): 1300 992 916
Telephone (international): +61 3 9628 2200

Directors

Mr Peter Thomas, Non-Executive Chair
Mr Rick Yeates, Managing Director
Mr Beau Nicholls, Non-Executive Director

Company Secretary

Mr Dennis Wilkins
Suite 2, 11 Ventnor Avenue
West Perth WA 6005
Telephone: +61 8 9389 2111
Facsimile: +61 8 6166 0261

Auditors

Greenwich & Co Audit Pty Ltd
Level 2, 35 Outram Street
West Perth, WA 6005

Corporate Adviser

Bell Potter Securities Limited
Level 38, Aurora Place
88 Philip Street
Sydney NSW 2000

KEY DATES

Event	Date
Announcement Date	1 March 2019
Record Date	16 April 2019
Bidder's Statement lodged with ASIC and served on AME	10 April 2019
Dispatch of Bidder's Statement to AME Shareholders commences	24 April 2019
Offer Period commences	[XXXX] April 2019
Update as to status of Conditions to the Offer	[XXXX] 2019
Offer Period closes (unless extended or withdrawn)	[XXXX] May 2019

WHY YOU SHOULD ACCEPT THE OFFER

MDI believes you should **ACCEPT** the Offer. Some highlighted reasons include:

1. Significant growth potential through the consolidation of ownership of highly complementary assets.
2. Based on the closing prices of AME and MDI Shares on the date of announcement of intention to make the Offer, the offer represented a premium to AME shareholders of 61%; at the date of this Bidder's Statement the premium was 17.64%.
3. The Combined Entity will have potential near-term production at a modest capital cost and a genuine prospect of funding future exploration from cash flow.
4. The prospect of recommissioning the Sandstone Gold Plant provides AME Shareholders with a realistic short-term, proximal and cost-effective processing solution for the AME Sandstone Tenement deposits; there is no other credible option.
5. MDI offers management stability, seasoned corporate and technical expertise with a clear, credible and focused development strategy and vision.
6. Substantial reduction in the combined administration costs with significant exploration and production synergies.
7. Expected increase in market profile, market capitalisation, greater liquidity and improved access to capital markets to fund growth opportunities.
8. MDI is confident the consolidation of assets will support the raising of up to \$5 million to pursue a decision to re-commission the Sandstone Gold Plant.
9. Rejecting shareholders may find themselves holding unlisted shares.
10. No Superior Proposal or alternative offer has emerged and it is unlikely that one will.
11. You may be eligible for CGT rollover relief.

The above is only a headline summary of some of the reasons why you should accept the Offer. Each of the reasons why MDI believes you should **ACCEPT** the Offer is explained below.

If you wish to accept the Offer, you must return the signed Acceptance and Transfer Form by 5.00pm (WST) on [XXXX] 2019.

1. Significant growth potential through the consolidation of ownership of highly complementary assets.

The Combined Entity consolidates the entire Sandstone greenstone belt and database under a single entity. The Combined Entity is expected to have enhanced ability to secure production and exploration upside via regional consolidation around the Sandstone Gold Plant as a central processing hub.

With the increased scale and financial strength of the Combined Entity, it is more likely to successfully complete further consolidations than either AME or MDI in isolation.

The Combined Entity will create a larger gold exploration and development company, with a broader shareholder base and improved ability to raise capital, which is expected to provide a much-improved platform for growth and greater financial flexibility to expand its portfolio of mining tenements within the broader Sandstone district.

For more information on MDI's existing assets, including the Sandstone Gold Plant, refer to Section 2.5(a). For more information on AME's existing assets, refer to Section 3.3.

2. Based on the closing prices of AME and MDI Shares on the date of announcement of intention to make the Offer, the offer represented a premium to AME shareholders of 61%; at the date of this Bidder's Statement the premium was 17.64%.

The Offer comprises 5 MDI Shares for every 1 of your AME Shares, which values your AME Shares at:

- \$0.045 per AME Share, based on the last trading price of \$0.009 per MDI Share on 28 February 2019 which represents a premium of 61% to the AME closing price on 28 February 2019 (the day prior to the day the intention to bid was announced);
- \$0.0377 each, based on the 30 day VWAP of \$0.007531 for MDI Shares up to and including the Last Practicable Date (being 9 April 2019) which represents a premium of 35% to the AME closing price on 28 February 2019 (the last Trading Day prior to the Announcement Date); and
- \$0.040 each, based on the last trading price of \$0.008 per MDI Share on the Last Practicable Date which represents a premium of 17.64% to the AME closing price of \$0.034 on the Last Practicable Date.

3. The Combined Entity will have potential near-term production (at a modest capital cost) and a genuine prospect of funding future exploration from cash flow.

If the Offer is successful, subject to the Strategic Review (directed to a significant degree at verifying AME public domain disclosures), the AME Sandstone Tenement deposits will supplement the MDI surface deposits and, based on AME disclosure, should provide the critical mass necessary to support the recommissioning of the Sandstone Gold Plant.

MDI requires only a modest increase in available mill feed to justify recommissioning the Sandstone Gold Plant. Based on AME public domain disclosures, the predominantly open pit AME deposits are anticipated to achieve this outcome.

MDI's Two Mile Hill underground deposits have the potential to offer considerable scale and production longevity for AME Shareholders.

The estimated refurbishment cost of the Sandstone Gold Plant and associated infrastructure is approximately \$10.3M. The substantially greater cost of a new plant with the same capacity, absent either a major discovery or the Sandstone Gold Plant, represents an effective barrier to production by either party.

Once a recommissioning decision is made, refurbishment and recommissioning is expected to take only four to six months to complete.

For more information on AME's assets, refer to Section 3.3. For more information on the Sandstone Gold Plant and the work required to recommission the Sandstone Gold Plant,

refer to Section 2.5(a)(vii). For more information on MDI's vision and strategy, and MDI's assets including the Two Mile Hill underground deposits, refer to Sections 2.3 and 2.5. For more information on MDI's intentions generally regarding AME, refer to Section 5.

4. The prospect of recommissioning the Sandstone Gold Plant provides AME Shareholders with a realistic short-term, proximal and cost-effective processing solution for the AME Sandstone Tenement deposits – there is no other credible option

AME's Mineral Resources are all located within 30km of the Sandstone Gold Plant and are situated on, or proximal to, former haul roads that can be easily upgraded and re-permitted. This should allow the AME deposits to be mined, hauled to and processed at the Sandstone Gold Plant, which MDI considers is the only viable processing option for the AME deposits.

The estimated refurbishment cost of the existing Sandstone Gold Plant and associated infrastructure is approximately \$10.3M. MDI believes AME's Mineral Resources do not justify a new stand-alone plant, whether with the same capacity as the Sandstone Gold Plant or otherwise. As such, MDI considers its proximal Sandstone Gold Plant represents the only viable opportunity to realise near-term value from AME's deposits.

For more information on the Sandstone Gold Plant and the work required to recommission the Sandstone Gold Plant, refer to Section 2.5(a)(vii). For more information on the location of the assets of the Combined Entity, refer to Section 4.5. For more information on the intentions of MDI, refer to Section 5.

5. MDI offers management stability, seasoned corporate and technical expertise and a clear, credible and focused development strategy and vision.

As at the date of this Offer, following multiple board and management changes over the past two years, AME does not have an executive director (let alone a managing director) and has a chair (who recently morphed from acting chair to non-executive chair) with no prior listed-company board experience. AME lacks an effective board and management team with the expertise and drive necessary to govern, fund and develop AME's projects. The ongoing viability of AME is uncertain, given AME's (i) dire cash position (as at 31 December 2018 AME's cash balance was just \$261,000, being insufficient to cover liabilities and provisions that then aggregated \$456,072) and (ii) recent unsuccessful rights issue (pursuant to a prospectus dated 24 January 2019 – refer to AME ASX releases dated 24 January 2019 and 18 February 2019).

A chronology of AME board instability over last 3 years:

- (i) Mr Stephen Stone (appointed June 2016)
- (ii) Ms Susan Hunter (resigned July 2016)
- (iii) Mr Arron Canicais (resigned July 2016)
- (iv) Mr Robert Samuel Middlemas (appointed July 2016)
- (v) Ms Anna Mao (resigned October 2016)
- (vi) Dr Jingbin Wang (appointed October 2016)
- (vii) Mr Terry Wheeler (appointed December 2016)
- (viii) Mr William Robertson (resigned December 2016)
- (ix) Mr Terry Streeter (appointed March 2018)
- (x) Mr Stephen Stone (resigned July 2018)
- (xi) Mr Terry Streeter (resigned November 2018)
- (xii) Mr Robert Samuel Middlemas (resigned February 2018)
- (xiii) Mr Patrick Holywell (appointed as secretary and CFO February 2018)
- (xiv) Mr Patrick Holywell (removed as secretary and CFO February 2019)

- (xv) Mr Patrick Holywell (said to have been “incorrectly appointed” director due to ‘administrative error’ February 2019)
- (xvi) Mr Dermot Ryan (resigned February 2019)
- (xvii) Mr Matthew Bowles (appointed February 2019)

In contrast, MDI has a stable management team with a depth of experience and a clear vision and strategy to create shareholder value. Mr Rick Yeates has fulfilled the role of managing director of MDI since its incorporation in 2010 and has a wealth and depth of experience in the resources field. The three current MDI directors, Messrs Thomas, Yeates and Nicholls, are all founding directors of MDI, demonstrating a strong, stable and consistent governance and management platform. With the exception of Mr Kirk, who was on the Board for almost five years as a non-executive director before stepping into an ongoing consulting role as Project Manager at the Sandstone Gold Project, there has been no change to the MDI Board composition or Company Secretary since MDI's inception in 2010.

Again by contrast, MDI's recently completed rights issue was fully subscribed (see ASX Release dated 18 January 2019), demonstrating strong MDI Shareholder and broker support and loyalty in an otherwise challenging equity market. The MDI Board looks forward to engendering the same degree of trust and respect from AME Shareholders.

Should the Offer be accepted by AME Shareholders, and assuming MDI transitions to a project development and operational status, the MDI Board intends to review and refresh its composition to ensure it constitutes the best possible combination of relevant skills to guide the Combined Entity to producer status.

The MDI Board formulated a clear vision and strategy for the Sandstone Gold Project in late 2016. MDI has been pursuing this strategy ever since and the Offer is entirely consistent with this strategy.

For more information on MDI's strategy and Board and management team refer to Sections 2.3 and 2.4 respectively.

6. Substantial reduction in the combined administration costs with significant exploration and production synergies

Depending on the outcome of the Offer, substantial efficiencies will be realised by the Combined Entity as a result of consolidating the corporate and administrative functions of MDI and AME, and will bring the historically higher AME corporate and administration expenditure under the control and scrutiny of MDI.

The more immediate administrative synergies include expenditure associated with head office leases, administrative staff, insurance premiums, ASIC, ASX and registry fees, audits, and investor relations and marketing functions, plus a plethora of smaller items, which are collectively significant.

Personnel and contractors engaged by the Combined Entity would have access to MDI's existing camp accommodation and offices in both Sandstone township and at the Sandstone Gold Plant.

The Combined Entity would provide for the integration of existing geological and geophysical surveys into cohesive regional datasets to better facilitate target generation and allow exploration to be conducted across common tenement boundaries.

Subject to the Combined Entity's enhanced access to capital for exploration, either via production cash flow and/or greater market appreciation, the Combined Entity would have the ability to expand exploration contracts, resulting in more competitive tenders and lower relative mobilisation costs.

Once operational, the proximal Sandstone Gold Plant offers the Combined Entity the opportunity to re-evaluate exploration targets and target priorities in order to optimise processing, scheduling and blending requirements.

Subject to the Strategic Review, MDI intends that the technical teams of both AME and MDI would be integrated to consolidate the skills and terrain knowledge of each under the Combined Entity.

For more information on the Combined Entity, refer to Section 4. For more information on the intentions of MDI, refer to Section 5.

7. Expected increase in market profile, market capitalisation, greater liquidity and improved access to capital markets to fund growth opportunities.

If the Offer is successful, you will benefit by receiving shares in the Combined Entity that are expected to be substantially more liquid than AME Shares in isolation. In the 12 month period up to the Announcement Date, the daily average value of MDI Shares traded on ASX was approximately 2.2 times greater than the daily average value of AME Shares traded over that period.

The Combined Entity will have a pro-forma market capitalisation of approximately \$19.0 million². The Combined Entity's strengthened balance sheet, increased asset suite, larger resource base and increased market capitalisation is expected to raise the profile of the Combined Entity in capital markets and widen the range of potential investors. This in turn is expected to result in increased coverage of the Combined Entity's operations by analysts and further enhance the liquidity of shares in the Combined Entity. The MDI board expects this to assist in a positive re-rating, such that the market capitalisation of the Combined Entity may ultimately be significantly higher than the pro-forma market capitalisation, thereby delivering an additional premium to Combined Entity shareholders.

AME Shareholders will benefit from exposure to the potential re-rating of AME's assets in the Combined Entity, as the funding risks associated with the development of AME's deposits are likely to be significantly reduced, as opposed to AME remaining moribund in relation to the notion of progressing development of its project in isolation, as that is not likely to be feasible.

Whilst AME's share price has strengthened since the announcement of the Offer, MDI's Board suggests this is in part, if not wholly, due to the MDI announcing its intention to bid for AME; it being a reflection that the market views the announcement of the Bid as positive for AME.

8. MDI is confident the consolidation of assets will support the raising of up to \$5 million to pursue a decision to re-commission the Sandstone Gold Plant.

Contingent on the successful outcome of the Offer, MDI have a high level of confidence that they have broker support to raise up to \$5M, via a placement, to provide funds to pursue the Sandstone Gold Plant re-commissioning decision. In addition, and again contingent on the successful outcome of the Offer, MDI Directors intend to undertake a simultaneous share purchase plan to ensure all MDI Shareholders, including AME Shareholders who accept the Offer, have an opportunity to participate.

MDI's confidence to raise up to an additional \$5M is well supported by MDI's history of equity capital raisings, which have been 100% successful and either fully or oversubscribed. MDI's primary broker has lead-managed or joint lead-managed every capital raising completed by MDI, including the Initial Public Offering, demonstrating a strong, stable and loyal broking relationship underpinning this and future capital raisings.

MDI's capital raising record, and shareholder and broker support, is in stark contrast to that of AME.

9. Rejecting shareholders may find themselves holding unlisted shares.

Depending on the outcome of the Offer, one of the possible outcomes is AME Shares will be de-listed and will no longer be traded on the ASX. This will mean AME Shareholders will no longer be able realise their investment in AME via the ASX and AME Shares will only be capable of sale by private transaction.

Moreover, should MDI be successful in acquiring a majority ownership in AME, but not reach the compulsory acquisition threshold, there is a risk that the trading liquidity of AME Shares

² Based on the closing price of MDI Shares of \$0.009 on 28 February 2019.

will be negatively impacted or, indeed, forfeited if AME is delisted. In this instance, if you do not accept the Offer and remain a minority AME Shareholder, it is expected your AME Shares will be more difficult to sell at prevailing price levels.

10. No superior proposal or alternative offer has emerged and it is unlikely that one will.

Since MDI's announcement of the Offer on 1 March 2019, no other, let alone Superior Proposal has emerged at the date of this Bidder's Statement.

There remains the possibility that a Third Party may make a Competing Proposal (which may or may not be a Superior Proposal) prior to completion of the Offer. However, given the highly complementary nature of the MDI and AME assets, and the significant premium offered by MDI, the MDI Board firmly believes a Competing Proposal is not likely to materialise.

Refer to reasons 1 and 2 for more information on the complementary nature of the MDI and AME assets, and the premium offered.

11. You may be entitled to capital gains tax rollover relief.

Provided MDI achieves ownership of more than 80% of the issued AME Shares, eligible AME Shareholders may be entitled to rollover relief from capital gains tax on the consideration they receive under the Offer. However, AME Shareholders may be subject to capital gains tax a result of a later taxable event (such as a disposal) occurring in respect to the MDI Shares received as the Offer Consideration.

Please refer to Section 6 for more information. You should consult a qualified tax adviser for further taxation advice.

1. Summary of the Offer

The information in this Section 1 is a summary of the Offer only and is qualified by, and should be read in conjunction with, the information detailed in the remainder of this Bidder's Statement.

MDI offers to acquire all of your AME Shares, together with all Rights attached to them, on the terms and conditions detailed in Section 9.

The Offer Consideration being offered by MDI for the acquisition of all of your AME Shares is 5 MDI Shares per 1 AME Share, subject to the terms and conditions detailed in Section 9 and elsewhere in this Bidder's Statement.

The Offer is dated [XXXX] 2019.

You should read this Bidder's Statement in its entirety and the Target's Statement (the latter will be sent to you directly by AME) before deciding how to deal with your AME Shares.

The information in this Section 1 is organised as responses to a series of questions.

If you have any enquires about the Offer, please contact MDI's Company Secretary on +61 8 9389 2111 between 9.00am and 5.00pm (WST) or contact your legal, financial or other professional adviser.

1.1 Overview of the Offer

Question	Answer	Further Information
Who is making the Offer?	MDI.	Section 1
What is the Offer?	<p>By this Bidder's Statement, MDI Offers to acquire all of your AME Shares by way of an off-market takeover on the terms and conditions set out herein.</p> <p>The Offer consideration is 5 MDI Shares for every 1 AME Share.</p> <p>The Offer relates to all AME Shares that exist, or will exist, on the Register Date and to all AME Shares issued before the end of the Offer period as a result of the vesting of any AME Options and AME Performance Rights that are on issue as the Register Date.</p>	Section 1
What will I receive if I accept the Offer?	If you accept the Offer, subject to satisfaction or waiver of the Offer Conditions (refer below and Section 9.10) and further subject to MDI varying the consideration offered herein, you will receive 5 MDI Shares for every 1 AME Share you hold.	Section 9.7
What is the implied value of the Offer Consideration?	<p>The implied value of the Offer is approximately</p> <p>(a) \$0.045 per AME Share, based on the last trading price of \$0.009 per MDI Share on 28 February 2019 (the day prior to the day the intention to bid was announced);</p> <p>(b) \$0.0377 per AME Share, based on the 30 day VWAP of \$0.007531 for MDI Shares up to and including the Last Practicable Date;</p> <p>(c) \$0.040 per AME Share, based on the last trading price of \$0.008 per MDI Share on the Last Practicable Date.</p>	Why You Should Accept The Offer – Reason 2.

Question	Answer	Further Information
	The value of the Offer Consideration will change as a consequence of changes in the market price of MDI Shares.	
When does the Offer close?	Unless withdrawn or extended in accordance with the Corporations Act, the Offer is scheduled to close at 5.00pm (WST) on [XXXX] 2019.	Section 9.1
Can the Offer Period be extended?	The Offer Period can be extended at MDI's election, up to a maximum Offer Period of 12 months. AME Shareholders will be sent written notice of any extension of the Offer Period.	Section 9.1
When will I receive my consideration if I accept the Offer?	If you accept the Offer, MDI will provide the Offer Consideration for your AME Shares on or before the earlier of: (a) one month after you accept the Offer or one month after the Offer Conditions have been waived or fulfilled (whichever is the later); and (b) 21 days after the end of the Offer Period (provided that the Offer has become unconditional prior to the end of the Offer Period).	Section 9.7
If I accept the Offer, can I withdraw my acceptance?	You cannot withdraw or revoke your acceptance unless a withdrawal right arises under the Corporations Act. A withdrawal right will arise if, after you have accepted the Offer, MDI varies the Offer in a way that postpones, for more than one month, the time that MDI has to meet its obligations under the Offer.	Section 9.6
What choices do I have as an AME Shareholder?	You have at least the following choices in respect of the Offer: (a) accept the Offer (but only in relation to all the AME Shares you hold at the time of acceptance); (b) reject the Offer (by doing nothing/ignoring it). There are implications in relation to each choice. If you are in doubt as to how to act, you should consult your legal, financial or other professional adviser immediately.	
How do I accept the Offer?	To accept the Offer, follow the instructions detailed in this Bidder's Statement and in the enclosed Acceptance and Transfer Form. Your acceptance must be received in sufficient time to be processed before the end of the Offer Period.	Section 9.4
Can I accept the Offer for part of my holding?	No.	Section 9.3

Question	Answer	Further Information
What if I am an Ineligible Overseas Shareholder?	<p>MDI will not allot MDI Shares as Offer Consideration to Ineligible Overseas Shareholders, being AME Shareholders whose address on the AME Share register on the date the allotment calculation is performed is in a jurisdiction other than Australia and its external territories.</p> <p>Any Ineligible Overseas Shareholder who accepts the Offer will have the MDI Shares to which they would otherwise be entitled issued to a nominee, who will sell those MDI Shares on ASX, and remit the proceeds of that sale to the Ineligible Overseas Shareholder.</p>	Sections 9.2 and 9.8
Can I sell my AME Shares on-market during the Offer Period?	<p>You may sell all, or some, of your AME Shares on-market during the Offer Period, but you may incur brokerage or other transaction costs if you do.</p> <p>However, if you accept the Offer, you agree not to sell your AME Shares to anyone other than MDI, and you will not be able to sell any of your AME Shares after the date on which you accept the Offer unless your acceptance ceases to be binding.</p>	Section 9.6
What happens if I do not accept the Offer?	<p>Subject to the explanation below, you will, unless you otherwise dispose of your AME Shares, remain an AME Shareholder and will not receive the Offer Consideration.</p> <p>If you do not accept the Offer and MDI acquires a Relevant Interest in at least 90% of AME Shares, and the Offer Conditions are satisfied or waived, MDI intends to proceed to compulsorily acquire the outstanding AME Shares. If MDI compulsorily acquires your AME Shares, it will be on the same terms as the Offer. However, you will receive the Offer Consideration later than the AME Shareholders who choose to accept the Offer.</p> <p>If the Offer becomes unconditional but MDI does not become entitled to compulsorily acquire your AME Shares under the Corporations Act, then unless you otherwise dispose of your AME Shares, you will remain a shareholder of AME. In these circumstances and, depending on the number of AME Shares acquired by MDI, you along with any other non-MDI holders of shares in AME may be minority AME Shareholders and AME Shares may cease to be listed for official quotation on the ASX.</p> <p>If the Offer lapses you will remain a shareholder of AME with its dysfunctional board and stranded deposits.</p>	Section 5
What happens if MDI improves the Offer Consideration?	<p>If MDI increases the Offer Consideration, all AME Shareholders who accept the Offer (whether or not they have accepted the Offer before or after such increase) will be entitled to the benefit of the increased Offer Consideration, should the Offer become or be declared unconditional.</p>	Section 9.1

Question	Answer	Further Information
Are there conditions to the Offer?	<p>Yes, the Offer is subject to the Offer Conditions, which are:</p> <ul style="list-style-type: none"> (a) 50.1% minimum acceptance; (b) All applicable regulatory approvals being obtained; (c) There being no material adverse change or prescribed occurrence in relation to AME; (d) No regulatory action; (e) Minimum gold price; (f) No persons exercising rights under certain agreements; (g) No change of control rights; (h) No material acquisitions, disposals, cancellations or new commitments; (i) No change in conduct of business; (j) No misleading statements to or omissions from disclosure via the ASX; (k) No litigation; (l) No actions with regards Mining Tenements; and (m) No other persons acquiring a Relevant Interest in in 20% or more of the AME Shares on issue. 	Section 9.10
What if the Offer Conditions are not satisfied or waived?	<p>If the Offer closes and the Offer Conditions are not satisfied or waived, the Offer will lapse, and your acceptance will be void. In other words, you will continue to hold your AME Shares (unless you otherwise dispose of them). MDI will inform you of whether the Offer Conditions have been satisfied or waived during the Offer Period in accordance with its obligations under the Corporations Act.</p> <p>Pursuant to the requirements of s630 of the Corporations Act notification of the status of bid conditions will be made on [XXXX] 2019.</p>	Section 9.10

1.2 Overview of MDI

Question	Answer	Further Information
What is MDI?	<p>MDI is a Western Australian-focused gold exploration company, aspiring to develop and mine. MDI Shares are listed on the official list of ASX (ASX Code: MDI).</p> <p>MDI owns the Sandstone Gold Project, which includes the 600ktpa Sandstone Gold Plant.</p> <p>The Sandstone Gold Plant is surrounded by MDI's quantified open pit and underground gold deposits and substantial Exploration Target.³</p> <p>MDI has been consolidating its exploration and mining tenure around the Sandstone Gold Project and now seeks to acquire the immediately proximal AME Sandstone Tenements to unleash the significant exploration and production synergies and potential offered by almost an entire, highly mineralised, under-explored greenstone belt.</p>	Section 2
What rights and liabilities will attach to my new MDI Shares?	The new MDI Shares issued as Offer Consideration will be fully paid, and, from the time of issue, rank equally with existing MDI Shares. They are free of liabilities.	Section 2.12
Who are the MDI Directors?	<p>The MDI Directors are:</p> <ul style="list-style-type: none"> (a) Mr Peter Thomas (Non-Executive Chair); (b) Mr Rick Yeates (Managing Director); (c) Mr Beau Nicholls (Non-Executive Director); and (d) Mr Dennis Wilkins (Alternate Director to Mr Beau Nicholls & Company Secretary). <p>Refer to Section 2.4 for details of Directors and management</p>	Section 2.4
Do the MDI Directors have any securities in, or potential conflicts of interest in relation to, AME?	No.	Section 8.4

³ Please refer to the MDI ASX announcement dated 29 November 2017

1.3 Overview of Risks

Question	Answer	Further Information
Are there risks if I accept the Offer?	<p>Yes.</p> <p>Pending the Offer and the Offer Conditions being satisfied or waived you will not be able to deal with your AME Shares and upon the Offer Conditions being satisfied or waived, MDI will issue you with MDI Shares, and you will become an MDI Shareholder in lieu of being an AME Shareholder.</p> <p>You will continue to be indirectly exposed to the risks associated with the investment in AME, because MDI will hold AME Shares. You will also be exposed to the risks associated with an investment in MDI and additional risks relating to the Offer and the Combined Entity.</p> <p>The business activities of MDI and the Combined Entity are subject to various risks that may affect the future performance of MDI and the Combined Entity. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of MDI and the Combined Entity, and cannot be mitigated.</p> <p>Refer to Section 7 for further details on risks.</p>	Section 7

1.4 Other Relevant Questions

Question	Answer	Further Information
Will I need to pay any transaction costs if I accept the Offer?	No.	Section 6.7
What are the taxation implications of accepting the Offer?	<p>A general summary of the Australian taxation consequences for AME Shareholders who accept the Offer is detailed in Section 6.</p> <p>This summary is, and can only be, expressed in general terms and is not intended to provide taxation advice for your specific circumstances. AME Shareholders should seek their own independent taxation advice in relation to the Offer.</p>	Section 6
Where do I go for further information?	<p>If you have any enquires about the Offer, please contact MDI's Company Secretary on +61 8 9389 2111 between 9.00am and 5.00pm (WST) or contact your legal, financial or other professional adviser.</p> <p>Any further material information relating to the Offer will be lodged with ASX and included on the MDI website at www.middleisland.com.au.</p>	Corporate Directory

2. Profile of MDI

2.1 Overview of MDI

MDI is an Australian public company that has been listed on the official list of ASX since 16 December 2010 (ASX: MDI).

MDI's principal activities include the discovery/acquisition and resource definition of gold deposits, with the aspiration of becoming a successful gold project developer and producer.

MDI's key assets comprise a 100% interest in the Sandstone Gold Project, which includes the Sandstone Gold Plant, detailed in Section 2.5(a), situated in the East Murchison Mineral Field of Western Australia, 600km northeast of Perth and 400km northwest of Kalgoorlie (the **Sandstone Gold Project**).

A subsidiary (and legacy) asset of MDI is a 100% interest in the Reo Gold Project, Burkina Faso, West Africa, located 150km west of the capital, Ouagadougou, which interest is subject to a divestment Option Agreement with, and exercisable by, Tajiri Resources Corporation (TSXV:TJ), detailed in Section 2.5(b).

2.2 Corporate Information

MDI has the following 100%-owned Subsidiaries:

Name	Country of Incorporation	Principal Activity
Sandstone Operations Pty Ltd	Australia	Holding company for the Sandstone Gold Project.
Middle Island Resources – Burkina Faso SARL	Burkina Faso	Holding company for the Burkina Faso tenure and assets.

2.3 MDI Vision & Strategy

Following acquisition of the Sandstone Gold Project, in late 2016 MDI formulated an over-arching strategy incorporating three sequential elements, as follows.

- 1) Recommission the Sandstone Gold Plant at the earliest opportunity via exploration of its own tenure and/or consolidation of proximal third party deposits.
- 2) Seek to consolidate additional gold deposits and substantial exploration tenure within the broader Sandstone district around the Sandstone Gold Plant as a central processing hub.
- 3) Demonstrate sufficient production, resource and exploration potential to attract competitive exposure to investment by major and/or mid-tier gold producers.

The first element involves extending and enhancing the existing production profile via a combination of exploration and resource definition to ensure a robust and sustainable operation, in the first instance, and consolidating proximal, third-party deposits in the second instance. These two aspects have been vigorously and simultaneously pursued since 2016, subject to changing market sentiment and financial circumstances.

Owning the only processing plant within a 150km radius, the second element of MDI's vision is to consolidate deposits within the entire region and establish the Sandstone Gold Plant as a central processing hub. MDI has identified a further 11 gold deposits within a 100km radius of the Sandstone Gold Plant and is actively pursuing consolidation opportunities.

Further consolidations have the potential to offer considerable scale in terms of both operational longevity and prospective exploration tenure. This may trigger the third (and possibly final) element of the vision, by attracting investment interest from major and/or mid-tier gold producers.

The Offer is entirely consistent with this strategy and vision. As such, MDI offers AME Shareholders an unambiguous opportunity to join us for an exciting journey, with the

potential to offer a considerable additional premium, and looks forward to welcoming you onto its register.

MDI has endeavoured to engage AME in its strategy and vision on a friendly, collaborative basis on no less than nine occasions since November 2016. On all but one occasion, the entreaties have engendered no genuine interest, and certainly no substantive response or counter proposal from AME – simply no engagement on a meaningful level. On the one occasion when there was genuine interest from a former (but then) chair of AME, the AME Board did not support him and the then opportunity to merge AME and MDI on a friendly, equal, cost-effective and expedited basis was lost.

2.4 MDI Directors and Management

The three current MDI Directors, Messrs Thomas, Yeates and Nicholls, are all founding directors of MDI, demonstrating a strong, stable and consistent governance and management platform from which to launch the initial element of MDI's strategy and vision. With the exception of Mr Kirk, who was on the Board for almost five years as a non-executive director before stepping into an ongoing consulting role as Project Manager at the Sandstone Gold Project, there has been no change to the MDI Board composition or Company Secretary since the Company's inception in 2010.

Should the Offer be accepted by AME shareholders, and assuming MDI transitions to a project development and operational status, the MDI Board intends to review and refresh its composition to ensure it constitutes the best possible combination of relevant skills to successfully navigate the next stage of Combined Entity's evolution. Any or all of the current MDI Directors are fully prepared to step up, down or aside, if this is deemed to be in the best interest of Combined Entity shareholders.

A summary of each of the MDI Directors and management follows.

Mr Peter Thomas LLB, B.Juris (Non-Executive Chair)

Mr Thomas was appointed as a director of MDI on 2 March 2010.

Mr Thomas practised as a solicitor from 1980 until mid-2011 specialising in providing legal and corporate advice to explorers and miners. He has served on the boards of numerous listed companies since the 1980s. He was the founding chair of miners Sandfire Resources NL and Image Resources NL and the non-executive founding chair of ASX-listed Emu Nickel. He continues to serve as non-executive chairman of MDI and Emu NL, and as a non-executive director of Image Resources NL of which he was the founding chair.

Mr Rick Yeates BSc (Geol), MAusIMM, GAICD (Managing Director)

Mr Yeates was appointed as a director of MDI on 2 March 2010.

Mr Yeates is a geologist, whose professional career has spanned 37 years, variously working for BHP, Newmont and Ammax, prior to co-founding the consulting firm Resource Service Group (subsequently RSG Global) in 1987. Over the next 20 years, RSG and its antecedents grew from a small Kalgoorlie-based firm into a highly respected international consulting group with an annual turnover >\$20M, progressively establishing offices in Australia, Africa and South America, and in the process winning numerous business, technology and export awards. RSG Global was successfully sold to Australian-listed consulting group, Coffey International Limited, in 2006 to become Coffey Mining, where Mr Yeates continued to work in mergers & acquisitions and business development functions until his resignation in late 2009.

Mr Yeates has considerable international experience, having worked in some 39 countries and all states of Australia, variously undertaking project management assignments, feasibility studies and independent reviews for company listings, project finance audits and technical valuations. Mr Yeates is well known to the major international mining exchanges and financial institutions, has been responsible for several significant mineral discoveries, has reviewed hundreds of mining and exploration projects worldwide and has lectured in exploration geochemistry at the Western Australian School of Mines.

Mr Yeates is a member of the Australasian Institute of Mining and Metallurgy, a graduate member of the Australian Institute of Company Directors and has served on the boards of numerous listed and private companies, NFP organisations, industry bodies and advisory

boards. He has served as a non-executive director of Mungana Goldmines Limited (subsequently Atherton Resources Limited) and, since 2009, serves as a non-executive director of ASX 200 nickel producer Western Areas Limited.

Mr Yeates is a founding director and shareholder of MDI, securing seed funding for the initial acquisition of gold exploration properties in West Africa, leading to the company's successful listing on the ASX in December 2010.

Mr Beau Nicholls BSc (Geol), AWASM, MAIG, FWAiMM, Adv Dip (Business Management) (Non-executive Director)

Mr Nicholls was appointed as a director of MDI on 30 April 2010.

Mr Nicholls has 25 years' experience in mining and exploration geology, ranging from grass roots exploration management to mine production environments. He is a Member of the Australian Institute to 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 of 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 Chief Executive Officer of Sahara Natural Resources.

Mr Dennis Wilkins B.Bus, AICD, ACIS (Alternate Director for Mr Beau Nicholls/Company Secretary)

Mr Wilkins was appointed an Alternate Director on 1 May 2010 and as Company Secretary on 2 March 2010.

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd, a private corporate advisory firm servicing the natural resources industry.

Since 1994, he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations variously in Australia, PNG, Scandinavia and Africa. From 1995 to 2001, he was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also an advisor to Atlas Iron Limited at the time of Atlas' initial public offering in 2006.

Since July 2001, Mr Wilkins has been running DWCorporate Pty Ltd, where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector. Mr Wilkins is currently a director of Key Petroleum Limited. Within the last 3 years, Mr Wilkins has also been but no longer is a director of Shaw River Manganese Limited.

Mr Linton Kirk B Eng(Min), FAusIMM(CP) (Project Manager)

Mr Kirk served as an MDI non-executive director from September 2011 until July 2016, when he resigned to take on the executive Project Manager role for the Sandstone Project. He continues to fulfil this role in a part-time consulting capacity.

Mr Kirk is a Fellow of the AusIMM and Chartered Professional whose career encompasses mining, earthmoving, contracting, management and consulting activities covering both open pit and underground operations. His operating experience mostly involved him filling the positions of Mining Manager and/or General Manager of gold, iron ore and copper projects in Australia, Zambia, Papua New Guinea, Zimbabwe and Ghana.

He has been a fulltime consultant since 1997, servicing projects in some 20 countries. In this capacity he held the position of Manager – Mining Engineering with Global Mining Services then Manager – Mining Engineering and Partner at RSG Global, then, following the sale of RSG Global to Coffey International Limited in 2006, Chief Mining Engineer with Coffey Mining. Since 1997, Mr Kirk has been involved in and/or managed major feasibility studies, technical audits, owner mining studies and mining contract tenders on projects across the globe.

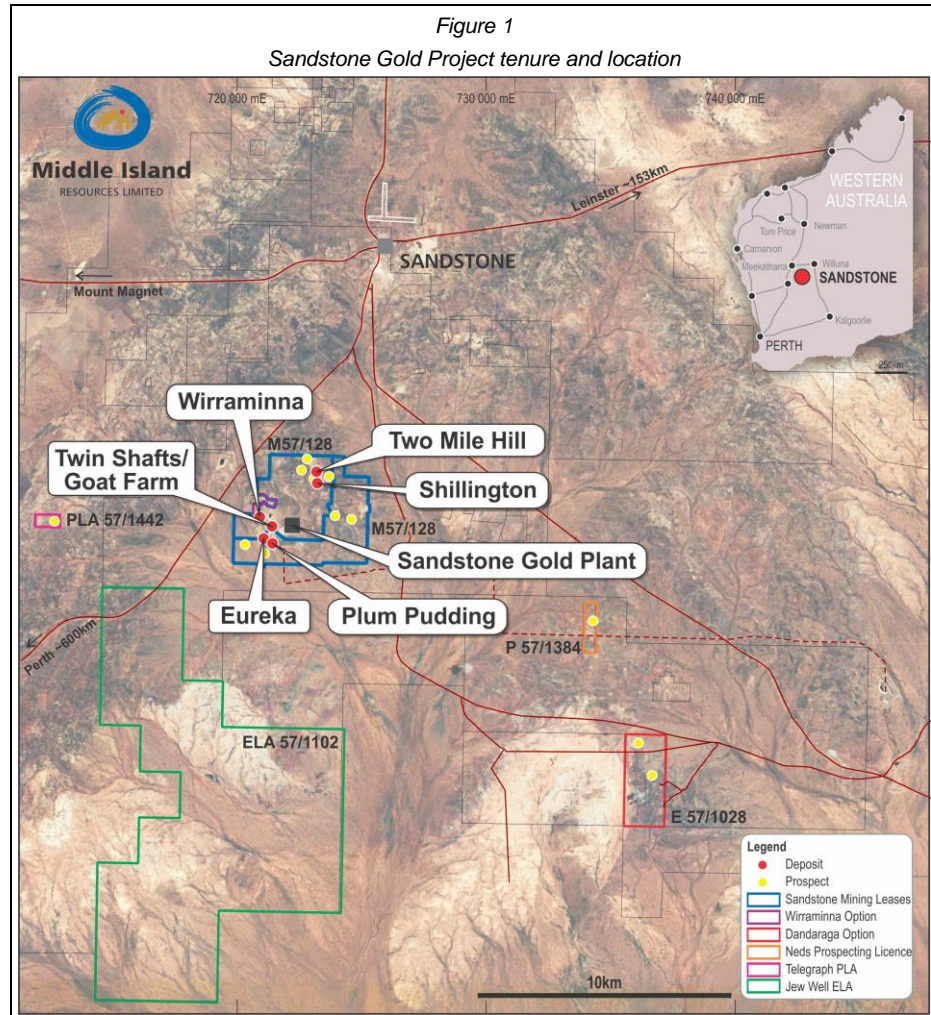
Mr Kirk has been a Non-executive Director of major mining, civil and infrastructure contractor MACA Limited since October 2012.

2.5 MDI Projects

(a) Sandstone Gold Project

i) Location

The Sandstone Gold Project is centred 11km south-southwest of the town of Sandstone in the East Murchison Mineral Field of Western Australia, between the mining towns of Leinster and Mount Magnet. The project is located ~600km northeast of Perth and ~400km northwest of Kalgoorlie in the heart of the West Australian goldfields, as shown in Figure 1 below.



Sandstone township is located on the sealed Mount Magnet-Leinster Highway and MDI's Sandstone Gold Plant is situated immediately east of the Sandstone-Payne's Find road, 11km south-southwest of Sandstone. Sealed access is available to within 4km of the processing plant and internal access is variously via existing haul roads and station tracks.

ii) Tenure

MDI acquired a 100% interest in the Sandstone Gold Project from Black Oak Minerals Limited (in Liquidation) (Receivers & Managers appointed) in July 2016 for \$2.5 million. A final payment of \$500,000 is contingent on first production from the recommissioned Sandstone Gold Plant.

Since acquisition of the core mining leases, MDI has been progressively consolidating its exploration tenure, via acquisition, option agreements and applications.

The Sandstone Gold Project tenure comprises a 100% interest in two granted mining leases that pre-date Native Title, two option agreements to

acquire a 100% interest in an exploration licence and a prospecting licence, one prospecting licence, one exploration licence application (granted subject to heritage agreement) and one prospecting licence application (granted subject to heritage agreement), comprising an aggregate area of approximately 191 square kilometres.

The MDI tenure is surrounded by, or immediately adjoins, AME's Sandstone Tenements, which would collectively represent a 100% interest in almost the entire Sandstone greenstone belt. Refer to Figure 7 in Section 3.3 below for relative location of Sandstone Gold Project and AME's Sandstone Tenements.

Details of MDI's Sandstone Gold Project tenure are provided in Table 1 below.

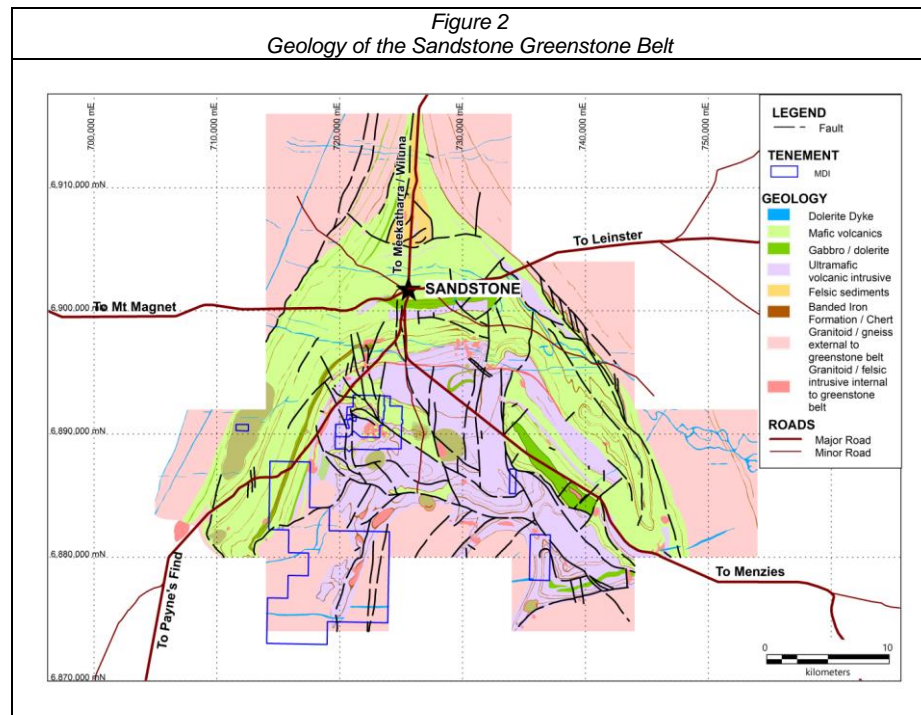
Table 1 Sandstone Gold Project Tenure		
Tenement Number	Concession Name	Hectares
M57/128	Sandstone 1	974.45
M57/129	Sandstone 2	996.80
E57/1028	Dandaraga	1,100.00
P57/1395	Wirraminna	40.64
P57/1384	Ned's	100.05
PA57/1442	Telegraph	52.09
EL57/1102	Jew Well	15,840.00

MDI also has a 4-year, tribute surface rights agreement over M57/128 and M57/129, whereby MDI receives 15% of all nugget gold production, with the counter-party being responsible for all associated costs and environmental rehabilitation.

iii) **Geology**

The Sandstone Gold Project is situated in the Archaean Sandstone greenstone belt (SSGB). The SSGB is a triangular belt interpreted as a north-plunging antiform located at the northern end of the Southern Cross province, which forms the central spine of the Archaean Yilgarn Block, as shown in Figure 2 below.

Gold deposits in the SSGB are of epigenetic, mesothermal type, typical of Archaean greenstone terrains, that are preferentially hosted in regional structural corridors that bound the greenstone belt, or associated with related second and third order structures. Mineralisation within the SSGB is variously hosted by banded iron formation (BIF), syntectonic felsic intrusives, mafic intrusives and volcanics or associated with ultramafic contacts where a significant rheological competency contrast exists.



iv) Mineral Resources

Mineral Resources applicable to MDI's Sandstone Gold Project are provided in below.

Table 2 MDI Sandstone Gold Project Mineral Resource Statement						
Deposit	COG (g/t Au)	Tonnes	Grade (g/t Au)	Contained Gold (oz.)	JORC Classification	JORC Classification
Two Mile Hill – Open Pit	0.7	1,012,000	1.36	44,000	Indicated	2012
Two Mile Hill – Open Pit	0.7	114,000	1.10	4,000	Inferred	2012
Shillington – Open Pit	0.7	1,015,000	1.33	43,000	Indicated	2012
Shillington – Open Pit	0.7	272,000	1.17	10,000	Inferred	2012
Wirraminna – Open Pit	0.5	307,000	1.50	14,600	Indicated	2012
Wirraminna – Open Pit	0.5	243,000	1.10	8,400	Inferred	2012
Total Indicated		2,334,000	1.37	102,500	Indicated	2012
Total Inferred		629,000	1.13	22,900	Inferred	2012
Total Resource		2,963,000	1.32	125,300	Indicated & Inferred	2012
Exploration Target*		24-34Mt	1.1-1.4	0.9-1.5Moz	Exploration Target	2012

* The potential quantity and grade of the Exploration Target is conceptual in nature, as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Although declared JORC Code 2004 Mineral Resources for below 140m depth at Two Mile Hill and for the Plum Pudding and Two Mile Hill BIF deposits still remain relevant, they will not form part of the Strategic Review and have therefore been excluded from the above table.

Exploration on the Two Mile Hill tonalite deeps Exploration target since November 2017 has included additional drilling and ore-sorting testwork, and the results of this work have increased support for the Exploration Target.

Refer to Section 2.6 for Competent Persons' Statements.

v) Open Pit Deposits

MDI's Shillington, Shillington North and Two Mile Hill open pit deposits underwent pit optimisation work in 2016, as reported in the MDI ASX release of 16 December 2016, but as it was concluded that the Sandstone Gold Project was not viable at that time Ore Reserves could not be declared. Should the Offer be successful, the subsequent Strategic Review prove positive and the AME deposits provide the required critical mass to re-commission the Sandstone Gold Plant, it is expected that the Shillington, Shillington North and Two Mile Hill open pit deposits will become viable and provide the initial feed to the re-commissioned Sandstone Gold Plant.

The Wirraminna open pit deposit, held under an option agreement, has also been optimised, refer MDI ASX release of 18 January 2018, and is expected to be viable if the AME deposits prove to be economic.

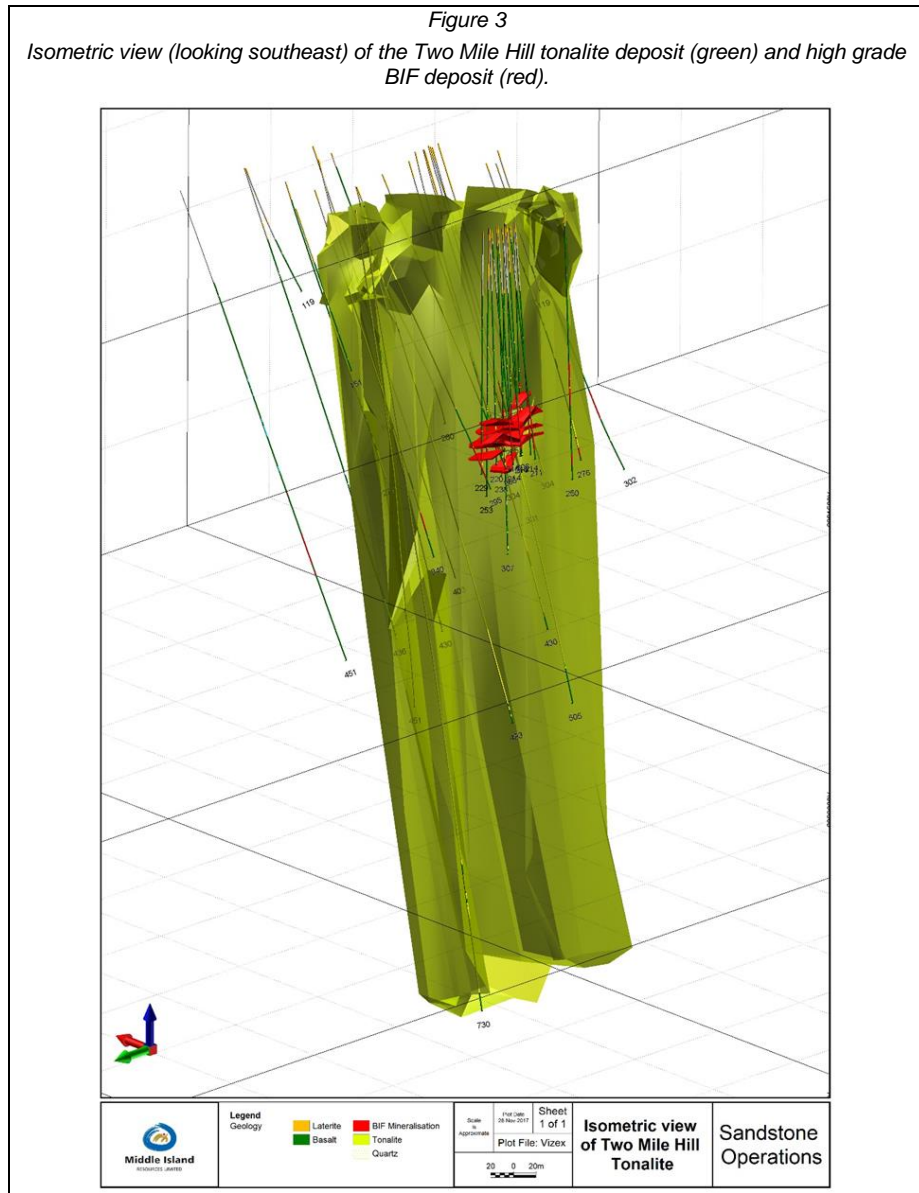
Three other small previously mined open pit deposits, namely Goat Farm, Eureka and Plum Pudding, all just to the west of the Sandstone Gold Plant on MDI's mining leases and will be re-evaluated.

vi) Two Mile Hill Underground Deposits

The Two Mile Hill tonalite deeps deposit comprises an Exploration Target of 24Mt to 34Mt at 1.1g/t to 1.4g/t Au, representing between 0.9Moz and 1.5Moz of contained gold. The estimate extends from the base of the previously estimated open pit resource at 140m vertical depth down to 700m, below which depth the mineralised tonalite plug remains open (refer ASX Release of 29 November 2017).

The potential quantity and grade of the Exploration Target is conceptual in nature, as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Two Mile Hill deposit comprises an ovoid (elongate north-south), intrusive tonalite stock or plug that measures some 250m long and up to 90m wide at surface that plunges steeply to the west. The intrusive appears to be ubiquitously mineralised to at least 700m depth and remains open below this level, as shown in Figure 3 below.



Gold mineralisation is associated with sheeted quartz veining comprising two, essentially sub-horizontal, vein sets. Free gold is frequently evident in quartz veins, often associated with galena. The host tonalite is pervasively sericite-carbonate altered, frequently accompanied by disseminated pyrite.

Initial metallurgical testwork indicates overall gold recoveries of 93% to 97%, with >58% recoverable via gravity concentration, at a relative coarse grind size of 125 microns. A moderate Bond ball mill work index of 16.4kWh/t, low reagent consumptions and the absence of deleterious elements confirms technical amenability for treatment through the Sandstone Gold Plant, located 4km to the south of Two Mile Hill via an existing haul road (refer MDI ASX release dated 6 September 2017).

In excess of 99% of the gold is hosted by the quartz veins, with composite samples of quartz vein material averaging 34.8g/t Au, while tonalite-only composites averaged 0.15g/t Au (refer MDI ASX release of 11 October 2017).

Ore sorting testwork demonstrates that the Two Mile Hill tonalite deeps deposit is potentially amenable to pre-concentration sorting, with a high selectivity of gold mineralisation using X-ray and optical sensors. Scoping level testwork indicates that sorting can deliver a 185%-257% increase in

grade with gold recoveries in excess of 93%. Up to 64% of the sorter feed material may be rejected delivering significant benefits, including reduced haulage and process operating costs, and tailings disposal and water requirements (refer MDI ASX release of 15 January 2018).

Ore sorting offers the potential to separate the strongly mineralised quartz vein material from the weakly mineralised tonalite host rock during crushing, thereby upgrading the mill feed. This in turn reduces the haulage and process operating costs (and consequently the mining cut-off grade) for a possible bulk underground (block cave or sub-level cave) mining operation. Despite the substantial scale of the Two Mile Hill tonalite deposit, ore sorting, if successful, has the potential to provide significantly higher grade mill feed at a rate potentially compatible with the Sandstone Gold Plant's capacity.

The Two Mile Hill BIF deposit represents the down dip continuation of the Shillington BIF, in which the Shillington and Shillington North open pit deposits are hosted at surface.

Mineralisation is hosted within the upper unit of the Shillington BIF at a depth of ~200m where intruded by the mineralised Two Mile Hill tonalite. The target is currently defined over a 50m plunge length along the western margin of the tonalite, as shown in Figure 3 above. However, isolated drill intercepts of similar high grade mineralisation have been encountered within the upper BIF elsewhere around the tonalite contacts, interpreted to comprise a mineralised annulus around the periphery of the tonalite plug. Isolated drill intercepts have also been encountered within the deeper, middle unit of the Shillington BIF package, while a more substantial, lower BIF unit, is only inferred from geophysical surveys and remains undrilled.

Gold mineralisation is intimately associated with massive to semi-massive sulphide (pyrite) replacement of magnetite horizons within the BIF. The gold is relatively fine grained, but free milling, occurring along pyrite grain boundaries and fractures within the pyrite grains.

The higher grades associated with BIF-hosted mineralisation represent a substantial 'sweetener' to the considerably more substantial, but lower grade, adjacent tonalite-hosted mineralisation.

vii) Processing Plant & Infrastructure

The processing plant was constructed in 1994 by Herald Resources Limited with a capacity of 250,000tpa and upgraded to 600,000tpa by Troy Resources NL in 1999 (Figure 4). Troy Resources NL operated the plant from 1999 to 2010, processing approximately 4.4Mt of ore to produce ~508,000 ounces of gold at an average grade of 3.6g/t Au. The plant was placed on care and maintenance in September 2010 and has not operated since. The fully permitted plant includes conventional grinding, milling, carbon-in-pulp leach and elution circuits (the **Sandstone Gold Plant**).

*Figure 4
View of the Sandstone processing plant from the ROM pad*



The Sandstone Gold Plant is supported by a contracted diesel-generated power station, fuel storage and dispensing, a mine laboratory, all associated workshops and offices, and a substantial inventory of equipment and spares. The current permitted in-pit tailings storage facility has approximately 6 months' capacity which, along with a permitted bore field, lies immediately proximal to the processing plant.

Camps accommodating approximately 100 persons, portions of which are in regular use, are located on freehold titles held by MDI within the village of Sandstone, 11km north of the plant. Sandstone also has a well-maintained airport capable of servicing FIFO operations.

A montage of infrastructure associated with the Sandstone Gold Plant is provided in Figure 5 below.

*Figure 5
A montage of infrastructure associated with MDI's Sandstone Gold Plant*



The plant and associated infrastructure is in a reasonable condition, with plant refurbishment and upgrade costs of \$10.3M estimated by recognised independent process engineering firm, GR Engineering Services Pty Ltd in November 2016.

As part of the review completed by MDI early in 2017, considerable investigation was undertaken on being able to treat both hard and soft rock in the future.

The treatment plant at Sandstone ran from 1994 to 2010 with several upgrades and design changes over the years. This included the addition of a ball mill in 2000 and two additional leach tanks in 2005. Previous owner/operator Troy Resources NL processed a significant quantity of both laterite and hard rock ore, usually as a blend with softer ore.

MDI has reviewed technical and operating data, conducted additional metallurgical test work and completed a pre-feasibility study on the total project, including requirements to upgrade the mill to process harder ores (comprising feed blends containing BIF and pisolitic laterite), expand the existing licenced tailings dam and an evaluation of all other existing infrastructure.

The pre-feasibility study incorporates a purpose-designed crushing circuit, comprising a jaw crusher, two cone crushers and a triple-deck screen, that will feed the two existing semi-autogenous grinding mills. The material is then reground in the larger ball mill, resulting in a mill throughput of at least 500,000tpa at the required grind size for high (>90%) gold recovery onto activated carbon in the large capacity leaching circuit.

Capital considerations led to the pre-feasibility study selection of contract crushing and two quotes were received. The specifications for the contract crusher included 600,000tpa capacity at p80 of 12mm. Historically, the circuit limitation has frequently been excessive mill scats production on harder ore. However, the proposed grinding circuit throughput will be significantly more robust with the reduced crushed feed size. Additional crushing of scats was commonly practised by Troy Resources NL and could be implemented again if required.

As part of the pre-feasibility study, seven representatives from GR Engineering Services Pty Ltd visited the site in November 2016 and completed a comprehensive structural, mechanical and electrical evaluation of the plant, providing detailed costings to effect refurbishment.

The following costs were also included for upgrade or modification during the refurbishment:

- replacement of the carbon regeneration kiln;
- installing a stairway at the northern end of the leach tanks;
- modification and major upgrade of the cyanide mixing area;
- upgrading of the diesel fuel dispensing area near the mill;
- installing covers to protect the two semi-autogenous grinding mill motors; and
- painting the plant.

There are no major flowsheet changes proposed or required for the existing plant refurbishment.

In addition to the plant and infrastructure refurbishment costs of \$10.3M, further capitalised costs will necessarily include contractor mobilisation, pre-production mining and working capital.

The MDI Sandstone Gold Project acquisition included all peripheral infrastructure (and a substantial inventory of spares) relevant to any mining and milling in the Sandstone district.

Power on site is derived from a 2.24MW diesel-generated power station owned by Pacific Energy Pty Ltd. Very little work is required to make this fully operational and Pacific Energy Pty Ltd has provided detailed, competitive costings for power provision.

Process and potable water supplies remain unchanged and MDI holds a current licence to extract up to 650 kilolitres of water per year.

An existing, licenced tailings storage facility, located adjacent to the mill, has approximately six months remaining capacity. As part of the pre-feasibility study, a cost-effective design to expand the tailings storage facility was completed by Coffey Mining. It is planned to utilise waste from a modest cutback of the immediately adjacent (and permitted) Goat Farm open pit that initial modelling suggests should be revenue neutral. Once mining has been completed, the enlarged Goat Farm pit is envisaged to provide the next tailings storage option.

If the Offer is successful and MDI obtains Control of AME, subject to the Strategic Review detailed in Section 5, MDI intends to confirm the viability of incorporating the AME deposits into the production schedule to justify recommissioning the Sandstone Gold Plant and associated infrastructure.

(b) **Reo Gold Project (Burkina Faso)**

(i) Location

The Reo Gold Project is located in Burkina Faso, West Africa, some 150km west of the capital city, Ouagadougou.

(ii) Tenure

The Reo gold project comprises six contiguous exploration permits, covering an aggregate area of 756km², as shown in Figure 6 and Table 3 below (Reo Gold Project).

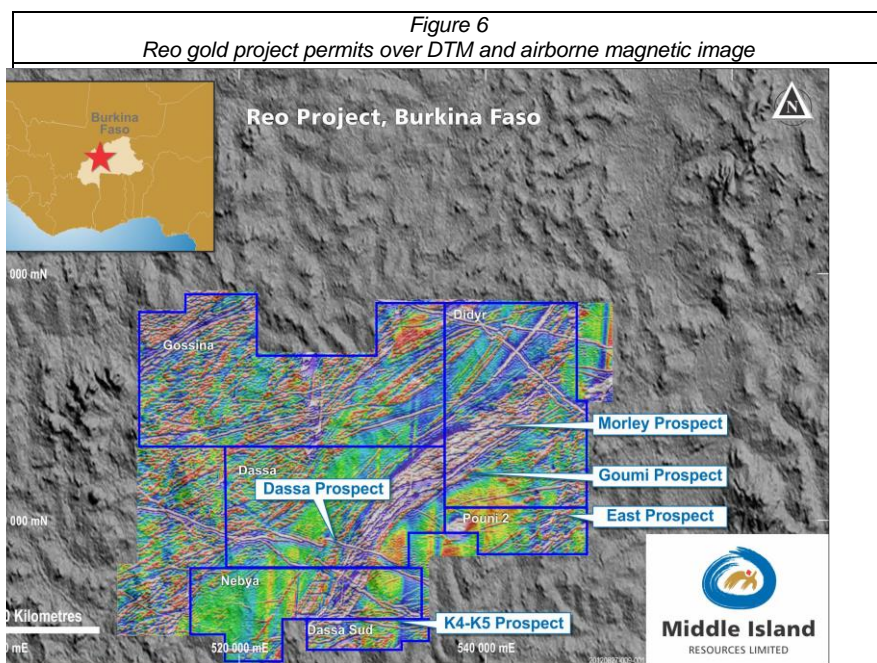


Table 3 Reo Gold Project Permits		
Tenement Number	Concession Name	Hectares
2014000154	Dassa	16,439
2014000119	Dassa Sud	2,310
2014000147	Didyr	18,590
2014000113	Gossina	24,900
2014000200	Nebya	9,600
2014000214	Pouni II	3,740

(iii) Project Status

MDI executed a heads of agreement to divest its 100% interest in the Reo Gold Project to Tajiri Resources Corp. (TSX-V: TAJ) via an Option Agreement in February 2018. Tajiri formally entered into the option in May 2018 following successful due diligence.

The terms of the Option Agreement comprise the following:-

- exclusivity fee of US\$35,000 on signing the Heads of Agreement (paid).
- option commencement fee of US\$150,000 and the issue of 5M Tajiri Resources Corp. shares (paid and issued).
- option extension fee of US\$50,000 payable on the first anniversary of the Option, to extend the Option for a further six months (due May 2019).
- option exercise fee of US\$100,000 payable within 18 months of commencement (due November 2019).
- residual 2% net smelter return royalty, which Tajiri Resources Corp. may elect to purchase for US\$5M at any time following option exercise.

If the option is not exercised by Tajiri Resources Corp., MDI will retain all consideration paid by Tajiri Resources Corp. and retain its 100% interest in the Reo Gold Project free of any claim by Tajiri Resources Corp.

2.6 Competent Persons Statement

The information in this document that relates to Two Mile Hill Mineral Resources is extracted from the Company's ASX announcement dated 14 December 2016 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement, that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed and that the form and context in which the Competent Person's findings are presented have not been materially altered.

The information in this document that relates to Two Mile Hill and Shillington Mineral Resources is extracted from the Company's ASX announcement dated 14 December 2016 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement, that all material assumptions and technical parameters underpinning

the estimates in the original announcement continue to apply and have not materially changed and that the form and context in which the Competent Person's findings are presented have not been materially altered.

The information in this document that relates to Two Mile Hill Exploration Target is extracted from the Company's ASX announcement dated 29 November 2017 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement, that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed and that the form and context in which the Competent Person's findings are presented have not been materially altered.

The information in this document that relates to Wirraminna Mineral Resources is extracted from the Company's ASX announcement dated 8 December 2017 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement, that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed and that the form and context in which the Competent Person's findings are presented have not been materially altered.

2.7 Capital Structure

The capital structure of MDI as at the date of this Bidder's Statement is as follows:

Securities	MDI Shares	MDI Options (exercise price \$0.03, expiry 8 November 2021)	MDI Options (exercise price \$0.008, expiry 31 January 2022)
Current securities on issue	1,046,852,156	30,000,000	348,950,719

Further details of the terms and conditions of the MDI Options can be found in MDI's prospectus dated 14 December 2018 (348,950,719 Options exercisable at \$0.008 on or before 31 January 2022) and Annexure A to MDI's notice of meeting dated 20 September 2018 (Options exercisable at \$0.03 on or before 8 November 2021).

MDI recognises that it has a larger number of MDI Shares on issue than AME, which will be further increased by the Offer, if successful, the post-Offer capital raising (if it proceeds, refer to "Why You Should Accept The Offer"- Reason 9) and likely by any subsequent capital raisings. MDI intends to consider a share consolidation in the Combined Entity, having regard to the best outcome for the Combined Entity and its shareholders.

2.8 MDI Financial Information

(a) Basis of Presentation of Historical Financial Information

The historical financial information below relates to MDI and its Subsidiaries on a stand-alone basis, and accordingly, does not reflect the impact of the Offer. It is a summary only and has been extracted from the audit reviewed consolidated financial statements of MDI (including the notes therein) for the half-year ended 31 December 2018 (and half-year ended 31 December 2017). Copies of the 2018 interim financial report and 2018 annual report are available at www.middleisland.com.au and the ASX website.

The historic financial information relating to MDI has been prepared in accordance with Australian Accounting Standards and its accounting policies as detailed in those annual reports.

The past performance of MDI is not a guarantee of future performance.

(b) **Consolidated Statement of Financial Position**

	Reviewed 31-Dec-18 \$	Audited 30-June-18 \$
CURRENT ASSETS		
Cash and cash equivalents	197,951	1,552,529
Trade and other receivables	74,189	42,837
Financial assets	416,080	847,522
Non-current asset held for sale	208,211	202,317
TOTAL CURRENT ASSETS	896,431	2,645,205
NON-CURRENT ASSETS		
Plant and equipment	2,071,454	2,049,348
Tenement acquisition costs	1,327,754	1,327,754
TOTAL NON-CURRENT ASSETS	3,399,208	3,377,102
TOTAL ASSETS	4,295,639	6,022,307
CURRENT LIABILITIES		
Trade and other payables	149,993	400,286
TOTAL CURRENT LIABILITIES	149,993	400,286
NON-CURRENT LIABILITIES		
Provisions	1,203,417	1,203,417
TOTAL NON-CURRENT LIABILITIES	1,203,417	1,203,417
TOTAL LIABILITIES	1,353,410	1,603,703
NET ASSETS	2,942,229	4,418,604
EQUITY		
Contributed equity	34,947,533	34,954,474
Reserves	515,917	1,148,988
Accumulated losses	(32,521,221)	(31,684,858)
TOTAL EQUITY	2,942,229	4,418,604

(c) **Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Reviewed 31-Dec-18 \$	31-Dec-17 \$
Revenue	4,251	23,108
Other income	334,004	120,035
EXPENDITURE		
Exploration expenses	(945,356)	(845,602)
Administration expenses	(253,787)	(230,249)
Salaries and employee benefits expense	(179,873)	(182,599)
Depreciation expense	(3,160)	(1,373)
Share-based payments expense	(90,000)	-
Fair value losses on financial assets	(431,442)	-
LOSS BEFORE INCOME TAX	(1,565,363)	(1,116,680)
Income tax expense / (benefit)	-	-
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MIDDLE ISLAND RESOURCES LIMITED	(1,565,363)	(1,116,680)

	Reviewed	
	31-Dec-18	31-Dec-17
	\$	\$
OTHER COMPREHENSIVE INCOME		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	5,929	20,796
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	5,929	20,796
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MIDDLE ISLAND RESOURCES LIMITED	(1,559,434)	(1,095,884)
 Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	 (0.2)	 (0.2)

2.9 Forecast Information

MDI's future financial performance is dependent on a range of factors, many of which are beyond MDI's control. Accordingly, the MDI Directors have concluded that it would be misleading to provide forecast financial information, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable Australian law, policy and market practice.

Further information on MDI's financial performance is available from its financial reports. Copies of these reports are available from MDI's website, www.middleisland.com.au.

2.10 Corporate Governance

The MDI Board seeks, where appropriate, to provide appropriate accountability levels based on the ASX Corporate Governance Council's Principles and Recommendations.

Details of MDI's corporate governance procedures, policies and practices and most recent corporate governance statement can be found on MDI's website, www.middleisland.com.au.

2.11 Recent Performance of MDI Shares

Relevant trading prices of MDI Shares on ASX are detailed in the following table:

Trading Period	A\$
Highest MDI trading price on ASX in the 4 months prior to the date this Bidder's Statement was lodged with ASIC 8 November 2018	0.011
Lowest MDI trading price on ASX in the 4 months prior to the date this Bidder's Statement was lodged with ASIC 18 February 2019	0.004
Last available closing sale price of MDI Shares (as at the Last Practicable Date) on ASX prior to the date this Bidder's Statement was lodged with ASIC	\$0.008
30-day VWAP of MDI Shares before the Announcement Date	0.009

2.12 Rights and Liabilities Attaching to MDI Shares

The following is a summary of the more significant rights and liabilities attaching to MDI Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of MDI Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to MDI Shares are detailed in MDI's constitution, a copy of which is available for inspection at MDI's registered office during normal business hours or can be obtained from MDI's website at www.middleisland.com.au.

(a) **General Meetings**

MDI Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of MDI.

MDI Shareholders may requisition meetings in accordance with section 249D of the Corporations Act.

MDI Shareholders may convene meetings in accordance with section 249F of the Corporations Act.

(b) **Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of MDI Shares, at general meetings of MDI Shareholders or classes of MDI Shareholders:

- (i) each MDI Shareholder entitled to vote may vote in person or by proxy or attorney;
- (ii) on a show of hands, every person present who is a MDI Shareholder or a representative of an MDI Shareholder has one vote; and
- (iii) on a poll, every MDI Shareholder who is present in person or by proxy, attorney or representative has one vote for every fully paid MDI Share held by him or her, and a proportionate vote for every partly paid MDI Share, registered in such MDI Shareholder's name on the Company's share register.

(c) **Dividend Rights**

Dividends are payable out of the Company's profits and are declared by the Directors. Subject to the rights of holders of shares issued with special, preferential or qualified rights (at present there are none), dividends declared will be paid according to the amounts paid on the shares for which the dividends are paid. No dividend may be declared or paid except as allowed by the Corporations Act. No interest is payable in respect of unpaid dividends.

(d) **Winding Up**

If MDI is wound up, the liquidator may, with the authority of a special resolution, divide among MDI Shareholders in kind the whole or any part of the property of MDI, and may for the purpose set such value as she or he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between MDI Shareholders or different classes of MDI Shareholders.

(e) **Shareholder Liability**

MDI Shares issued as Offer Consideration are fully paid shares and not subject to any calls for money by the MDI Directors and will therefore not become liable to forfeiture for non-payment of a call.

(f) **Transfer of Shares**

Generally, MDI Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Variation of Rights**

Pursuant to section 246B of the Corporations Act, MDI may, with the sanction of a special resolution passed at a meeting of shareholders, vary or abrogate the rights attaching to MDI Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not MDI is being wound up, may be varied or abrogated by a special resolution of MDI and either the consent in writing of the

holders of three quarters of the issued shares of that class, or a special resolution passed at a separate meeting of the holders of the shares in that class.

(h) **Changes to the Constitution**

MDI's constitution can only be amended by a special resolution passed by at least 75% of MDI Shareholders present and voting at the general meeting. In addition, at least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

2.13 Dividend History

MDI has not paid dividends.

2.14 Publicly Available Information about MDI

MDI is a disclosing entity for the purposes of section 111AC(1) of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations required MDI to:

- (a) prepare and lodge with ASX both yearly and half-yearly financial statements, accompanied by a directors' statement and report, and an audit or review report; and
- (b) immediately notify ASX of any information concerning MDI of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in MDI, subject to certain limited exceptions relating mainly to confidential information.

Copies of documents lodged at ASIC in relation to MDI may be obtained from or inspected at an office of ASIC. Copies of documents lodged with ASX in relation to MDI may be obtained from the ASX website (www.asx.com.au).

3. Profile of AME

3.1 Disclaimer

This overview of AME and all financial information concerning AME contained in this Bidder's Statement has been prepared by MDI using publicly available information.

Save as expressly otherwise stated, the information in this Bidder's Statement concerning AME has not been independently verified by MDI. MDI and the MDI Directors do not, subject to applicable law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on AME should not be considered comprehensive. Certain information and risks in relation to AME may exist in relation to which MDI is unaware. For more details regarding AME, you should refer to the Target's Statement, which AME is required by the Corporations Act to send to AME Shareholders.

Details on AME's tenements were sourced from the DMIRS, TENGRAPH and eMiT's websites. The information is made available by DMIRS in good faith and derived from sources it believes to be reliable and accurate at the time of release. However, you should not rely solely on this information when making a commercial decision.

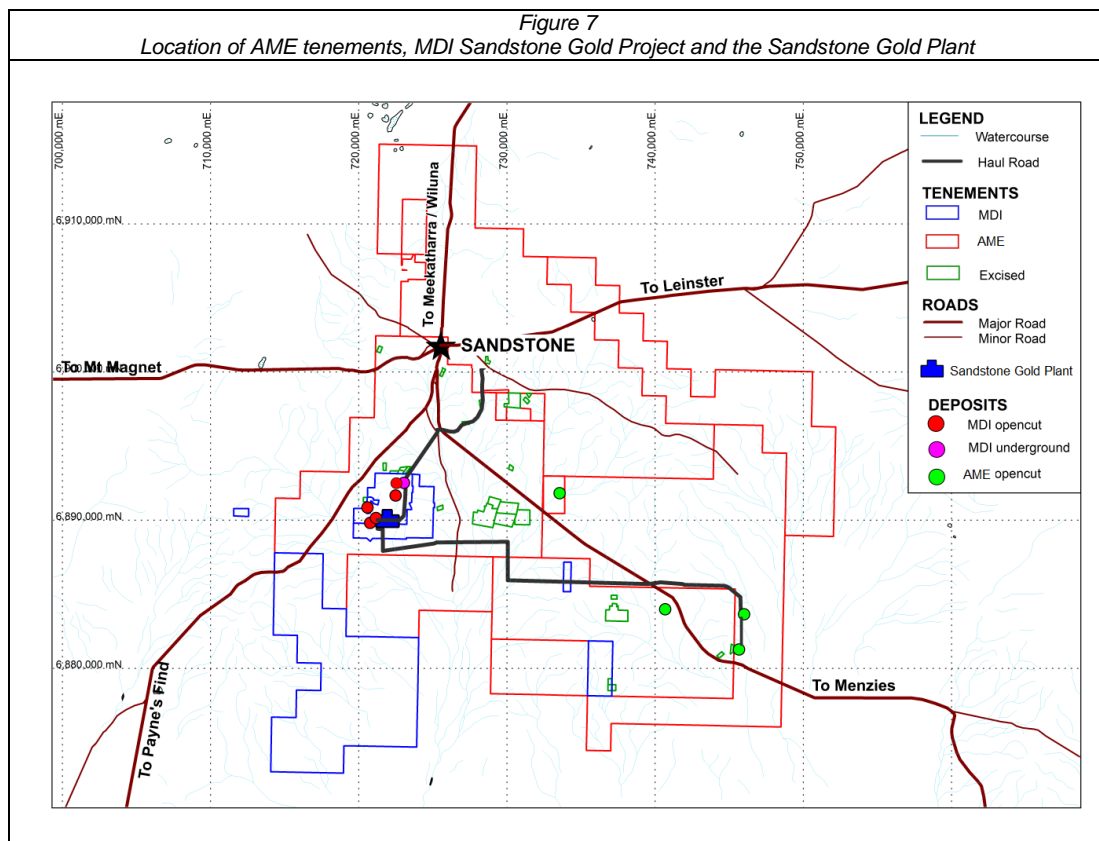
3.2 Overview of AME

AME was incorporated on 8 August 2012 and is an ASX listed public company.

AME is a gold and base metals explorer. AME acquired all of the issued capital of Sandstone Exploration Pty Ltd in June 2016, which owns exploration tenements in the Sandstone area, as detailed in Section 3.3 below.

3.3 Overview of AME's Assets

AME's assets primarily consist of approximately 800km² of contiguous exploration tenements in the Sandstone area, including six granted exploration licenses, two granted prospecting licences, one exploration licence application, two prospecting licence applications and one mining lease application. This tenure immediately surrounds or directly adjoins MDI's Sandstone Gold Project tenure, as shown in Figure 7 below.



Other minor assets include one motor vehicle, one property in the town of Sandstone and shares held in ASX listed entities valued at \$30,000 as at 31 December 2018 (refer to AME ASX release dated 15 March 2019).

As at 31 December 2018 AME's financial circumstances were dire, with a cash balance of just \$261,000, being insufficient to cover liabilities and provisions that aggregated \$456,072 as at that date. This situation implies a negative working capital position, leading to questions over solvency. The recent AME rights issue raised \$329,165 (refer AME ASX release of 18 February 2019), well below the targeted level of \$2.38M (in each instance, before costs) and AME has not placed the substantial shortfall despite declaring its intent to do so over six weeks ago. The last date for placement of AME's shortfall is 18 May 2019. AME's 31 December 2018 quarterly cash report suggested a likely cash outflow for the first quarter of 2019 of \$720,000 again raising going concern issues.

As stated in AME's December 2018 quarterly report and in earlier ASX releases, AME has estimated current JORC Code 2012 Mineral Resources at 261,000 ounces gold, as shown below in Table 4 below (refer AME ASX release dated 31 January 2019).

Table 4 AME Mineral Resource Statement					
Deposit	Classification	Reporting cut-off (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Contained Gold (oz)
Lord Henry ¹	Indicated	0.8	1,200	1.6	65,000
TOTAL INDICATED			1,200	1.6	65,000
Lord Henry ¹	Inferred	0.8	110	1.3	4,000
Lord Nelson ²	Inferred	0.8	980	2.2	68,000
Indomitable Camp ³ + Vanguard Camp	Inferred	0.5	2,580	1.49	124,000
TOTAL INFERRED			3,670	1.66	196,000
TOTAL INDICATED & INFERRED			4,870	1.67	261,000

Footnote 1 – AME ASX Release 16 May 2017. "Maiden Lord Henry JORC 2012 Mineral Resource of 69,000oz."

Footnote 2 – AME ASX Release 28 May 2017. "Lord Nelson Mineral Resource Increased to 68,000oz."

Footnote 3 – AME ASX Release 25 Sept 2018. "Maiden Gold Resource at Indomitable & Vanguard Camps, Sandstone WA"

Only 65,000oz (25%) of these resources are classified as Indicated Mineral Resources, while the balance are classified as Inferred Mineral Resources.

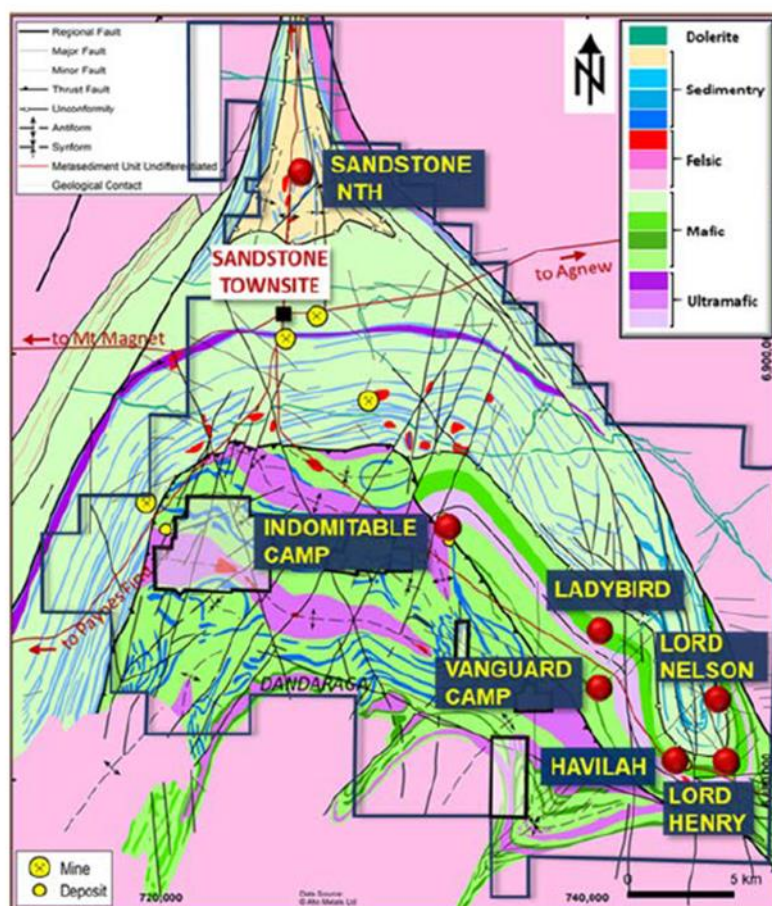
This is a similar quantum of Mineral Resources as that stated under JORC Code 2004 at the time of the acquisition of the AME Sandstone Tenements by AME (refer AME ASX release of 24 August 2016).

There are a number of gold deposits included in the AME Sandstone tenements that have been identified by previous owners and that are under further evaluation by AME, including Sandstone North, Ladybird and Havilah, as shown in Figure 13 from the AME December quarterly report, included again below as Figure 8. AME stated in the December 2018 quarterly report that Mineral Resource estimates consistent with the JORC Code 2012 are being prepared for Ladybird and Havilah, using available data.

MDI holds, and owns the proprietary rights to, the legacy Sandstone database for the entire Sandstone region including the AME Sandstone Tenements, which it acquired from Black Oak Minerals Limited (in Liquidation) (Receivers & Managers appointed) as part of the purchase of MDI's Sandstone Gold Project in 2016. MDI has reviewed some of this data as part of the due diligence process prior to acquiring the MDI Sandstone Gold Project, but also in its due diligence when seeking to acquire the AME Sandstone Tenements, prior to their acquisition by AME. As such, MDI has some knowledge of AME's Sandstone project, without the benefit of formal due diligence on the updated Mineral Resources and exploration potential.

Figure 8
AME regional geology interpretation showing deposits and advanced prospects

Figure 13. Sandstone Regional Geology Interpretation Showing Deposits and Advanced Prospects



3.4 AME's Board of Directors

At the date of this Bidder's Statement, the AME Directors are:

- (a) Mr Terry Wheeler (Non-Executive Chair);
- (b) Dr Jingbin Wang (non-resident Non-Executive Director); and
- (c) Mr Matthew Bowles (Non-Executive Director).

3.5 Information about AME Securities

At the date of this Bidder's Statement, AME's issued securities consisted of:

- (a) 213,582,055 AME Shares;
- (b) 4,571,711 AME Options; and
- (c) 29,500,000 AME Performance Rights.

Security	Terms	Vested	Rights on change of control	ASX release reference
4,571,711 unlisted AME Options	Exercise price \$0.07 expiring 17 August 2020	Yes	None known.	AME prospectus dated 24 January 2019

Security	Terms	Vested	Rights on change of control	ASX release reference
25,000,000 Vendor Performance Shares	Expire 5 years from date of completion of AME Sale and Purchase Agreement (June 2021)	No Conversion of each Performance Right is subject to the announcement of an Inferred Mineral Resource of at least 500,000 ounces of contained gold or metal equivalent. If vesting condition is not satisfied prior to expiry date, all the Vendor Performance Shares convert into 1 AME Share	None known.	Notice of Meeting dated 18 April 2016
2,250,000 Class C Performance Rights	Expire 8 June 2019	No Vest upon AME announcing to the ASX of 20,000 ounces Au sold	50% of Performance Rights vest in the event a takeover bid is announced, has become unconditional and the person making the takeover bid has a relevant interest in 50% or more of AME Shares, or a person acquires a relevant interest in 50.1% or more AME Shares The Board has the discretion to vest part or all of the remaining Performance Rights under the above circumstances	Notice of meeting dated 20 October 2016
2,250,000 Class D Performance Rights	Expire 8 December 2019	No Vest upon AME announcing to the ASX of 50,000 ounces Au sold	50% of Performance Rights vest in the event a takeover bid is announced, has become unconditional and the person making the takeover bid has a relevant interest in 50% or more of AME Shares, or a person acquires a relevant interest in 50.1% or more AME Shares The Board has the discretion to vest part or all of the remaining Performance Rights under the above circumstances	Notice of meeting dated 20 October 2016

If a holder of AME Options exercises those options and is issued AME Shares during the Offer Period, the holder can accept the Offer for the AME Shares received from the exercise of those options. The same applies for any AME Shares issued upon any valid vesting of AME Performance Rights.

3.6 MDI's Interests in AME's Securities

At the date of the Bidder's Statement, MDI has no relevant interest in any AME Shares.

3.7 Publicly Available Information

AME maintains a website, www.altometals.com.au, which contains further information about AME and its operations.

AME is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by AME may be obtained from, or inspected at, an ASIC office.

Further information about AME will be contained in its Target's Statement.

4. Combined Entity

4.1 Approach

This Section 4 provides an overview of the Combined Entity following the completion of the Offer, and the effect of the Offer on MDI and AME.

4.2 Disclaimer

In preparing the information relating to MDI and the Combined Entity contained in this Bidder's Statement, MDI has relied on publicly available information relating to AME. Risks may exist in relation to AME (which may affect the Combined Entity) of which MDI is unaware. If any material risks are known to AME, these must be disclosed by AME in the Target's Statement issued by AME.

Accordingly, subject to any applicable laws, MDI makes no representations or warranties (express or implied) as to the accuracy and completeness of the information in this Section 4. The information relating to AME contained in this Bidder's Statement is not considered comprehensive.

4.3 Effect of the Offer

If the Offer is successful, AME Shareholders will receive 5 MDI Shares for every 1 AME Share held by them, and accordingly, will become Shareholders in the Combined Entity.

After the Offer, if MDI becomes entitled to compulsorily acquire outstanding AME Shares in accordance with Part 6A.1 of the Corporations Act, it intends to proceed with the compulsory acquisition of those shares and all of AME's Shareholders (including AME Shareholders who have received MDI Shares pursuant to the Offer) will be shareholders in the Combined Entity.

Shareholders of the Combined Entity will be exposed to the risks of the Combined Entity detailed in Section 7.

The effect of the Offer on the capital structure of MDI as at the date of this Bidder's Statement is as follows:

Securities	MDI Shares	MDI Options ³
Current securities on issue ¹	1,046,852,156	378,950,719
MDI Shares issued pursuant to the Offer ²	1,067,910,275	-
MDI Shares issued pursuant to 50% AME Performance Rights vesting ⁴	11,250,000	
Total	2,126,012,431	378,950,719

Notes:

1. Assumes that MDI does not issue any other MDI Shares and no MDI Options convert into MDI Shares.
2. Assumes that MDI acquires 100% of AME's Shares and that no AME Convertible Securities convert into Shares during the Offer Period.
3. The 378,950,719 MDI Options on issue are comprised of:
(a) 30,000,000 Options exercisable at \$0.03 on or before 8 November 2021; and
(b) 348,950,719 Options exercisable at \$0.008 on or before 31 January 2022.
4. Assumes that AME does not issue any other AME Shares and no AME Options convert into AME Shares and only 50% of the Performance Rights vest. See Section 3.5 for further details.

4.4 Quotation of Offer Consideration

MDI Shares are admitted to trading on the official list of ASX. MDI will lodge an application for admission to quotation of the MDI Shares comprising the Offer Consideration to trading on ASX. Quotation will not be automatic and will depend on ASX exercising its discretion. Nothing in this Bidder's Statement is to be taken to state or imply that the MDI Shares issued as the Offer Consideration will automatically be quoted on ASX. However, quotation is expected in the ordinary course, as MDI is already admitted to the official list of ASX.

MDI, as an entity listed on ASX, is subject to the ASX Listing Rules.

4.5 Profile of the Combined Entity

If the Offer is successful, MDI will obtain effective control of AME and a majority of AME's Shareholders will become shareholders in the Combined Entity.

The Combined Entity will provide a simplified single ownership structure and operational management of assets being the Sandstone Gold Project, the AME Sandstone Tenements and the Sandstone Gold Plant. Refer to Figure 7 in Section 3.3 for the location of MDI and AME tenure and the Sandstone Gold Plant.

If MDI obtains Control of AME, MDI will continue to develop the Sandstone Gold Project, in addition to evaluating AME's complementary Sandstone Tenements.

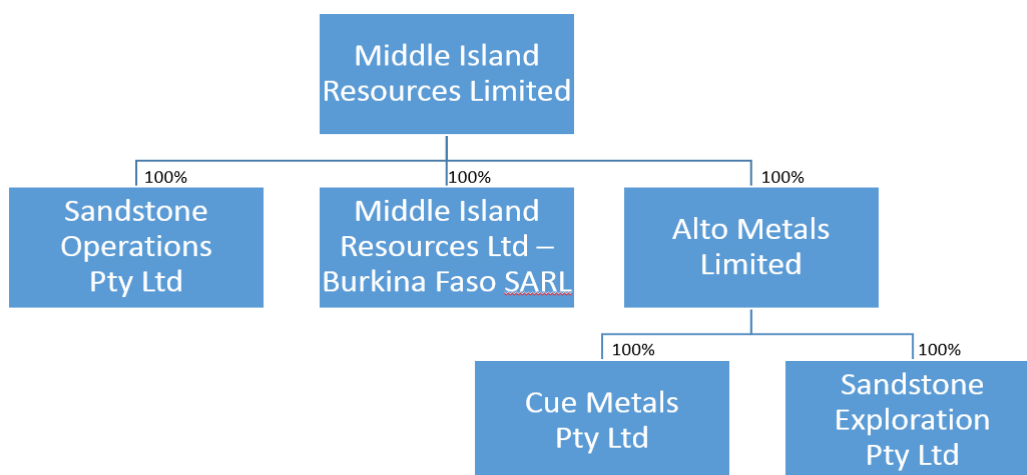
For more information on the benefits of the consolidation of ownership of MDI and AME's assets in the Combined Entity, refer to the 'Reasons Why You Should Accept the Offer' on page 3.

4.6 Combined Entity Structure – 100% Acquisition

The effect of the successful completion of the Offer on the capital structure of MDI as at the date of this Bidder's Statement is detailed in Section 4.3.

If MDI acquires all AME Shares, the corporate structure of the Combined Entity will be as shown in the diagram below.

Figure 6: The organisational structure of the Combined Entity, showing AME and its Subsidiaries that MDI will acquire if the Offer is successful.



4.7 Basis for Preparation of the Unaudited Pro Forma Consolidated Statement of Financial Position

The unaudited pro forma consolidated statement of financial position has been prepared in connection with the proposed acquisition of AME by MDI. The unaudited pro forma consolidated statement of financial position has been prepared for illustrative purposes only and gives effect to the acquisition by MDI pursuant to the assumptions detailed in Section 4.9. The unaudited pro forma consolidated statement of financial position as at 31 December 2018 gives effect to the transaction as if it had occurred as of 31 December 2018.

The unaudited pro forma consolidated statement of financial position is not necessarily indicative of the financial position that would have been achieved if the transaction had been completed on the dates or within the periods presented, nor do they purport to project the results of operations or the financial position of the consolidated entities for any future period or as of any future date. The unaudited pro forma consolidated statement of financial position does not reflect any special items such as integration costs or operating synergies that may be incurred or achieved because of the acquisition.

The unaudited pro forma adjustments and allocations of the purchase price for the proposed acquisition of AME is based on a preliminary determination that the fair value of net assets acquired will be allocated to the tenement acquisition costs asset. The final purchase price allocation will be completed after the transaction is complete.

The unaudited pro forma consolidated statement of financial position has been prepared in accordance with Australian Accounting Standards. In preparing the Combined Entity unaudited pro forma consolidated statement of financial position, the following historical information was used:

- (a) the audit reviewed interim financial report of MDI (including the notes therein) for the half-year ended 31 December 2018; and
- (b) the audit reviewed interim financial report of AME (including the notes therein) for the half-year ended 31 December 2018 as disclosed to the market on 15 March 2019.

In preparing the unaudited pro forma consolidated statement of financial position, no alignment has been made between the accounting policies of AME and MDI. The MDI Directors are not aware of any material differences that would arise on such an alignment.

In preparing pro forma financial information on the Combined Entity, financial information regarding AME was required. For the purposes of this Bidder's Statement that information has been prepared based on the audit reviewed interim financial report of AME (including the notes therein) for the half-year ended 31 December 2018 as disclosed to the market on 15 March 2019. MDI does not make any representation or warranty, express or implied, as to the accuracy or completeness of that information. AME may release updated financial information in any Target's Statement which is sent to AME Shareholders.

4.8 Pro Forma Consolidated Statement of Financial Position for the Combined Entity

	Reviewed MDI 31-Dec-18 \$	Reviewed AME 31-Dec-18 \$	Unaudited Pro Forma 31-Dec-18 \$
CURRENT ASSETS			
Cash and cash equivalents	197,951	260,565	8,516
Trade and other receivables	74,189	75,908	150,097
Financial assets	416,080	30,000	446,080
Non-current asset held for sale	208,211	-	208,211
TOTAL CURRENT ASSETS	896,431	366,473	812,904
NON-CURRENT ASSETS			
Plant and equipment	2,071,454	104,646	2,176,100
Intangible assets	-	16,789	16,789
Tenement acquisition costs	1,327,754	-	9,929,200
Exploration and evaluation	-	9,366,722	-
TOTAL NON-CURRENT ASSETS	3,399,208	9,488,157	12,122,089
TOTAL ASSETS	4,295,639	9,854,630	12,934,993
CURRENT LIABILITIES			
Trade and other payables	149,993	456,072	606,065
TOTAL CURRENT LIABILITIES	149,993	456,072	606,065

	Reviewed MDI 31-Dec-18 \$	Reviewed AME 31-Dec-18 \$	Unaudited Pro Forma 31-Dec-18 \$
NON-CURRENT LIABILITIES			
Provisions	1,203,417	-	1,203,417
TOTAL NON-CURRENT LIABILITIES	1,203,417	-	1,203,417
TOTAL LIABILITIES	1,353,410	456,072	1,809,482
NET ASSETS	2,942,229	9,398,558	11,125,511
EQUITY			
Contributed equity	34,947,533	21,609,426	43,580,815
Reserves	515,917	(22,500)	515,917
Accumulated losses	(32,521,221)	(12,188,368)	(32,971,221)
TOTAL EQUITY	2,942,229	9,398,558	11,125,511

4.9 Effect of the Transaction on the Pro Forma Consolidated Statement of Financial Position

The pro forma consolidated statement of financial position incorporates the following pro forma assumptions in relation to MDI's proposed acquisition of AME:

- (a) the acquisition of 100% of the issued capital of AME by MDI via the issue of 1,079,160,275 MDI Shares to AME Shareholders as the Offer Consideration, at a notional price of \$0.008 per MDI Share, based on the closing price of MDI Shares on ASX on 9 April 2019 resulting in:
 - (i) an additional \$8.6m of tenement acquisition costs, being the value of MDI Shares issued to AME Shareholders less the net assets (excluding exploration and evaluation assets) of AME acquired; and
 - (ii) the elimination of AME's contributed equity of \$21.6m, negative reserves of \$0.02m and accumulated losses of \$12.2m, and
- (b) payment of cash costs of the offer of \$450,000 being an expense included against accumulated losses.

4.10 Outlook for the Combined Entity

The Bidder's Statement does not include any financial forecasts or projections for revenue or profit in relation to MDI, AME or the Combined Entity.

MDI has given careful consideration as to whether there is a reasonable basis to produce reasonable and meaningful forecast financial information for the Combined Entity. However, the MDI Directors have concluded that, as at the date of this Bidder's Statement, it would be misleading to provide forecast financial information of the Combined Entity.

5. Intentions of MDI

5.1 Disclosure Regarding Forward-Looking Statements

This Bidder's Statement includes forward-looking statements that have been based on MDI's current expectations and predictions about future events, including MDI's intentions (including those detailed in this Section 5). These forward-looking statements are, however subject to inherent risks, uncertainties and assumptions that could cause actual results, performance or achievements of MDI, AME and the Combined Entity to differ materially from the expectations and predictions, expressed or implied, in such forward-looking statements. These factors include, amongst other things, those risks identified in this Bidder's Statement.

None of MDI, its officers, nor persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of any forward-looking statements. You are cautioned not to place reliance on these statements as the stated outcome may not be achieved. These statements reflect views and opinions as at the date of this Bidder's Statement.

5.2 Qualification to MDI's Intentions

This Section 5 details MDI's intentions in relation to:

- (a) the continued operation of AME;
- (b) any major changes to be made to the operations of AME, including any redeployment of AME's property; and
- (c) the future employment of the present employees of AME.

These intentions are based on the information concerning AME, its business and the general business environment that is known to MDI at the time of preparing this Bidder's Statement.

Final decisions regarding these matters will only be made by MDI based on information and circumstances at the relevant time. Accordingly, the statements in this Section 5 are statements of MDI's current intentions only, which may change as new information becomes available to MDI, as circumstances change or with the passage of time.

5.3 MDI's Intentions Generally Regarding AME

MDI has reviewed information that has been publicly released in relation to AME, its current activities and its plans for the future. MDI does not currently have knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, taxation and financial implications of its current intentions.

It is MDI's intention:

- (a) on the basis of the information concerning AME which is known to MDI and the existing circumstances affecting the business of AME as at the date of this Bidder's Statement; and
- (b) subject to:
 - (i) the Strategic Review (detailed in Section 5.4);
 - (ii) any variations that MDI considers necessary in light of its technical and operational experience and expertise and the resources of the Combined Entity; and
 - (iii) MDI's intentions detailed in Sections 5.4 to 5.7 (as applicable),

that:

- (c) the business of AME will otherwise be continued in substantially the same manner as it is presently being conducted, other than the feasibility of producing gold from the AME deposits will be investigated;
- (d) no other major changes will be made to the business of AME; and
- (e) there will not be any redeployment of the fixed assets of AME.

5.4 Strategic Review

Subject to what is disclosed elsewhere in this Section 5, MDI intends to undertake a detailed review of AME's activities, assets and liabilities to evaluate its prospects, strategic relevance, funding requirements and financial performance (**Strategic Review**). This may lead to modification of some of AME's existing projects and activities. The Strategic Review will provide the main platform for MDI to identify and assess the specific areas that may provide benefits to MDI and the expected costs and timeframes.

MDI's Strategic Review will include the following:

- review and open pit optimisation of AME's quantified deposits;
- establish ore reserves for the AME deposits and incorporate these into the feasibility study and production schedule;
- commence the permitting process for the AME deposits and infrastructure corridors;
- conduct a tender process for all operational aspects;
- secure funding for the recommissioning prior to initiating a recommissioning decision;
- integrate the AME exploration database before conducting a review and re-prioritisation of combined exploration opportunities; and
- schedule exploration programmes consistent with revised priorities and statutory expenditure commitments.

5.5 Intentions of MDI if it acquires 90% or more of AME Shares

If MDI acquires a Relevant Interest in such number of AME Shares as represents at least 90% under the Offer, MDI's intentions are as follows:

(a) Composition of AME Board

If MDI acquires a Relevant Interest in at least 90% of AME Shares and the Offer is declared unconditional, MDI will:

- (i) take all actions necessary to cause the appointment of MDI's nominees to the AME Board;
- (ii) take all actions directed at ensuring that all directors on the AME Board, other than MDI's nominees, resign and unconditionally and irrevocably release AME from any claims they may have against AME (without limitation to any accrued rights they may have under any deed of access and indemnity or policy of directors and officers insurance); and
- (iii) take all actions directed at ensuring that all directors on the boards of AME Subsidiaries resign and unconditionally and irrevocably release AME and such Subsidiaries from any claims they may have against any of them, and to cause the appointment MDI's nominees to those boards (without limitation to any accrued rights they may have under any deed of access and indemnity or policy of directors and officers insurance).

MDI will seek to appoint a management team and board that have both the relevant capabilities, experience and will to lawfully execute MDI's revised strategy for AME.

(b) Compulsory Acquisition

MDI intends to proceed, if the opportunity arises, with the compulsory acquisition/buy-out of all AME Shares not acquired under the Offer in accordance with the provisions of Chapter 6A.1 of the Corporations Act.

(c) Employees

At the date of this Bidder's Statement and to the best of the information and belief of MDI, AME has no employees. However, if any employees are identified MDI may retain or redeploy any employees identified in line with applicable employment laws.

(d) **Elimination of Duplication**

To the extent that activities and functions presently carried out by MDI and AME will be duplicated, such duplication will be eliminated where it is appropriate to do so.

(e) **Balance Sheet Date and Accounting Policy**

MDI intends to conduct a review of AME's accounting policies. It is expected that this review will result in the adoption of MDI's accounting policies.

5.6 Intentions of MDI if it acquires more than 50% but less than 90% of AME Shares

If MDI has received acceptances enabling it to acquire a Relevant Interest in such number of AME Shares as represent at least 50% of the aggregate of all AME Shares on issue at the end of the offer period, MDI would not immediately become entitled to compulsorily acquire any outstanding AME Shares under Part 6A.1 of the Corporations Act and the following will be applicable.

(a) **General**

MDI will implement the intentions detailed in Section 5.5 above to the extent that it is commercially and economically feasible, and subject to the requirements of the Corporations Act and any applicable law. These intentions specifically include those in respect of the Strategic Review, corporate matters, corporate office, elimination of duplication and general business integration.

(b) **Active Major Shareholder**

Subject to the Corporations Act and common law, MDI intends to become actively involved in determining AME's capital management policies and controlling the strategic direction of AME's business.

MDI intends (subject to the Corporations Act and AME's constitution) to procure the appointment of a majority of MDI's nominees to the AME Board so that the proportion of MDI's nominees is at least in line with MDI's voting power in AME.

Additionally, if MDI receives acceptances under the Offer that bring its shareholding to more than 75% of AME Shares, it will be in a position to cast the votes required for a "special resolution" at a meeting of AME Shareholders. This would enable it to pass resolutions, for example, to amend AME's constitution which it can be expected to do to the extent necessary to fulfil its objective as disclosed in this Bidder's Statement and otherwise as it sees fit in its best interests.

(c) **Listing on the Official List of ASX**

MDI intends to maintain AME's listing on the official list of ASX, while AME continues to meet its ASX listing requirements. Shareholders of AME are alerted that, in this circumstance, the liquidity of AME Shares may be materially decreased. Further, if MDI obtains effective control of AME and there is a limited spread or volume of AME Shareholders remaining at the end of the Offer Period, MDI may, subject to compliance with all applicable laws, seek to procure the removal of AME from the official list of ASX.

(d) **Other Intentions**

MDI reserves the right, at some later time, to acquire further AME Shares in a manner consistent with the Corporations Act and AME's constitution.

It is possible that, even if MDI is not entitled to proceed to compulsorily acquire any outstanding AME Shares under Part 6A.1 of the Corporations Act, MDI may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act, for example, as a result of acquisitions of AME Shares pursuant to the "3% creep" exception in item 9 of section 611 of the Corporations Act. If so, MDI may exercise those rights of compulsory acquisition. Under this scenario, after completion of the compulsory acquisition of the outstanding AME Shares, MDI intends (without being bound) to implement the

intentions in Section 5.5, to the extent that is economically feasible and subject to the requirements of the Corporations Act and any applicable law.

The extent to which MDI will be able to implement these intentions will be subject to:

- (i) the Corporations Act and the ASX Listing Rules, in particular in relation to related party transactions and conflicts of interests;
- (ii) the legal obligation of the directors of AME to act for proper purposes and in the best interests of AME Shareholders as a whole; and
- (iii) the level of control that MDI will eventually be able to exert over the operations and strategy of AME.

5.7 Intentions of MDI if it Acquires Less Than 50% of AME Shares

MDI does not intend to, but reserves the right to, waive the minimum acceptance Offer Condition in Section 9.10 if it has not received acceptances enabling it to acquire a Relevant Interest in such number of AME Shares as represent at least 50.1% of the aggregate of AME Shares on issue at the end of the Offer Period. In these circumstances, the Offer may not proceed (and MDI may not acquire any AME Shares). If MDI does waive the minimum acceptance Offer Condition and does not gain effective control of AME its intentions are as follows:

- (a) MDI does not expect to be in a position to give effect to the intentions set out in Sections 5.5 or 5.6 of this Bidder's Statement, and
- (b) MDI would have regard to the circumstances at the time and consider the appropriate courses of action that are in the best interests of MDI Shareholders. Such courses of action might include, but not be limited to, disposing of its shareholding in AME, acquiring further AME Shares as permitted by law, seeking representation on the AME Board through the appointment of one or more of the MDI Directors and exercising its voting rights as a major shareholder as it deems fit.

5.8 AME's Holding in MDI

At the date of this Bidder's Statement, AME holds no MDI Shares.

If the Offer is successful and MDI obtains Control of AME and AME then holds shares in MDI, MDI will investigate the most appropriate method for AME to divest those MDI Shares within 12 months, in accordance with section 259D of the Corporations Act.

5.9 Limitation on Intentions

There may be limitations to MDI's ability to give effect to its intentions as outlined in this Section 5 due to the legal obligations of the AME Directors to have regard to the best interests of AME and AME Shareholders, including the rights of minority shareholders and the requirements of the Corporations Act. MDI may require legal and financial advice before deciding what action to take in connection with the intentions detailed in this Section 5, including in relation to any requirements for AME Shareholder approval.

6. Australian Tax Considerations

6.1 Introduction

The following is a general description of the Australian income and capital gains tax (**CGT**) consequences that may arise for certain AME Shareholders on disposing of their AME Shares (through acceptance of the Offer) in return for MDI Shares. The Australian taxation consequences for AME Shareholders will depend on their individual circumstances. AME Shareholders should make their own enquiries and seek independent professional advice on their circumstances.

The information below is relevant only to those AME Shareholders who hold their AME Shares on capital account for the purpose of investment and who do not (or would not) hold those securities on revenue account. These comments relate to AME Shares only and not to options or other rights held over AME Shares.

Certain AME Shareholders (such as those engaged in a business of trading or investment, those who acquired their AME Shares for the purpose of resale at a profit or those which are banks, insurance companies, tax exempt organisations or superannuation funds) will or may be subject to special or different tax consequences particular to their circumstances. AME Shareholders should obtain their own Australian tax advice specific to their own relevant circumstances.

AME Shareholders who are not resident in Australia for tax purposes should also take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of the disposal of AME Shares under the Offer.

6.2 Australian Resident AME Shareholders

Acceptance of the Offer will involve the disposal by you of your AME Shares for Australian CGT purposes.

The disposal of AME Shares that are held on capital account will generally have CGT implications. Such disposal will constitute a CGT event for CGT purposes.

The date of disposal for CGT purposes will be the date the contract to dispose of the AME Shares is entered into.

If an AME Shareholder does not dispose of their AME Shares under the Offer and their AME Shares are compulsorily acquired in accordance with Part 6A.1 of the Corporations Act, those AME Shareholders will also be treated as having disposed of their AME Shares for CGT purposes. The date of disposal for CGT purposes will be the date when MDI becomes the owner of the AME Shares.

Australian resident AME Shareholders may make a capital gain or capital loss on the disposal of their AME Shares under the Offer.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. If so, that net capital gain is included in assessable income and is subject to income tax. However, a "CGT discount" may be available to reduce the net capital gain for certain AME Shareholders (see further below).

Capital losses may not be deducted against other income for income tax purposes, but may be offset against capital gains realised in the same income year or be carried forward to be offset against future capital gains.

In general, a capital gain arising on the disposal of an AME Share under the Offer will be calculated on the basis of the difference between the capital proceeds of the disposal (i.e. the Offer Consideration received from MDI) and the cost base of the AME Share. A capital loss will be calculated based on the difference between the capital proceeds and the reduced cost base of the AME Share.

The cost base of AME Shares is generally their cost of acquisition. Certain other incidental costs associated with acquisition and disposal, such as brokerage or stamp duty (that are not deductible to the AME Shareholder), may be added to the cost base. The cost base or reduced cost base may have been reduced by any "tax deferred" or other non-assessable distributions that you have received in respect of the AME Shares.

An AME Shareholder who is an individual, complying superannuation entity or trustee of a trust, may claim a "CGT discount" if they acquired (or are deemed to have acquired) their AME Shares 12 months or more before the time of disposal. This means that:

- (a) in the case of an individual (and, generally speaking, a trustee of a trust), only one-half of their net capital gain on those securities (after deducting available capital losses) would be taxable; and
- (b) in the case of a complying superannuation entity, only two-thirds of their net capital gain on those securities (after deducting available capital losses) would be taxable.

However, the methodology for trustees is complex, and such AME Shareholders should obtain specific advice in this regard, including in relation to the tax consequences of distributions attributable to discounted capital gains.

AME Shareholders should note that any available capital losses must be deducted from the gross capital gain before the "CGT discount" is applied.

The "CGT discount" is not available to companies, nor does it apply to AME Shares owned (or deemed to be owned) for less than the relevant 12 month period.

6.3 Non-Australian Resident AME Shareholders

The application of the Australian CGT rules to non-residents is a highly complex area of the law and therefore MDI recommends that non-Australian resident holders of AME Shares seek their own advice on the Australian CGT implications of a disposal of the AME Shares.

An AME Shareholder who is not a resident of Australia for taxation purposes will not make a taxable capital gain on the disposal of AME Shares under the Offer unless their AME Shares are taxable Australian property.

Broadly, AME Shares held by a foreign resident should generally not be taxable Australian property unless:

- (a) both of the following requirements are satisfied:
 - (i) the foreign resident (together with its associates) holds 10% or more of the issued AME Shares or the foreign resident (together with associates) held a 10% or more interest in the issued AME Shares for a continuous 12 month period during the two years prior to the disposal of the AME Shares under the Offer; and
 - (ii) the total market value of AME's direct and indirect interests in Australian real property assets (including any mining, quarrying or prospecting rights for minerals, petroleum or quarry minerals which are situated in Australia) is more than 50% of the total market value of AME's assets;
- (b) the AME Shares were used at any time by the foreign resident in carrying on a business through a permanent establishment in Australia; or
- (c) the foreign resident was previously a resident of Australia and chose to disregard a capital gain or loss on the AME Shares on ceasing to be a resident.

An AME Shareholder that, together with its associates, owns, or has for any continuous 12 month period within two years owned, 10% or more of the issued AME Shares should obtain specific advice as to the tax implications of disposal, including the capital gains withholding tax implications and whether any protection from Australian taxation will be available under a relevant double tax treaty.

A foreign resident AME Shareholder who was previously a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident will be subject to Australian CGT consequences on disposal of the AME Shares as detailed in Section 6.2.

6.4 Acceptance of the Takeover Offer where Rollover Relief is Available and is Elected

Australian-resident AME Shareholders may be entitled to 'scrip for scrip' CGT rollover relief in respect of the consideration referable to MDI Shares where the exchange of the shares would otherwise realise an assessable capital gain. Broadly speaking, rollover relief is available to AME Shareholders who exchange shares in one company for shares in another

company where the transaction is made pursuant to a takeover bid and provided certain qualifying conditions are satisfied.

In broad terms, these qualifying conditions include the requirement that MDI must make an offer to all shareholders in AME to acquire their voting shares on substantially the same terms and MDI must become the owner of at least 80% of the voting shares in AME because of the Takeover Offer.

If the qualifying conditions are satisfied and an AME Shareholder elects for rollover relief to apply, the rollover relief is available.

The effect of the rollover relief is that the AME Shareholder's total capital gain will be deferred until a disposal of the MDI Shares occurs.

The CGT cost base of the new MDI Shares acquired in the exchange is determined by reasonably attributing to it the CGT cost base of the AME Shares for which a rollover was obtained. For example, the CGT cost base for one AME Share will be apportioned to the one MDI Share received. Further, the AME Shareholders will be taken to acquire their MDI Shares at the time they originally acquired their AME Shares (for determining any entitlement to a discount on an otherwise assessable capital gain in relation to a subsequent dealing in their new MDI Shares).

Rollover relief will only be available if the qualifying conditions are satisfied and AME Shareholders elect to apply for it. Further, rollover relief is not available if AME Shareholders realise a capital loss on the disposal of their AME Shares.

Scrip for scrip rollover relief does not apply automatically and must be elected. The election to utilise scrip for scrip rollover relief is evidenced by the manner in which the tax return for the relevant income year is prepared although it may be prudent to keep a written record of that election with your tax records.

Given the complexity of the provisions governing rollover relief and the various qualifying conditions that need to be satisfied, AME Shareholders should seek independent taxation advice regarding their particular circumstances.

6.5 Acceptance of the Takeover Offer Where Rollover Relief is Not Available or is Not Elected

If AME Shareholders do not elect to obtain rollover relief (or if it is not available), they will need to calculate whether they make a capital gain or capital loss on the disposal of their shares in AME. This will involve a calculation of their cost base and capital proceeds for their shares in AME.

Where the amount of capital proceeds received by an AME Shareholder in respect of the disposal of their AME Shares is greater than the cost base of those AME Shares, then the shareholder should realise a capital gain for Australian CGT purposes.

Where the amount of capital proceeds received by an AME Shareholder in respect of the disposal of their AME Shares is less than the reduced cost base of those AME Shares, then the AME Shareholder should realise a capital loss for Australian CGT purposes.

Where it is expected that a capital gain will result, if an AME Shareholder does not elect for rollover relief, or that relief is not available, then individuals, complying superannuation funds and trusts, may be eligible for the CGT discount. Companies that hold shares in AME are not eligible for the CGT discount.

Specifically, where AME Shares have been held for at least 12 months (not including the day of acquisition and the day of disposal) before their disposal, an AME Shareholder who is an individual, a complying superannuation entity or the trustee of a trust should be able to reduce the capital gain arising from the disposal of AME Shares by the CGT discount (see below).

Subject to the AME Shareholder having any available capital losses from previous income years or net capital losses in the tax year in which they dispose of their AME Shares, where the CGT discount is available, eligible AME Shareholders which are individuals or trustees of trusts (excluding complying superannuation entities) will reduce the capital gain arising on the disposal of AME Shares by one-half. For individuals, this reduced gain should be assessed at the AME Shareholder's marginal tax rate. Trustees should seek specific advice

regarding the tax consequences of distributions attributable to discounted capital gains and whether the beneficiaries of such trust distributions may be eligible to receive a CGT discount on any net capital gain distributed.

Subject to the AME Shareholder having any available capital losses from previous income years or net capital losses in the tax year in which they dispose of their AME Shares, where AME Shares are held by a complying superannuation entity and the CGT discount is available, the discount will reduce the nominal capital gain on the disposal of the shares by one-third.

The CGT discount is generally applied after taking into account any available capital losses or revenue losses from previous income years or net capital losses or revenue losses in the tax year in which they dispose of their AME Shares. AME Shareholders having any capital losses or revenue losses from previous income years or net capital losses or revenue losses in the tax year in which they dispose of their AME Shares should seek independent advice in relation to the potential availability of the CGT discount.

6.6 AME Shareholders who are Companies will not be Entitled to the CGT Discount

Companies are not entitled to the CGT discount. The capital gain or capital loss will be calculated with reference to the capital proceeds less the cost base or reduced cost base of the shares. Where a company realises a capital gain, it may be eligible to reduce that gain with capital losses from previous income years, net capital losses in the tax year in which they dispose of their AME Shares or revenue losses (subject to satisfying certain tax loss integrity measures). We recommend that companies seek advice from their professional tax advisor in relation to the availability and deductibility of any tax losses.

6.7 Stamp Duty and GST

No stamp duty or GST is payable by you on the sale of your AME Shares to MDI pursuant to the Offer.

7. Risks

If the Offer becomes unconditional, AME Shareholders who accept the Offer will become MDI Shareholders. In those circumstances, AME Shareholders will:

- (a) continue to be exposed to the risks associated with an investment in AME, as a result of their indirect interest in AME through MDI;
- (b) be exposed to the risks which are specific to an investment in MDI; and
- (c) be exposed to additional risks relating to the Offer and the Combined Entity.

These risks are explained below. AME Shareholders should read this Bidder's Statement carefully and consult their professional advisers before deciding whether to accept the Offer. By accepting the Offer, AME Shareholders will be investing in MDI.

The business activities of MDI and the Combined Entity are subject to various risks that may affect the performance of MDI and the Combined Entity. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of MDI and the Combined Entity, and cannot be mitigated.

Accordingly, an investment in the Combined Entity carries no guarantee with respect to the payment of dividends, return of capital or price at which shares will trade and should be considered speculative. The principal risk factors include, but are not limited to the following.

7.2 Risks Relating to the Offer

(a) **Issue of MDI Shares as the Offer Consideration**

MDI is offering AME Shareholders a specific number of MDI Shares as the Offer Consideration. As a result, the value of the Offer Consideration will fluctuate depending on the market value of MDI Shares at any given time.

(b) **Rollover relief**

It is an Offer Condition that the level of acceptances must result in MDI obtaining a Relevant Interest in at least 50.1% of all AME Shares. However, MDI reserves the right to waive the 50.1% minimum acceptance Offer Condition.

If MDI does not acquire a relevant interest in at least 80% of MDI Shares, scrip-for-scrip CGT rollover relief will not be available to AME Shareholders.

Refer to Section 6 above for further details.

(c) **Acquisition of more than 50.1% but less than 90% of AME Shares**

If MDI acquires at least 50.1% of the AME shares, it is possible that MDI could acquire a Relevant Interest in less than 90% of AME Shares under the Offer. The existence of minority interests in AME may have an adverse effect on the operations of the Combined Entity, although this effect will depend on the ultimate level of AME ownership acquired by MDI and other factors such as the response by the incumbent AME Board and AME's significant shareholders.

(d) **Limited withdrawal rights**

AME Shareholders may only withdraw their acceptances of the Offer in limited circumstances, as detailed in Section 9.6. Otherwise, AME Shareholders will be unable to withdraw their acceptances, even if the value of the MDI Shares to be issued to AME Shareholders varies from the date of their acceptances.

(e) **Duty and government charges**

Duty and other government charges may be payable by MDI in relation to the Offer. The amount of these duties and charges may be material.

7.3 Risks Relating to the Combined Entity

(a) **Synergies**

There is a risk that the synergies expected to arise from the combination of MDI and AME fail to materialise or take longer than expected to materialise. This may affect the earnings performance of the Combined Entity.

(b) **Re-rating**

Post-merger MDI may not achieve an improved re-rating of its share price or an improved credit profile. Due to the occurrence of adverse changes in the business or unforeseen circumstances, MDI Shares may decline in value.

(c) **Timing delays**

There is a risk that the Combined Entity will not achieve its financial and strategic goals due to unforeseen delays or difficulties occurring during the integration of the two businesses.

(d) **Increased costs**

MDI may incur greater than anticipated implementation costs during the integration of the businesses of MDI and AME.

(e) **Insurance**

The Combined Entity will have various insurances covering its business. However, certain risks are not covered by insurance due to limitations or exclusions in insurance policies or because the Combined Entity will have decided not to insure against certain risks because of high premiums or for other reasons. Insurance against all risks associated with mineral exploration and production is not always available or affordable. Although MDI maintains prudent insurance to protect against certain risks in amounts it considers reasonable, MDI's insurance may not adequately cover all potential risks. Such events, to the extent not covered by insurance, could have a significant effect on the profitability of the Combined Entity.

(f) **Financing**

The net funds of the Combined Entity may not be sufficient for expenditure that may be required to integrate the operations of MDI and AME or to expand its operations or projects or for other capital expenditure, further exploration or feasibility studies or otherwise in the Combined Entity's operations.

The Combined Entity may need to raise additional debt or equity funds in the future including at least \$10.3m for the re-commissioning of the Sandstone Gold Plant. Although the MDI Directors believe that additional capital will be obtained, there is no assurance that the Combined Entity will be able to obtain additional debt or equity funding when required in the future, or that the terms associated with such funding will be acceptable to the Combined Entity, particularly having regard to the current uncertain economic environment and the effect that metal prices may have on future production and earnings performance. This may have an adverse effect on the Combined Entity's financial results.

(g) **Cash position**

While the Combined Entity is expected to have greater future revenue than MDI or AME as standalone entities in their respective forms, it will also have higher overall expenditure levels due to its increased scale, operations and development and exploration projects. There is no guarantee that the Combined Entity will be able to maintain a sufficient cash balance following the acquisition by MDI of all AME Shares.

(h) **Market for shares in the Combined Entity**

There can be no guarantee that a liquid market in MDI Shares will exist after the Offer. There may be relatively few, or many, potential buyers or sellers of MDI Shares on ASX at any given time. This may affect the prevailing market price at which MDI Shareholders are able to sell their shares. This may result in AME Shareholders receiving a market price for their MDI Shares that is less or more than the current market price at which shares trade on ASX.

7.4 Operational Risks

(a) **Title**

MDI's mining and exploration activities are dependent upon the maintenance (including renewal) of the mineral tenements in which MDI has or acquires an

interest. Maintenance of MDI's tenements is dependent on, among other things, MDI's ability to meet the licence conditions imposed by the relevant authorities including compliance with MDI's work program requirements that, in turn, are dependent on MDI being sufficiently funded to meet those expenditure requirements.

(b) **Exploration**

The success of MDI exploration depends on the delineation of economically minable reserves and resources, access to required capital, movement in the price of commodities, securing and maintaining title to MDI's exploration and mining concessions, and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on MDI's existing exploration and mining tenements may be unsuccessful, resulting in a reduction of the value of those concessions, diminution in the cash reserves of MDI and possible relinquishment of the exploration and mining concessions.

(c) **Resource estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. These estimates were appropriate when made, but may change significantly when new information becomes available.

There are risks associated with such estimates. Resource estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resource estimates could affect MDI's plans and ultimately its financial performance and value.

(d) **Ability to exploit successful discoveries**

It may not always be possible for MDI to exploit successful discoveries that may be made in areas in which MDI has an interest. Such exploitation would involve obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require participation of other companies whose interests and objectives may not be the same as MDI's.

(e) **Mining and development**

Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management, and proficient financial management.

Mining and development operations can be hampered by a plethora of factors including force majeure circumstances, environmental considerations and cost overruns for unforeseen events.

(f) **Environmental**

The operations and activities of MDI in Western Australia are subject to environmental laws and regulations. Like most exploration projects and mining operations, MDI's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. MDI attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws.

In the event that environmental licences applied for are not granted, MDI may not be able to continue activities that require environmental licenses.

(g) **Uncertainty and future profitability**

It is not possible to evaluate MDI's prospects based on past performance. The past performance should not affect the opportunities of MDI. While the MDI Directors have confidence in the revenue-earning potential of MDI, there can be no

certainty that MDI will achieve or sustain profitability or achieve or sustain positive cash flow from operating activities.

(h) **Contracts**

MDI may enter into agreements and undertakings with third parties from time to time. If MDI is unable to satisfy the conditions of these agreements and undertakings, or if it defaults on its obligations under these agreements and undertakings, MDI's interest in their subject matter may be jeopardised. Further, if the third parties default on their obligations under the agreements and undertakings, MDI may be adversely affected.

(i) **Acquisitions**

MDI will review and consider other business opportunities. Consequently, this strategy may result in MDI making acquisitions of, or significant investments in, complementary or alternative companies or assets. Any such transactions would be accompanied by the risks inherent in making acquisitions of companies and assets. For example, there may be liabilities in connection with such acquisitions that are not identified in MDI's due diligence or the acquisitions may not prove to be successful. Further, risks associated with such acquisitions will also arise from MDI's ability to execute the acquisition and then to correctly manage the business operations and growth strategies moving forward. In addition, any acquisition may be subject to all or any shareholder and regulatory approvals, which may include re-compliance with chapters 1 & 2 of the ASX Listing Rules.

(j) **Dependence on personnel**

The success of MDI will to an extent depend on the MDI Directors' and key management personnel's ability to successfully manage MDI's performance and exploit new opportunities. The loss of service of these personnel could have an adverse effect on the proposed operations of MDI.

Recruiting and retaining qualified personnel are important to MDI's success. The number of persons skilled in the exploration, development and operation of mining properties is limited and competition for such persons is strong.

(k) **Operational and technical factors**

A range of operational and technical factors, including mechanical failure of operating plant/mines and equipment, adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events, may affect the future operations of MDI.

(l) **Going concern**

The ability of the MDI Group to continue as a going concern is dependent on ongoing management of the MDI Group's level of development and exploration expenditure as well as corporate costs in line with funds available to the MDI Group, and the ability of MDI and Group to secure additional debt/equity funding if required.

(m) **Gold price and exchange rate fluctuations**

The revenue derived through the sale of gold exposes the potential income of MDI to gold price and exchange rate risks. Gold prices fluctuate and are affected by numerous factors beyond the control of MDI. These factors include world demand for gold, forward selling by producers and the level of production costs in major gold-producing regions. Moreover, gold prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, gold.

Furthermore, the international price of gold is denominated in United States dollars, whereas the income and expenditure of MDI are and will be taken into account in Australian dollars exposing MDI to the fluctuations and volatility of the rates of exchange between the United States dollar and the Australian dollar as determined in international markets.

(n) **Competition**

MDI competes with other companies, including major mining companies in Australia and internationally. Some of these companies have greater financial and other resources than MDI and, as a result, may be in a better position to compete for business opportunities. There can be no assurance that MDI can compete effectively with these companies.

(o) **Other mining industry risks**

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, uninsurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of MDI.

7.5 General Risks

(a) **Stock market conditions**

Like all stock market investments, there are risks associated with an investment in MDI. MDI Share prices may rise or fall and the price of MDI Shares might trade below the price paid for those MDI Shares.

General factors that may affect the market price of MDI Shares include economic conditions in both Australia and internationally, investor sentiment and local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

(b) **Securities investments**

AME Shareholders should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular, securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of MDI's performance.

(c) **Changes in legislation and government regulation**

Government legislation in Australia and Burkina Faso, or any other relevant jurisdiction in which MDI may operate in the future, such as changes to the taxation system, foreign investment regulations and the mining regulatory system, may affect future earnings and relative attractiveness of investing in MDI. Changes in government policy or statutory changes may affect MDI and the attractiveness of an investment in it.

8. Additional Information

8.1 Acquisition of AME Shares by MDI and its Associates

MDI and its Associates have not given, offered to give or agreed to give, a benefit to another person that is likely to induce the other person, or an Associate of that person, to accept the Offer which is not offered to all AME Shareholders under the Offer during the period beginning four months before the date of this Bidder's Statement and ending thereon, or during the period between the date of this Bidder's Statement and the date of the Offer.

MDI and its Associates did not acquire any AME securities during the period beginning four months before the date of this Offer.

8.2 No Escalation Agreements

Neither MDI nor any Associate of MDI has entered into any escalation agreement (prohibited by section 622 of the Corporations Act).

8.3 Collateral Benefits

(a) Previous Four Months

Neither MDI nor any Associate of MDI is a party to any valid and subsisting agreement or arrangement (entered into during the period beginning four months before the date of this Bidder's Statement and ending on the day immediately before the date of this Bidder's Statement) whereby either of them offers, gives, or agrees to give a benefit to another person that was likely to induce the other person, or an Associate of that person, to:

- (i) accept the Offer; or
- (ii) dispose of their AME Shares,

and which is not offered to all holders of AME Shares under the Offer.

(b) Period Before Offer

During the period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Offer, neither MDI nor any Associate of MDI will give, offer to give or agree to give, a benefit to another person that is likely to induce the other person, or an Associate of that person, to:

- (i) accept the Offer; or
- (ii) dispose of their AME Shares,

and which is not disclosed in this Bidder's Statement.

8.4 Disclosure of information

As MDI is offering MDI Shares as consideration for the acquisition of AME Shares under the Offer, the Corporations Act requires that this Bidder's Statement must include all information that would be required for a prospectus for an offer of MDI Shares under Sections 710 to 713 of the Corporations Act.

As its shares are quoted on the ASX, MDI is subject to regular disclosure requirements. In particular, MDI is required to disclose information concerning its finances, activities and performance. This disclosure is available on MDI's website as well as on the ASX website (ASX Code: MDI).

Please refer to Section 2.14 for further details in relation to MDI's continuous disclosure obligations and the availability of public information in respect of MDI.

8.5 Disclosure of Interests of MDI Directors

(a) Conflicted directors

No MDI Directors have a conflict of interest. All recommend acceptance of the Offer by AME Shareholders.

(b) **Interests in MDI securities**

The MDI Directors have the following interests in MDI securities (either held directly or by their related parties and associates) as at the date of this Bidder's Statement:

The MDI Directors have a Relevant Interest in the following MDI securities as at the date of this Bidder's Statement:

MDI Director	MDI Shares Held	MDI Unlisted Options (Exercise Price \$0.03, expiring 8/11/2021)	MDI Unlisted Options (Exercise Price \$0.008, expiring 31/1/2022)
Rick Yeates	73,446,231 ⁽¹⁾	10,000,000 ⁽⁴⁾	24,482,069 ^(7 & 8)
Peter Thomas	19,785,000 ⁽²⁾	10,000,000 ⁽⁵⁾	6,595,000 ^(9 & 10)
Beau Nicholls	21,075,000 ⁽³⁾	10,000,000 ⁽⁶⁾	7,025,000 ⁽¹¹⁾
Total	114,306,231	30,000,000	38,102,069

Notes:

- (1). 24 held directly by Mr Yeates and 14,000,001 held indirectly through Diamantina Resources Pty Ltd <Yeates Family A/C> and 59,446,206 held indirectly through Quenda Investments Pty Ltd <Quenda Super Fund A/C>.
- (2). 1,200,000 held directly by Mr Thomas and 18,585,000 held indirectly through Northern Griffin Pty Ltd.
- (3). 21,075,000 held directly by Mr Nicholls,
- (4). Held indirectly through Quenda Investments Pty Ltd <Quenda Super Fund A/C>.
- (5). Held indirectly through Northern Griffin Pty Ltd.
- (6). Held directly by Mr Nicholls.
- (7). 4,666,667 held indirectly through Diamantina Resources Pty Ltd <Yeates Family A/C>
- (8). 19,815,402 held indirectly through Quenda Investments Pty Ltd <Quenda Super Fund A/C>.
- (9). 400,000 held directly by Mr Thomas
- (10). 6,195,000 held indirectly through Northern Griffin Pty Ltd.
- (11). Held directly by Mr Nicholls.

8.6 Fees and benefits of Directors

The Constitution of MDI provides that the Directors may be paid for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by MDI in general meeting.

The annual remuneration of the Directors for the last two financial years and the last financial half year is as follows:

Director		Salary fees \$ and superannuation	Share-based \$ payments	Total \$
Mr Rick Yeates	2016/2017	197,100	243,000	440,100
	2017/2018	197,100	-	197,100
	2018/2019 (first half)	114,975	30,000	144,975
Mr Peter Thomas	2016/2017	40,000	243,000	283,000
	2017/2018	40,000	-	40,000
	2018/2019 (first half)	20,000	30,000	50,000
Mr Beau Nicholls	2016/2017	30,000	243,000	273,000
	2017/2018	30,000	-	30,000
	2018/2019 (first half)	15,000	30,000	45,000

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of MDI and other miscellaneous expenses.

The remuneration of Directors is reviewed annually by MDI.

8.7 Deeds of indemnity, insurance and access

MDI has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, MDI agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of MDI. MDI is also required to maintain insurance policies for the benefit of the relevant officer and must allow the officers to inspect board papers in certain circumstances.

8.8 Expenses of the Offer

The total amount of cash that MDI may become obliged to pay to satisfy all expenses incurred by MDI and relating to the Offer will be provided from MDI's existing cash balances.

MDI estimates it will incur the following fees for services provided in connection with the Offer:

	\$
ASX quotation fee and ASIC fee	27,000
Legal expenses	100,000
Printing, mailing, share registry and other expenses	125,000
Corporate advisory fees	200,000
Total	450,000

Price Sierakowski has received or will receive legal fees of approximately \$100,000 (excluding disbursements and GST), DWCorporate Pty Ltd has received or will receive fees of approximately \$75,000 and Bell Potter Securities Limited will receive corporate advisory fees of the higher of 1% of the enterprise value of the Combined Entity or \$200,000 in relation to the Offer.

8.9 Litigation

MDI is not a party to any litigation and is not aware of any threatened or pending litigation involving MDI.

8.10 Interests in AME securities

The MDI Directors do not hold any interests in AME securities (either held directly, or by their related parties and associates) as at the date of this Bidder's Statement.

8.11 Consents

(a) Statements in this Bidder's Statement

Each of the parties referred to in this Section 8.11:

- (i) make no representation regarding, and to the maximum extent permitted by law, expressly excludes any liability or responsibility for, any statements in or omissions from any part of the Bidder's Statement other than a reference to its name and a statement included in this Bidder's Statement with the consent of that party as specified in this Section 8.11; and
- (ii) have not authorised or caused the issue of this Bidder's Statement or the making of the Offer.

The following parties have given their written consent to be named in this Bidder's Statement in the form and context in which they are named and have not withdrawn such consent prior to the lodgement of this Bidder's Statement with ASIC:

- (i) The MDI Directors, in relation to their support of the Offer.
- (ii) Price Sierakowski Corporate, as the legal adviser to MDI in relation to the Offer.

- (iii) Bell Potter Securities Limited, as Corporate Adviser to MDI in relation to the Offer.
- (iv) Greenwich & Co Audit Pty Ltd, as auditors of the Company.
- (v) Security Transfer Australia Pty Ltd, as share registry to the Offer.

(b) **Consents not Required Under ASIC Class Orders**

This Bidder's Statement includes statements that are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement.

ASIC Class Order 13/521 requires this Bidder's Statement to state that MDI will provide, within two Business Days of a request made during the Offer Period, a copy of the document containing the statements (or the relevant parts of the document) to any AME Shareholders free of charge.

If you would like to receive a copy of any of those documents, or the relevant parts of the documents, please contact MDI's Company Secretary on +61 8 9389 2111.

ASIC Corporations (Consents to Statements) Instrument 2016/72 (**Corporations Instrument 2016/72**) permits this Bidder's Statement to include or be accompanied by certain statements which:

- (i) fairly represent what purports to be a statement by an official person; or
- (ii) are a correct and fair copy of, or extract from, what purports to be a public official document; or
- (iii) are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

In addition, as permitted by Corporations Instrument 2016/72, this Bidder's Statement contains trading data sourced from Bloomberg and IRESS provided without their consent.

8.12 Date for Determining Holders

The date for determining the people to whom this Bidder's Statement is sent is the Record Date.

8.13 ASIC Modifications and Exemptions

ASIC has published various "Class Order" instruments providing for modifications and exemptions that apply generally to all persons, including MDI, in relation to the operation of Chapter 6 of the Corporations Act. MDI may rely on "Class Order" relief.

8.14 Other Material Information

There is no other information material to the making of a decision by a holder of AME Shares whether to accept the Offer being information that is known to MDI and which has not previously been disclosed to AME Shareholders other than as is contained elsewhere in this Bidder's Statement.

9. Terms of the Offer

MDI offers to acquire all of your AME Shares, together with all Rights attached to them, on the terms and conditions detailed in this Section 9.

The Offer Consideration being offered by MDI for the acquisition of all of your AME Shares is 5 MDI Shares per 1 AME Share, subject to the terms and conditions detailed in this Section 9 and elsewhere in this Bidder's Statement.

The Offer is dated [XXXX] 2019.

9.1 Offer Period

Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of the Offer and ending at 5.00pm (WST) on the later of:

- (a) [XXXX] 2019; or
- (b) any date to which the Offer Period is extended, in accordance with the Corporations Act.

MDI reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.

If, within the last 7 days of the Offer Period, either of the following events occurs:

- (a) the Offer is varied to improve the Offer Consideration; or
- (b) MDI's voting power in AME increases to more than 50%,

then the Offer Period will automatically be extended so that it ends 14 days after the relevant event referred to in (a) or (b) in accordance with section 624(2) of the Corporations Act.

9.2 Who May Accept the Offer

- (a) An Offer in this form and bearing the same date is being made to each person registered as a holder of AME Shares on AME's register of members at 5.00pm (WST) on the Record Date.
- (b) The Offer also extends to each person who, during the period from the Record Date until the end of the Offer Period, becomes registered as a holder of AME Shares or is entitled to be registered as the holder of AME Shares during the Offer Period.
- (c) A person who:
 - (i) is able during the Offer Period to give good title to a parcel of AME Shares; and
 - (ii) has not already accepted the Offer which relates to those AME Shares, may accept as if an Offer from MDI on terms identical with the Offer had been made to that person in relation to those AME Shares.
- (d) If, at the time the Offer is made to you, or at any time during the Offer Period, another person is registered as the holder of some or all of your AME Shares, then:
 - (i) a corresponding offer on the same terms and conditions as the Offer will be deemed to have been made to that other person in respect of those AME Shares;
 - (ii) a corresponding offer on the same terms and conditions as the Offer will be deemed to have been made to you in respect of any other AME Shares you hold to which the Offer relates; and
 - (iii) the Offer will be deemed to have been withdrawn immediately at that time.
- (e) If at any time during the Offer Period you are registered as the holder of one or more parcels of AME Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate and distinct offer on the same terms and conditions as the Offer has been made in relation to each of those

parcels and any parcel you hold in your own right. To validly accept the Offer for each distinct parcel, you must comply with the procedure in section 653B of the Corporations Act.

- (f) If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance and Transfer Form, please contact MDI's Company Secretary on +61 8 9389 2111 to request those additional copies.
- (g) The Offer is not registered in any jurisdiction outside Australia (unless an applicable Foreign Law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any Foreign Law applicable to you to accept the Offer and to comply with any other necessary formality and to obtain any necessary governmental or other consents.
- (h) If, at the time this Offer is made to you, you are an Ineligible Overseas Shareholder, you will not receive MDI Shares. Instead, you are offered and will receive a cash amount determined in accordance with Section 9.8.
- (i) If your AME Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting the Offer.

9.3 Offer for all AME Shares

Subject to Sections 9.2(d) and 9.2(e), you may only accept the Offer in respect of all (and not a lesser number) of your AME Shares. For example, if you have 10,000 AME Shares and you wish to accept the Offer, you may only accept the Offer in respect of 10,000 AME Shares.

You may accept the Offer at any time during the Offer Period.

9.4 How to Accept the Offer

The Acceptance and Transfer Form forms part of the Offer. You may accept the Offer by completing and returning the Acceptance and Transfer Form in accordance with the requirements on that form.

For your acceptance to be valid you must ensure that your Acceptance and Transfer Form (including any documents required by the terms of the Offer and the instructions on the Acceptance and Transfer Form) are posted, delivered or emailed in sufficient time for it to be received in accordance with the instructions detailed on the Acceptance and Transfer Form.

The transmission of the Acceptance and Transfer Form and other documents is at your own risk.

When accepting the Offer, you must also forward for inspection:

- (a) if the Acceptance and Transfer Form is executed by an attorney, a certified copy of the power of attorney; and
- (b) if the Acceptance and Transfer Form is executed by the executor of a will or the administrator of the estate of a deceased AME Shareholder, the relevant grant of probate or letters of administration.

9.5 Validity of Acceptances

Subject to the matters in this Section 9.5, your acceptance of the Offer will not be valid unless it is made in accordance with Section 9.4.

MDI may, in its sole discretion, at any time deem any Acceptance and Transfer Form it receives to be a valid acceptance in respect of your AME Shares even if a requirement for acceptance has not been complied with.

MDI may at any time in its sole discretion:

- (a) treat the receipt by it of an Acceptance and Transfer Form during the Offer Period as a valid acceptance notwithstanding that one or more of the other requirements for a valid acceptance have not been complied with and without further communication to you; and
- (b) where you have satisfied the requirements for acceptance in respect of only some of your AME Shares, treat the acceptance as a valid acceptance in respect of all of your AME Shares.

In respect of any part of an acceptance treated by it as valid, MDI will provide you with the relevant Offer Consideration in accordance with Section 9.7 and the exercise of MDI's rights under this Section 9.5 will be conclusive and only evidenced by its so doing. The payment of Offer Consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by MDI.

None of the matters detailed in this Section 9.5 constitute conditions of the Offer.

9.6 The Effect of Acceptance

- (a) Once you have accepted the Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you. In addition, you will be unable to withdraw your acceptance of the Offer or otherwise dispose of your AME Shares, except as follows:
 - (i) if, by the times specified in Section 9.6(b) below, the Offer Conditions have not been satisfied or waived, the Offer will automatically terminate and your AME Shares will be returned to you; or
 - (ii) if the Offer is varied in accordance with the Corporations Act in a way that postpones for more than one month the time when MDI has to meet its obligations under the Offer, and, at the time, the Offer is subject to the Offer Conditions, you may be able to withdraw your acceptance in accordance with section 650E of the Corporations Act.
- (b) The relevant times for the purposes of Section 9.6(a)(i) are:
 - (i) in relation to the Offer Conditions in Section 9.10 (but only to the extent that the Offer Conditions are the same as the conditions set out in section 652C(1) or (2) of the Corporations Act), the end of the third Business Day after the end of the Offer Period; and
 - (ii) otherwise, the end of the Offer Period.
- (c) By following the procedure detailed in Section 9.4, you will be deemed to have:
 - (i) accepted the Offer (and any variation to it) in respect of the AME Shares registered in your name to which the Offer relates, regardless of the number of AME Shares specified in the Acceptance and Transfer Form;
 - (ii) agreed to the terms of the Offer and, subject to the Offer Conditions being satisfied or waived, agreed to transfer to MDI all of your AME Shares and all of the Rights attached to those AME Shares;
 - (iii) irrevocably authorised MDI to complete the Acceptance and Transfer Form by correcting any errors in or omissions from the Acceptance and Transfer Form as may be necessary:
 - (A) to make the Acceptance and Transfer Form an effective acceptance of the Offer; and/or
 - (B) to enable registration of the transfer to MDI of your AME Shares;
 - (iv) irrevocably authorised and directed AME to pay to MDI or to account to MDI for all dividends and other distributions and entitlements which are declared, paid or which arise or accrue after the date of the Offer in respect of your AME Shares (subject to MDI accounting to you for any

dividends, distributions or entitlements received by it if your acceptance of the Offer is validly withdrawn pursuant to section 650E of the Corporations Act or the contract resulting from that acceptance becomes void);

- (v) represented and warranted to MDI that:
 - (A) MDI will acquire good title to and beneficial ownership of all of your AME Shares free from all mortgages, charges, liens, Encumbrances (whether legal or equitable) and other Third Party interests of any kind;
 - (B) you have paid AME all amounts which are due in respect of your AME Shares;
 - (C) all of your AME Shares are fully paid; and
 - (D) you have full power and capacity to accept the Offer and to sell and transfer the legal and beneficial ownership of your AME Shares (together with all Rights attached to them) to MDI;
- (vi) represented and warranted to MDI that the making by MDI to you, and your acceptance, of the Offer is lawful under any Foreign Law which applies to you, to the making of the Offer, and to your acceptance of the Offer;
- (vii) with effect from the later of acceptance of the Offer and the date that any contract resulting from that acceptance becomes, or is declared, unconditional, appointed (and agreed not to revoke that appointment) MDI and each of its directors, secretaries and other officers from time to time severally as your agent and true and lawful attorney, with power to do all things which you could lawfully do concerning your AME Shares or in exercise of any right or power derived from the holding of your AME Shares including, without limitation:
 - (A) attend and vote in respect of your AME Shares at any and all meetings of AME;
 - (B) requisition or join with other holders of AME Shares in requisitioning and/or convening a meeting of the members of AME;
 - (C) demand a poll for any vote to be taken at any meeting of AME Shareholders;
 - (D) propose or second any resolutions to be considered at any, and all meetings of AME Shareholders;
 - (E) execute all forms, transfers, assignments, notices, instruments (including instruments appointing a director of MDI as a proxy in respect of all or any of your AME Shares and a transfer form for your AME Shares), proxies, consents, agreements and resolutions relating to your AME Shares;
 - (F) request AME to register in the name of MDI or its nominee your AME Shares which you hold on any register of AME; and
 - (G) do all things incidental or ancillary to the foregoing,

and to have agreed that in exercising the powers conferred by that power of attorney, the attorney shall be entitled to act in the interests of MDI as the beneficial owner and intended registered holder of your AME Shares in respect of which you have accepted the Offer and to have further agreed to do all such acts, matters and things that MDI may require to give effect to the matters the subject of this paragraph (including the execution of a written form of proxy to the same effect as this paragraph which complies in all respects with the requirements of the constitution of AME) if requested by MDI. This appointment is irrevocable and terminates upon registration of a transfer to MDI of your AME Shares;

- (viii) with effect from the later of acceptance of the Offer and the date that any contract resulting from that acceptance becomes, or is declared, unconditional, agreed not to vote in person at any general meeting of AME or to exercise (or purport to exercise) in person, by proxy or otherwise, any of the powers conferred on MDI and the directors, secretaries and other officers of MDI by paragraph (vii) above;
- (ix) with effect from the later of acceptance of the Offer and the date that any contract resulting from that acceptance becomes, or is declared, unconditional, irrevocably authorised MDI to notify AME on your behalf that your place of address for the purposes of serving notices in respect of your AME Shares is the address specified by MDI in the notification;
- (x) represented and warranted to MDI that, unless you have notified it in accordance with Section 9.2, your AME Shares do not consist of a separate parcel of shares; and
- (xi) agreed, subject to the Offer Conditions being satisfied or waived, to execute all such documents, transfers and assurances, and do all such acts, matters and things that MDI may consider necessary or desirable to convey your AME Shares registered in your name and Rights to MDI.

The representations, warranties, undertakings and authorities detailed in this Section 9.6 will (unless otherwise stated) remain in force after you receive the Offer Consideration for your AME Shares and after MDI becomes registered as the holder of your AME Shares.

9.7 Payment of Offer Consideration

- (a) Subject to Sections 9.8 and 9.10, the terms of the Offer and the Corporations Act, MDI will provide the Offer Consideration for your AME Shares on or before the earlier of:
 - (i) one month after the date being the later of your acceptance or, if the Offer remains subject to the Offer Conditions when you accept the Offer, after the Offer becomes unconditional; and
 - (ii) 21 days after the end of the Offer Period;
- (b) Under no circumstances will interest be paid on the Offer Consideration to which you are entitled, regardless of any delay in providing the consideration or any extension of the Offer.
- (c) Where the Acceptance and Transfer Form requires an additional document to be given with your acceptance (such as a power of attorney):
 - (i) if that document is given with your acceptance, MDI will provide the Offer Consideration in accordance with Section 9.7(a);
 - (ii) if that document is given after acceptance and before the end of the Offer Period while the Offer remains subject to the Offer Conditions, MDI will provide the Offer Consideration due to you on or before the earlier of:
 - (A) one month after the Offer becomes unconditional; or
 - (B) 21 days after the end of the Offer Period;
 - (iii) if that document is given after acceptance and before the end of the Offer Period while the Offer is not subject to the Offer Conditions, MDI will provide the Offer Consideration due to you on or before the earlier of:
 - (A) one month after the document is given; or
 - (B) 21 days after the end of the Offer Period;
 - (iv) if that document is given after acceptance and after the end of the Offer Period, and the Offer is not subject to the Offer Conditions, MDI will provide the Offer Consideration within 21 days after that document is given to MDI; and
 - (v) if that document is given after your acceptance and after the end of the Offer Period, and the Offer is still subject to the Offer Conditions, MDI will

provide the Offer Consideration for you within 21 days after the Offer becomes unconditional.

- (d) If you have accepted the Offer and you are an Ineligible Foreign Shareholder, you will receive your share of the proceeds from the sale of the AME Shares in accordance with Section 9.8.
- (e) Subject to Sections 9.8 and 9.10, MDI's obligation to issue and allot any MDI Shares to which you are entitled under the Offer will be satisfied by MDI:
 - (i) entering your name on the register of members of MDI; and
 - (ii) dispatching or procuring the dispatch to you by pre-paid post to your address recorded in AME's register of members at 5.00pm (WST) on the Record Date, an uncertificated holding statement in your name. If your AME Shares are held in a joint name, an uncertificated holding statement will be issued in the name of, and forwarded to, the holder whose name appears first in AME's register of members at 5.00pm (WST) on the Record Date.
- (f) If MDI becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give to MDI all documents necessary to vest title to those Rights in MDI, or otherwise to give MDI the benefit or value of those Rights. If you do not do so, or if you have received or are entitled to receive (or any previous holder of your AME Shares has received or is entitled to receive) the benefit of those Rights, MDI will be entitled to deduct the amount (or an amount equal to the value, as reasonably assessed by MDI) of those Rights from any consideration otherwise payable to you under this Offer. If MDI does not, or cannot, make such a deduction, you must pay that amount to MDI, except to the extent that MDI elects to waive its entitlement to those Rights.
- (g) If any amount (the withholding amount) is required, under any Australian law or by any Government Agency, to be:
 - (i) withheld from any consideration otherwise payable to you under this Offer and paid to a Government Agency; or
 - (ii) retained by MDI out of any consideration otherwise payable to you under this Offer,

the payment or retention by MDI of the withholding amount (as applicable) will constitute full discharge of MDI's obligation to pay the consideration to you to the extent of the withholding amount.

- (h) If, at the time you accept the Offer, any of the following:
 - (i) *Banking (Foreign Exchange) Regulations 1959* (Cth);
 - (ii) *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth);
 - (iii) *Charter of the United Nations (Sanctions - Al-Qaida and the Taliban) Regulations 2008* (Cth);
 - (iv) *Charter of the United Nations (Sanctions - Iraq) Regulations 2008* (Cth); or
 - (v) any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other government authority be obtained before you receive any Offer Consideration for your AME Shares, or would make it unlawful for MDI to provide any Offer Consideration to you for your AME Shares, you will not be entitled to receive any Offer Consideration for your AME Shares until all requisite authorities, clearances or approvals have been received by MDI.

9.8 Ineligible Overseas Shareholders

- (a) If you are an Ineligible Overseas Shareholder, you will not be entitled to receive MDI Shares as consideration for AME Shares as a result of accepting this Offer, and MDI will:
- (i) arrange for the issue to a nominee approved by ASIC (**Nominee**) of the number of MDI Shares to which you and all other Ineligible Foreign Shareholders would have been entitled but for Section 9.2(h) and the equivalent provision in each other offer under the Offer;
 - (ii) cause the MDI Shares so issued to be offered for sale by the Nominee on ASX as soon as reasonably practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee (at the risk of Ineligible Overseas Shareholders); and
 - (iii) pay to you the amount ascertained in accordance with the formula:

$$\frac{N \times YS}{TS}$$

where:

- (A) **N** is the amount which is received by the Nominee upon the sale of all MDI Shares under this Section 9.8 less any fees, taxes and sale expenses;
 - (B) **YS** is the total number of MDI Shares which MDI would, but for Section 9.2(h), otherwise have issued to you; and
 - (C) **TS** is the total number of MDI Shares allotted to the Nominee under this Section 9.8.
- (b) You will receive your share of the net proceeds of the sale of MDI Shares calculated in accordance with Section 9.8(a) in Australian currency.
- (c) Payment will be made by cheque posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) at the address provided on your Acceptance and Transfer Form within the period required by the Corporations Act.
- (d) Under no circumstances will interest be paid on your share of the net proceeds of the sale of MDI Shares by the Nominee, regardless of any delay in remitting these proceeds to you.
- (e) The Nominee may sell the MDI Shares in such manner, at such price or prices and on such terms as the Nominee determines, and at the risk of the Ineligible Overseas Shareholders. The Nominee will sell the MDI Shares on ASX following the issue of those shares to it.
- (f) The market price of MDI Shares will be subject to change from time to time, and the sale price of the MDI Shares sold by the Nominee and the proceeds of those sales cannot be guaranteed. Neither MDI nor the Nominee gives any assurance as to the price that will be achieved by the sale of the MDI Shares by the Nominee.
- (g) The Nominee will be appointed by, and will provide the Nominee services to MDI. In acting as Nominee, the Nominee will not be acting as agent or sub-agent of any Ineligible Overseas Shareholder, does not have any duties or obligations (fiduciary or otherwise) to any Ineligible Overseas Shareholder and does not underwrite the sale of MDI Shares.
- (h) If MDI determines, acting reasonably and in good faith, that it must pay an amount to the Commissioner of Taxation pursuant to Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953* (Cth) (**TAA**) with respect to the acquisition of the AME Shares from an AME Shareholder, MDI will, for any such AME Shareholder:
- (i) determine the amount to be paid to the Commissioner (**Payment Amount**);
 - (ii) procure that MDI remits the Payment Amount to the Commissioner within the time required under the TAA; and

- (iii) reduce the amount of consideration payable by MDI to the AME Shareholder by the Payment Amount for the purposes of this Offer.

For the avoidance of doubt, where the conditions in this Section 9.8(h) are satisfied, MDI will, for the purposes of this Offer, be deemed to have satisfied its obligations to pay the consideration to an AME Shareholder if the amount paid to the AME Shareholder is the amount of the consideration that would otherwise have been payable to the AME Shareholder pursuant to the Offer, less the Payment Amount for that AME Shareholder.

9.9 PRC Shareholders

This Bidder's Statement may not be circulated or distributed in the PRC and the MDI Shares offered under this Bidder's Statement have not been offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

The contents of this Bidder's Statement have not been reviewed by any PRC regulatory authority. If you are in doubt about any contents of this Bidder's Statement, you should obtain independent professional advice.

For the purpose of the paragraphs above, the PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

9.10 Conditions to the Offer

The Offer and any other contract that results from acceptance of the Offer are subject to the fulfilment of the following conditions (together, the **Offer Conditions**):

(a) No regulatory action

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by any Government Agency;
- (ii) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (iii) no application is made to any Government Agency (other than by MDI or any Associate of MDI),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the Bidder's Statement or which requires the divestiture by MDI of any AME Shares or any material assets of MDI or any of its Subsidiaries.

(b) 50.1% minimum acceptance threshold

At the end of the Offer Period, MDI has a Relevant Interest in at least 50.1% of AME Shares.

(c) Gold price

The spot price for gold as quoted on Bloomberg does not fall below A\$1,600 per ounce at any time during a day for three consecutive days between the Announcement Date and the end of the Offer Period (each inclusive).

(d) No persons exercising rights under certain agreements or instruments

Between the Announcement Date and the end of the Offer Period, no person exercises any rights under any provision of any agreement or other instrument to which a member of the AME Group is a party, or by or to which a member of the AME Group may be bound or be subject to, which:

- (i) requires monies borrowed by, or other financial accommodation provided to, a member of the AME Group to be paid or repaid immediately or earlier

than the repayment or maturity date stated in such agreement or other instrument;

- (ii) terminates or modifies any such agreement or instrument or requires that any action be taken thereunder (including the acceleration of the performance of any obligation thereunder);
- (iii) terminates or modifies the interest of a member of the AME Group in any farm-in, farm-out, partnership, joint venture, trust, corporation or other entity (or any arrangements relating to such interest); or
- (iv) requires that any Assets, shares or business of a member of the AME Group be sold, transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions, as a result of the acquisition of AME Group Shares by MDI.

(e) **No change of control rights**

Between the Announcement Date and the end of the Offer Period, no person has or will have any right as a result of MDI making the Offer or announcing its intention to make the Offer, or acquiring AME Shares under the Offer, to:

- (i) acquire, or require the disposal of, or require any entity within the AME Group to offer to dispose of, any Assets, shares or business of any entity within the AME Group;
- (ii) terminate, or vary the terms of performance of, any agreement with any entity within the AME Group; or
- (iii) terminate, or vary the terms of any material approvals, licenses or permits issued by any Government Agency to any entity within the AME Group.

(f) **Material adverse change**

Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs (whether or not becoming public):

- (i) an Event (including a decision of a Government Agency or a change in law) occurs or will or is reasonably likely to occur;
- (ii) information is disclosed or announced by AME concerning any Event; or
- (iii) information concerning any Event becomes known to MDI (whether or not becoming public),

(each of (i), (ii) and (iii) a **Specified Event**) which, whether individually or when aggregated with all such Events (including a decision of a Government Agency or a change in law) of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:

- A. a material adverse effect on the business, Assets, liabilities, financial or trading position, profitability or prospects of the AME Group taken as a whole; or
- B. without limiting the generality of the previous clause:
 - 1) the effect of a diminution in the value of the consolidated net assets of the AME Group, taken as a whole, by at least A\$250,000 against what it would reasonably have been expected to have been but for such Specified Event; or
 - 2) the effect of impairing, terminating or otherwise adversely affecting or changing any Mining Tenement or any Authorisation in connection with any Mining Tenement.

(b) A Specified Event shall not include an Event:

- (i) fully and fairly disclosed by AME on the ASX within 6 months prior to the Announcement Date;

- (ii) relating to the state of securities markets in general; or
 - (iii) resulting from any changes generally affecting the gold mining industry which impact AME and its competitors in a similar matter.
- (c) In this condition, “**Event**” means any event, change, condition, matter, occurrence, development or thing.
- (g) **No material acquisitions, disposals, cancellations or new commitments**
 Except for any proposed transaction or item fully and fairly disclosed by AME on the ASX within 6 months prior to the Announcement Date, none of the following events occur between the Announcement Date and the end of the Offer Period:
 - (a) AME or another member of the AME Group acquires, offers to acquire or agrees to acquire one or more companies, businesses or Assets (or any interest in one or more companies, businesses or Assets including by way of joint venture or partnership) for an amount or consideration in excess of A\$250,000 for any individual item or in excess of A\$250,000 in aggregate;
 - (b) AME or another member of the AME Group disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or Assets (or any interest in one or more companies, businesses or Assets) either:
 - (i) for an amount or consideration in excess of A\$250,000 for any individual item or in excess of A\$250,000 in aggregate; or
 - (ii) relating in any way to the Sandstone Concessions.
 - (c) a member of the AME Group enters into or agrees to enter into any farm-in, farm-out, joint venture or partnership or other agreement that requires or is reasonably likely to involve payments, expenditure or the foregoing of revenue, by a member of the AME Group in excess of A\$250,000 in aggregate other than in the ordinary course of business;
 - (d) a member of the AME Group enters into or agrees to enter into any form of agreement, whether binding or otherwise, with respect to the financing, engineering, procurement, construction or development of the Sandstone Concessions or announces an intention to do so; or
 - (e) a Mining Tenement granted to or held by any member of the AME Group is revoked, surrendered, relinquished or terminated or a member of the AME Group agrees to the same without there being a reasonable likelihood of such tenement, permit or licence being allowed to continue, renewed or extended on terms which are no less favourable to the member of the AME Group.
- (h) **Prescribed occurrences**
 Between the Announcement Date and the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:
 - (a) AME converting all or any of the AME Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
 - (b) AME or any of its Subsidiaries resolving to reduce its share capital in any way;
 - (c) AME or any of its Subsidiaries entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
 - (d) AME or any of its Subsidiaries:
 - (i) issuing shares (other than AME Shares issued as a result of the exercise of AME Options or the AME Performance Rights);
 - (ii) granting an option over its shares; or
 - (iii) agreeing to make such an issue or grant such an option;

- (e) AME or any of its Subsidiaries issuing, or agreeing to issue, convertible notes;
- (f) AME or any of its Subsidiaries disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) AME or any of its Subsidiaries granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;
- (h) AME or any of its Subsidiaries resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of AME or any of its Subsidiaries;
- (j) the making of an order by a court for the winding up of AME or any of its Subsidiaries;
- (k) an administrator of AME or any of its Subsidiaries being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) AME or any of its Subsidiaries executing a deed of company arrangement; or
- (m) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of AME or any of its Subsidiaries.

(i) **Statements to the ASX**

Between the Announcement Date and the end of the Offer Period (each inclusive), no information has become known to MDI which would indicate that information announced by AME to ASX prior to the Announcement Date and the end of the Offer Period (each inclusive) is, or is likely to be, incomplete, incorrect, untrue or misleading in a material respect (including by omission) such that MDI might reasonably be expected to have not proceeded with the Offer at all or would have proceeded with the Offer on materially different terms.

(j) **Conduct of business**

Between the Announcement Date and the end of the Offer Period (each inclusive) neither AME nor any of its Subsidiaries:

- (a) announces, declares, or distributes any dividend, bonus or other share of its profits or assets;
- (b) makes any changes to its constitution or passes any special resolution or amends the terms of issue of any shares, options, performance rights or other convertible securities;
- (c) borrows or agrees to borrow any money, other than in the ordinary course of business and in any event, for an amount exceeding A\$250,000 in aggregate;
- (d) provides a guarantee or indemnity or both to a third party for an amount that exceeds A\$250,000;
- (e) creates any Security Interest over the whole or a substantial part of its business or Assets (other than a lien which arises by operation of law securing an obligation not yet due and consistent with past practice);
- (f) enters into any contract(s) or commitment(s) involving revenue or expenditure of more than A\$250,000 (either alone or in aggregate) over the term of the contract(s) or commitment(s);
- (g) terminates, amends, waives or otherwise foregoes rights under any contract material to the conduct of the AME Group's business or Assets or which involves revenue or expenditure of more than A\$250,000 over the term of the contract or commitment;
- (h) acquires, offers to acquire, agrees to acquire or acquires any one or more businesses, Mining Tenements assets, entities or undertakings valued at, or involving a financial commitment of more than A\$250,000 (individually or

when aggregated with all other such matters arising after the Announcement Date), or makes an announcement or enters into an agreement in relation to such an acquisition, undertaking or financial commitment; or

(i) conducts its business otherwise than in the ordinary course.

(k) **No litigation on foot or pending**

Between the Announcement Date and the end of the Offer Period (each inclusive) no litigation, claim, action or proceeding is pending or in progress, is commenced, is threatened to be commenced, is announced, or is made known to MDI (whether or not becoming public) or AME, against any member of the AME Group, which may result in a judgement of A\$250,000 or more, other than that which is in the public domain as at the Announcement Date.

(l) **Mining Tenements**

Between the Announcement Date and the end of the Offer Period (each inclusive), otherwise than in the ordinary course of business, neither AME nor any of its Subsidiaries:

- (a) enters into, agrees to enter into or announces any agreement to enter into any contract, commitment or arrangement (including without limitation any ore sale, ore processing, joint venture, partnership, farm-in, royalty, marketing or off-take agreement) in relation to any Mining Tenement;
- (b) relinquishes, sells or disposes of any interest or creates any Security Interest over any of its Mining Tenements;
- (c) takes any action or omits to take any action that results in or may reasonably be expected to result in a disposal of, or a breach of the terms of any of the Authorisations in connection with its Mining Tenements; or
- (d) takes any action or omits to take any action that results in or may reasonably be expected to result in the surrender of any of its Mining Tenements or any Authorisation relating to any of its Mining Tenements,

including announcing an intention to do any of the above matters.

(m) **Other persons acquiring a Relevant interest**

Prior to the end of the Offer Period, no person or persons (other than MDI and its Associates) acquire a Relevant Interest in 20% or more of the AME Shares on issue.

9.11 Freeing the Offer of the Offer Conditions

MDI may free the Offer, and any contract resulting from its acceptance, from an Offer Condition by giving notice to AME declaring the Offer to be free from the relevant Offer Condition specified in accordance with section 650F of the Corporations Act. This notice may be given:

- (a) in the case of the Offer Condition referred to in Section 9.10 (but only to the extent that the Offer Conditions are the same as the conditions set out in section 652C(1) or (2) of the Corporations Act), not later than three Business Days after the end of the Offer Period; and
- (b) in the case of all the other Offer Conditions in Section 9.10, not less than seven days before the end of the Offer Period.

9.12 Nature of Offer Conditions

Subject to Section 9.11, the Offer Conditions are conditions subsequent to the formation of a binding contract upon your acceptance of this Offer. The Offer Conditions do not prevent a contract to sell your AME Shares resulting from your acceptance of this Offer, but:

- (a) a breach of an Offer Condition entitles MDI to rescind that contract by written notice to you; and

- (b) non-fulfilment of any of the Offer Conditions at the end of the Offer Period will have the consequences in Section 9.13.

9.13 Contract Void if Offer Condition Not Satisfied

If, at the end of the Offer Period, any Offer Condition has not been satisfied and MDI has not declared the Offer (or it has not become) free from the Offer Condition, all contracts resulting from the acceptance of the Offer will be automatically void.

Subject to the provisions of the Corporations Act, MDI alone will be entitled to the benefit of the Offer Conditions and any breach or non-fulfilment thereof may be relied upon only by MDI.

9.14 Notice of Status of Offer Conditions

The date for giving the notice required by section 630(1) of the Corporations Act is subject to extension in accordance with section 630(2) if the Offer Period is extended.

9.15 Withdrawal of Offer

MDI may withdraw the Offer at any time before you accept it, but only with the consent in writing of ASIC (which consent may be given subject to such conditions, if any, as are imposed by ASIC). If ASIC gives such consent, MDI will give notice of the withdrawal to AME and comply with any other conditions imposed by ASIC.

9.16 Variation

MDI may vary the Offer in accordance with section 650D the Corporations Act or by application to ASIC under s655(2) of the Corporations Act.

9.17 Stamp Duty or Other Costs

All costs and expenses of the preparation, dispatch and circulation of the Offer and any stamp duty payable in respect of the transfers will be paid by MDI.

If your AME Shares are registered in your name and you deliver them directly to MDI, you will not incur any brokerage in connection with your acceptance of the Offer (unless you are an Ineligible Overseas Shareholder).

9.18 Governing Law

The Offer and any contract that results from your acceptance of the Offer is governed by the laws in force in Western Australia.

10. Authorisation of Bidder's Statement

This Bidder's Statement is dated 10 April 2019 and was approved pursuant to a unanimous resolution passed at a meeting of the MDI Directors.



Signed for and on behalf of MIDDLE ISLAND RESOURCES LIMITED
Peter Thomas
Non-Executive Chair

11. Definitions and Interpretation

11.1 Definitions

In this Bidder's Statement, unless the context otherwise requires:

Acceptance and Transfer Form means the form of acceptance for the Offer enclosed with this Bidder's Statement.

AME means Alto Metals Limited ACN 159 819 173.

AME Board means the board of AME Directors.

AME Director means a director of AME as at the date of this Bidder's Statement.

AME Group means AME and its Related Bodies Corporate.

AME Option means an option issued by AME.

AME Performance Right means a performance right issued by AME.

AME Sandstone Tenements means approximately 800km² of contiguous exploration tenements in the Sandstone area, purchased by AME in 2016 via the acquisition of all the issued capital of Sandstone Exploration Pty Ltd.

AME Share means a fully paid ordinary share in the capital of AME.

AME Shareholders means all registered holders of AME Shares.

Announcement Date means the date the Offer was announced, being 1 March 2019.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange (as the context requires).

ASX Listing Rules means the official listing rules of ASX.

ASX Settlement means ASX Settlement Pty Limited ABN 49 008 504 532.

ASX Settlement Operating Rules means the operating rules of ASX Settlement.

ASX Settlement Participant means an ASX Settlement Participant under the ASX Settlement Operating Rules.

Bidder's Statement means this document, being the statement of MDI under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

BIF means banded iron formation.

Business Day means a day on which banks are open for business in Perth, other than a Saturday, Sunday or public holiday.

CGT has the meaning given in to that term in Section 6.1.

Combined Entity means MDI and its Subsidiaries following the acquisition by MDI of all, or a portion of AME Shares on issue.

Competing Proposal means any expression of interest, proposal, offer, transaction or arrangement by or with any person pursuant to which, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed substantially in accordance with its terms, would result in a Third Party:

- (a) directly or indirectly acquiring an interest, a Relevant Interest in or becoming the holder of more than 20% or more of the AME Shares;
- (b) acquiring Control of AME; or
- (c) otherwise directly or indirectly:
 - (i) acquiring or merging with AME, or having the right to so acquire or merge with; or
 - (ii) acquiring a significant economic interest in all or significant part of the business or assets of AME,

in each case whether by way of takeover bid, scheme of arrangement, security holder-approved acquisition or resolution, reverse takeover bid, capital reduction, security buy-back, sale or purchase of assets, joint venture, dual listed company and/or trust structure, or other transaction or arrangement.

Completion means completion of the Offer.

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the Australian *Corporations Act 2001* (Cth).

Encumbrance means any mortgage, charge, pledge, lien, encumbrance, title retention, preferential right, trust arrangement, contractual right of set-off, or any security agreement or arrangement in favour of any person, whether registered or unregistered, including a Security Interest (as defined in section 12 of the *Personal Property Securities Act 2009* (Cth)).

Exploration Target has the meaning given to that term in the JORC Code 2012.

Figure means a figure in this Bidder's Statement.

Foreign Law means a law of a jurisdiction other than Australia.

Government Agency means any government or any governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.

GST means Goods and Services Tax within the meaning of the *A New Tax System (Goods and Services Tax) Act 1999* as amended from time to time.

Indicated Mineral Resource has the meaning given to that term in the JORC Code 2012.

Ineligible Overseas Shareholder means an AME Shareholder whose address as shown in the register of members of AME is in a jurisdiction other than Australia or its external territories unless MDI otherwise determines (in its absolute discretion) after being satisfied that it is not unlawful, unduly onerous or impracticable to make the Offer to an AME Shareholder in the relevant jurisdiction and to issue MDI Shares to such an AME Shareholder on acceptance of the Offer, and that it is not unlawful for such an AME Shareholder to accept the Offer in such circumstances in the relevant jurisdiction.

Inferred Mineral Resource has the meaning given to that term in the JORC Code 2012.

JORC Code 2004 means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition).

JORC Code 2012 means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition) as amended from time to time.

Last Practicable Date means 9 April 2019.

MDI means Middle Island Resources Limited ACN 142 361 608.

MDI Board means the board of MDI Directors.

MDI Director means a director of MDI as at the date of this Bidder's Statement.

MDI Group means MDI and its Related Bodies Corporate.

MDI Option means an option issued by MDI.

MDI Share means a fully paid ordinary share in the capital of MDI.

MDI Shareholder means a registered holder of MDI Shares.

Mineral Resource has the meaning given to that term in JORC Code 2012.

Mining Tenement means any interest (including as holder, owner, operator or joint venturer) in a mining tenement, lease, licence, permit or similar and includes any extension, renewal, modification, replacement or substitution of the whole or any part thereof.

Nominee has the meaning given in Section 9.8(a)(i).

Offer means the off-market takeover offer by MDI for all AME Shares on the terms and conditions detailed in this Bidder's Statement. The Offer is dated [XXXX] 2019.

Offer Conditions means the conditions of the Offer detailed in Section 9.10.

Offer Consideration means 5 MDI Shares for every 1 AME Shares.

Offer Period means the period during which the Offer is open for acceptance in accordance with this Bidder's Statement.

Option Agreement means the agreement governing the option to acquire the Reo Gold Project between MDI and Tajiri Resources Corp. dated 11 May 2018.

Payment Amount has the meaning given in Section 9.8(h)(i).

Record Date means the date set by MDI under section 633(2) of the Corporations Act, being 16 April 2019.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Related Person means in relation to either MDI or AME:

- (a) a Related Body Corporate;
- (b) its advisers or an advise of a Related Body Corporate; or
- (c) an officer or employee of any entity referred to in paragraphs (a) or (b) above.

Relevant Interest has the meaning given to that term in section 9 of the Corporations Act.

Reo Gold Project has the meaning given to that term in Section 2.5(b).

Rights means all accreditations, benefits and rights attaching to or arising from AME Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends and all rights to receive dividends and to receive or subscribe for shares, stock units, notes or options declared, paid, or issued by AME).

Sandstone Gold Plant has the meaning given in Section 2.5(a)v

Sandstone Gold Project has the meaning given in Section 2.5(a).

Section means a section in this Bidder's Statement.

Specified Event has the meaning given in Section 9.10.

SSGB means the Archaean Sandstone greenstone belt as defined in Section 2.5(a)

Strategic Review has the meaning given in Section 5.4.

Subsidiary has the meaning given in the Corporations Act.

Superior Proposal means a Competing Proposal that the AME Directors determine in good faith (based on the written opinion of external financial and legal advisors) is:

- (a) reasonably capable of being valued and completed in a timely manner, taking into account all aspects of the Competing Proposal and the person making it; including without limitation, having regard to legal, financial and regulatory matters and conditions precedent reasonably capable of being completed; and
- (b) more favourable to AME Shareholders as a whole than the Offer, taking into account all the terms and conditions of the Competing Proposal.

TAA has the meaning given in Section 9.8(h).

Table means a table in this Bidder's Statement.

Takeovers Panel means the body called the Takeovers Panel continuing in existence under section 261 of the *Australian Securities and Investments Commission Act 2001* (Cth) and given various powers under Part 6.10 of the Corporations Act.

Target's Statement means the target's statement in relation to the Offer, to be issued by AME in compliance with Part 6.5 of the Corporations Act.

Third Party means a party other than AME, MDI and any of their Subsidiaries.

Trading Day has the meaning given to that term in the ASX Listing Rules.

VWAP means volume weighted average price of "on-market" trades on ASX (i.e. normal trades, cross trades, stabilisation trades and short sell trades).

11.2 Interpretation

The following rules of interpretation apply unless intention appears or the context requires otherwise:

- (a) a reference to a time is a reference to Australian Western Standard Time (WST) time, unless otherwise stated;
- (b) headings are for convenience only and do not affect interpretation;
- (c) the singular includes the plural and conversely;
- (d) a gender includes all genders;
- (e) where a word or phrase is defined, the other grammatical forms have a corresponding meaning;
- (f) \$, AUD, A\$ or cents is a reference to the lawful currency in Australia, unless otherwise stated;
- (g) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (h) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (i) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (j) a reference to any instrument or document includes any variation or replacement of it;
- (k) capitalised terms used in this Bidder's Statement, which are not specifically defined in this Bidder's Statement, have the meanings given to them (if any) in the Corporations Act;
- (l) a reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually;
- (m) a reference to "you" is to a person to whom the Offer is made; and
- (n) the words 'include', 'including', 'for example' or 'such as' are not used as, nor are they to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

