

This document is important and requires your immediate attention. If you are in doubt about how to respond to the offer, you should consult with your investment dealer, stockbroker, lawyer or other professional advisor. Enquiries concerning the information in this document should be directed to New Island Resources Inc. at the e-mail address or toll-free number listed on the last page of this Notice of Change to Directors' Circular.



**NEW ISLAND**  
resources inc.

**NOTICE OF CHANGE TO DIRECTORS' CIRCULAR**

**RECOMMENDING**

**REJECTION**

**OF THE UNSOLICITED OFFER BY**

**ANACONDA MINING INC.**

**TO PURCHASE ALL OF THE OUTSTANDING COMMON SHARES OF**

**NEW ISLAND RESOURCES INC.**

**The Board of Directors continues to unanimously recommend that New Island Resources Inc. Shareholders REJECT the unsolicited Anaconda Offer and NOT TENDER their common shares to the Anaconda Offer. Any Shareholder who has tendered his or her Shares under the Anaconda Offer should WITHDRAW those shares.**

**NOTICE TO NON-CANADIAN RESIDENTS**

The Anaconda Offer is in respect of the securities of a Canadian issuer. While the issuer is subject to Canadian continuous disclosure requirements, shareholders should be aware that Canadian requirements are different from those of the United States and other non-Canadian jurisdictions.

The enforcement by non-Canadian shareholders of civil liabilities under the securities laws of the United States or other non-Canadian jurisdictions may be adversely affected by the fact that New Island Resources Inc. is incorporated in Canada, its officers and directors are residents of Canada, and its assets are located in Canada.

**August 6, 2010**

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### FORWARD-LOOKING STATEMENTS

This Notice of Change to Directors' Circular (the “**Notice of Change**”) contains forward-looking statements that are based on expectations and estimates. Forward-looking statements may be identified by the use of forward-looking terminology such as “believe”, “intend”, “may”, “will”, “expect”, “estimate”, “anticipate”, “continue” or similar terms, variations of those terms or the negative of those terms. Statements that are not historical facts, including statements about New Island's beliefs and expectations, are forward-looking statements. These statements contain potential risks and uncertainties, and actual results may therefore differ materially. Except for ongoing obligations to disclose material information under applicable securities laws, New Island undertakes no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

Important factors that may affect these expectations include, but are not limited to: the risks associated with mining exploration; changes in the Canadian economy; changes in competition in New Island's markets; availability of future financing; and other factors discussed herein and those detailed from time to time in New Island's filings with the securities regulatory authorities in Canada. New Island shareholders should evaluate any forward-looking statements in light of these important factors.

New Island Shareholders requiring advice or assistance concerning the Anaconda Offer are urged to contact:

**NEW ISLAND RESOURCES INC.**

1 (709) 576-7711

E-mail: [info@newislandresources.com](mailto:info@newislandresources.com)

Facsimile: (709) 576-2236

## NOTICE OF CHANGE TO DIRECTORS' CIRCULAR

This Notice of Change is issued by the Board of Directors (the “**Board**”) of New Island Resources Inc. (“**New Island**”) and amends and supplements the directors’ circular (the “**Directors’ Circular**”) dated July 23, 2010 issued by the Board in connection with the unsolicited offer made by Anaconda Mining Inc. (“**Anaconda**”) to acquire all of New Island’s outstanding common shares (the “**New Island Shares**”), upon the terms and subject to the conditions set out in the offer dated June 11, 2010 and the accompanying take-over bid circular of Anaconda dated June 11, 2010 (the “**Original Circular**”), as amended by a Notice of Change and Variation of Anaconda dated June 25, 2010 and by a Notice of Variation and Extension of Anaconda dated July 30, 2010 (the Original Circular and the aforesaid Notices being collectively referred to as the “**Anaconda Circular**” and the terms and conditions of the offer of Anaconda as set out therein shall hereinafter be referred to as the “**Anaconda Offer**”). Reference is made to the “Glossary of Terms” annexed hereto as Schedule A for the definitions of certain terms used in this Notice of Change.

All information provided in this Notice of Change relating to Anaconda is derived from information contained in the Anaconda Circular and other information contained in public filings made by Anaconda with securities regulatory authorities in Canada or otherwise publicly made available by Anaconda. The Board of Directors does not assume any responsibility for the accuracy or completeness of such information or for any failure by Anaconda to disclose events that may have occurred or that may affect the significance or accuracy of any such information, which are unknown to New Island.

Unless otherwise indicated, all dollar amounts in this Notice of Change are expressed in Canadian dollars.

### UNANIMOUS RECOMMENDATION OF THE BOARD OF DIRECTORS

**After careful consideration by the Board, in consultation with their financial and legal advisors of the terms and conditions of the Anaconda Offer as set out in the Anaconda Circular, the Board by unanimous vote of the directors at a meeting on August 6, 2010, determined that the Anaconda Offer continues to be financially inadequate and continues not to be in the best interests of New Island, its shareholders and other stakeholders.**

**Accordingly, for the reasons described in more detail below, the Board recommends that New Island shareholders unanimously recommend that New Island shareholders (the “New Island Shareholders”) REJECT the Anaconda Offer and NOT TENDER their New Island Shares to the Anaconda Offer. New Island Shareholders who have already deposited New Island Shares under the Anaconda Offer should WITHDRAW their New Island Shares.**

**Each of the directors and officers of New Island has confirmed his intention NOT to accept the Anaconda Offer.**

**Shareholders who have already tendered their New Island Shares should contact their broker or dealer, or contact New Island directly for information on how to withdraw any New Island Shares already tendered.**

### RECENT DEVELOPMENTS

On July 23, 2010, New Island announced that it has entered into a definitive agreement with Mountain Lake Resources Inc. (“**Mountain Lake**”) whereby the New Island Shareholders would receive one Mountain Lake Share for every 4.25 New Island Shares the New Island Shareholder holds (the “**Mountain Lake Transaction**”). The Mountain Lake Transaction is subject shareholder approval and court approval.

In its press release dated July 29, 2010, Anaconda issued a progress update on the commissioning of the re-developed mill at the Pine Cove Gold Mine located in Baie Verte, Newfoundland and Labrador, together with updated reserve estimates based upon a recently completed review and update (the “**Update**”) of the probable reserves for the open pit producing Pine Cove gold mine. The Update was completed by independent consultants P&E Mining Consultants Inc. of Brampton, Ontario. In that press release, Anaconda has released the following information from the Update:

1. Anaconda’s expert has stated the probable reserves of gold at Pine Cove are now 175,000 oz., which represents a reduction from the same expert’s March, 2005 estimate of 248,200, oz. This is a reduction of roughly 29% from the 2005 estimated reserves, which is unacceptably high given that the Pine Cove gold mine has still not entered commercial production under the criteria of the Option and Joint Venture Agreement.
2. Anaconda’s expert has reduced the grading of the remaining probable reserves at Pine Cove from 2.07 g/t, which is a 29% reduction in contrast to the grading in the 2005 estimates of 2.93 g/t.
3. The estimated life of mine cash costs that were disclosed by Anaconda on July 30, 2010 indicate that this cost is

now estimated at US\$715/oz. This estimate represents an increase of 140% from the estimate of US\$289/oz. in the 2005 revised economic analysis done for Anaconda.

In its Notice of Variation and Extension of Anaconda dated July 30, 2009, Anaconda changed the consideration payable to New Island Shareholders under the Anaconda Offer to 0.42 Anaconda Shares for 1 New Island Share. In addition, Anaconda extended the duration of the Anaconda Offer to New Island Shareholders to 5:00 p.m. (Toronto time) on August 9, 2010 and waived the Minimum Tender condition contained in the Initial Anaconda Circular that required at least 66 2/3% of the New Island Shares be validly deposited under the Anaconda Offer.

In its press release dated July 30, 2010, Anaconda represented that based upon the closing price of Anaconda Shares on July 30, 2010 (\$0.33) and the closing price of New Island Shares on July 30, 2010 (\$0.105) the amended consideration valued New Island Shares at approximately \$0.14, "representing a premium of approximately 32%...".

On August 3, 2010, New Island received written notice from Anaconda that representatives of New Island would be permitted to have access to the Pine Cove property at an undetermined future time. This was the first time since the filing of the Original Circular in relation to the Anaconda Offer that Anaconda did not refuse a request from New Island for access to the Pine Cove site.

On August 5, 2010, Anaconda announced that it had entered into a lock-up agreement with Navina Asset Management, which owns or controls 12.35% of the issued and outstanding New Island Shares.

On August 6, 2010, the Board met to consider and discuss, among other things,

- a) the progress update on the commissioning of the re-developed mill at Pine Cove and the revised resource and cost estimates provided by Anaconda;
- b) the intentions of New Island management and directors not to tender their New Island Shares to the Anaconda Offer;
- c) the likelihood that New Island has incurred significant damages recoverable at law as a consequence of the actions of Anaconda as operator of the mine at Pine Cove and the consequences of the acquisition of New Island Shares by Anaconda;
- d) the continued pursuit by New Island of the plan of arrangement with Mountain Lake Resources and a comparison of the amended terms of the Anaconda Offer and the Mountain Lake Transaction; and
- e) the views of Salman Partners Inc. ("**Salman**") to the financial analyses previously provided to the Board.

Following discussion, the Board determined, by unanimous vote of the directors present, that the Anaconda Offer continues to be financially inadequate and continues not to be in the interests of New Island, its shareholders and other stakeholders, and to recommend that shareholders reject the Anaconda Offer and not tender any New Island Shares during the period of the Anaconda Offer.

### **REASONS FOR THE RECOMMENDATION**

The Board of Directors has carefully reviewed and considered the Anaconda Offer as revised by the Notice of Change and Variation of Anaconda dated June 25, 2010 and by a Notice of Variation and Extension of Anaconda dated July 30, 2010 with the benefit of advice from independent financial advisors and legal advisors.

In particular, the Board reviewed the 20-day volume weighted average price ("**VWAP**") as at July 30, 2010 for each of Anaconda and Mountain Lake. Based on Anaconda's 20-day VWAP as at July 30, 2010 of \$0.2718 and the revised share exchange ratio of the Anaconda Offer, the implied price per New Island Share is \$0.1142, and not approximately \$0.14 as purported by Anaconda based on the single day closing price for Anaconda Shares as of July 30, 2010.

Based on Mountain Lake's 20-day VWAP as at July 30, 2010 of \$0.5354 and the share exchange ratio as set out in the Mountain Lake Transaction, the implied price per New Island Share is \$0.1260. This implied price per New Island Shares under the Mountain Lake Transaction is superior to that Anaconda Offer based on the 20-day VWAP criteria.

The updated resource estimates and in particular the revised life of mine cost estimate recently disclosed by Anaconda will, if accurate, result in a significant adjustment in the expectations of both Anaconda and New Island regarding the net return of the

gold mine at Pine Cove. In light of the recent information released by Anaconda, the Board is particularly reluctant to accept Anaconda's assertions of implied value and premiums to market contained in the Anaconda Offer based upon share valuations as of the close of trading on July 30, 2010.

Furthermore, the Board considers the disclosure of exponential increases in the life of mine cost estimate, if accurate, to be decisive proof of the observations made in the Directors' Circular as to the harm that Anaconda's performance as the operator at the Pine Cove property has caused New Island in the form of cost overruns and delays to achieving commercial production and the time frame for returns to be paid to New Island from the Pine Cove gold mine.

The Board is concerned that in the event Anaconda is successful in acquiring control of New Island, it will preclude the possibility that these damages will ever be recovered by New Island for the benefit of New Island and its shareholders. The Board of New Island remains of the view that the Anaconda Offer does not adequately compensate the shareholders of New Island for the litigation risk associated with Anaconda's performance as the operator of the Pine Cove gold mine property.

The Board has therefore resolved that New Island will file an arbitration claim pursuant to the provisions of the Option and Joint Venture Agreement with Anaconda as soon as permitted within the restricted period imposed by the recent arbitration settlement between New Island and Anaconda (prior to the Anaconda Offer). New Island's arbitration claim will allege, *inter alia*, that Anaconda has mismanaged the Pine Cove gold mine property, full particulars of such alleged mismanagement, and that New Island has incurred significant damages as a result of such mismanagement.

### CONCLUSION AND RECOMMENDATION

After careful consideration, including a review by the independent members of the Board and by the Board in consultation with the financial and legal advisors to New Island, of the terms and conditions of the Anaconda Offer, the Board, by unanimous vote of the directors present, determined the Anaconda Offer continues to be financially inadequate and continues to not be in the best interests of New Island, its shareholders and other stakeholders.

### MATERIAL CHANGES IN THE AFFAIRS OF NEW ISLAND

Except as otherwise described or referred to in this Directors' Notice of Change, no other information is known to the directors or officers of New Island that indicates any material change in the affairs or prospects of New Island since March 31, 2010, the date of New Island's most recent interim financial statements.

### OTHER INFORMATION

Except as disclosed in this Notice of Change, there is no information that is known to the directors and officers of New Island that would reasonably be expected to affect the decision of the holders of New Island Shares (or securities convertible into New Island Shares) to accept or reject the Anaconda Offer.

The section of the Directors' Circular entitled "Trading in Securities of New Island", is supplemented with the following information:

<u>Name</u>	<u>Nature of Transaction</u>	<u>Date of Transaction</u>	<u>Number of New Island Shares</u>	<u>Price per New Island Share</u>
Atlantis Technologies Ltd.	Disposition of New Island Shares carried out privately	July 23, 2010	155,000	\$0.10
Leo Power	Acquisition of New Island Shares carried out privately	July 23, 2010	30,000	\$0.10
Sam Walters	Acquisition of New Island Shares carried out privately	July 23, 2010	125,000	\$0.10

### PERSONS OR ASSETS EMPLOYED, COMPENSATED OR USED

Salman was retained to render financial advisory services to the Board of Directors in connection with the analysis and consideration of, and response to, the Anaconda Offer. New Island will pay Salman reasonable and customary compensation for its services and will reimburse Salman for its reasonable out-of-pocket expenses. New Island has agreed to indemnify Salman against certain liabilities arising out of or in connection with its engagement.

Except as set forth above, neither New Island nor any person acting on its behalf has employed, retained or agreed to compensate any person making solicitations or recommendations to New Island Shareholders in connection with the Anaconda Offer.

#### **STATUTORY RIGHTS**

Securities legislation in the provinces and territories of Canada provides security holders of the offeree issuer with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

#### **AVAILABILITY OF DOCUMENTS**

New Island is a reporting issuer or equivalent in British Columbia, Newfoundland and Labrador and Alberta and files its continuous disclosure documents and other documents with the securities authorities of such provinces. New Island's continuous disclosure documents are available at [www.sedar.com](http://www.sedar.com).

#### **APPROVAL OF THE NOTICE OF CHANGE TO DIRECTORS' CIRCULAR**

The contents of this Notice of Change to Directors' Circular and the delivery thereof have been approved and authorized by the Board of Directors of New Island.

**CERTIFICATE**

August 6, 2010

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

On behalf of the Board of Directors

(signed) Sam Walters

Chairman of the Board of Directors

(signed) Jim O'Reilly

Director

**SCHEDULE A  
GLOSSARY OF TERMS**

The following provides the definition of certain terms used in this Notice of Change.

“**Anaconda**” means Anaconda Mining Inc., a corporation incorporated under the *Business Corporations Act* (Ontario), having its head office and principal place of business at 120 Adelaide Street W, Suite 2400, Toronto, ON M5H 1T1.

“**Anaconda Circular**” means the circular dated June 11, 2010, accompanying the Anaconda Offer, as amended on June 25, 2010, and as further amended July 30, 2010.

“**Anaconda Offer**” means the unsolicited offer dated June 11, 2010 made by Anaconda to acquire all of the issued and outstanding New Island Shares, as amended on June 25, 2010, and as further amended July 30, 2010.

“**Anaconda Shares**” means the common shares of Anaconda.

“**Board of Directors**” means the Board of Directors of New Island, consisting of Sam Walters, Harold Wareham, James O’Reilly, Eric Jerrett and Leo Power.

“**Cox & Palmer**” means Cox & Palmer, legal counsel to New Island.

“**Directors’ Circular**” means the Directors’ Circular dated July 22, 2010.

“**Mountain Lake**” means Mountain Lake Resources Inc., a corporation incorporated under the Business Corporations Act (British Columbia) having its registered office at Suite 1700-1959 Upper Water Street, Halifax, NS, B3J 3N2.

“**Mountain Lake LOI**” means the letter of intent between New Island and Mountain Lake with respect to a proposed plan of arrangement between the parties dated June 2, 2010.

“**New Island**” means New Island Resources Inc., a corporation incorporated under the *Business Corporations Act* (Alberta), having its registered office at 1600 Bow Valley Square II, 205 - 5 Avenue S.W., Calgary, AB T2P 2V7.

“**New Island Shareholders**” means the holders of the New Island Shares.

“**New Island Shares**” means the common shares of New Island.

“**Notice of Change**” means this Notice of Change or Variation dated August 6, 2010.

“**Option and Joint Venture Agreement**” means the agreement between New Island and Anaconda in respect of the Pine Cove gold mine property at Pine Cove, NL dated November 26, 2003.

**Please direct all enquiries to:**

**New Island Resources Inc.**  
Suite 604, 140 Water Street  
St. John's, NL A1C 6H6

Toll Free: 1-709-576-7711

Email: [info@newisland.com](mailto:info@newisland.com)

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