



Middle Island RESOURCES LIMITED

Middle Island Resources Ltd

ACN 142 361 608

ASX Code: MDI

www.middleisland.com.au

Investment Highlights:

- Gold exploration company focused on West Africa
- 100% of Reo Project in Burkina Faso – 7 permits over 1,166km² straddling junction of the Boromo & Houndé greenstone belts.
- Aggressive trenching and multi rig drilling programs focused on defining resources and prioritizing prospects.
- Earning 70% in Nassilé Project in Niger, 577km² of lightly explored Birimian greenstones.
- Earning 90% interest in Dogona applications in Niger – 823km² of unexplored Birimian greenstones (grant expected April 2011).
- Additional permit applications and acquisitions under review.
- Board and management team of successful explorers, miners and corporate professionals.

Capital Structure:

99.9 million ordinary shares

16.2 million unlisted options

Cash

\$10.3m

Directors & Management:

Peter Thomas

Chairman

Rick Yeates

Managing Director

Beau Nicholls

Technical Director

Andrew Chubb

Exploration Manager – West Africa

Dennis Wilkins

Company Secretary

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MAJOR WEST AFRICAN GOLD EXPANSION INTO LIBERIA

- Middle Island has secured rights to a significant, highly prospective, semi-contiguous land package referred to as the Nuon River Project in Liberia, West Africa, covering some 2,918km². **This represents the Company's first West African expansion beyond its initial assets in Burkina Faso and Niger.**
- The Nuon River Project lies in one of the most technically prospective gold terrains in West Africa, being located at the boundary between the Archaean (Man Shield) and Proterozoic (Birimian) components of the West African Craton.
- The Nuon River Project lies immediately along strike from the 5Moz lty gold deposit in adjacent Côte d'Ivoire.
- The Nuon River assets comprise the right to earn up to a 75% interest in the 657km² Grand Gedeh permit for an initial US\$100,000 cash payment followed by staged exploration expenditure of up to US\$5 million over a 5 year term; and
- A 100% interest in four adjacent Liberian permits recently granted to Middle Island Resources in its own right.
- Grand Gedeh permit includes a long history of significant artisanal alluvial and saprolite gold mining activity, particularly at the Bateajam mining centre.
- Numerous significant stream sediment anomalies identified throughout the Grand Gedeh permit.
- Big Hill Prospect within the Bateajam mining centre is defined by a broad, 2km long, open ended, high tenor soil anomaly pock-marked by abundant active and historic artisanal shafts. The prospect is readily accessible via established roads.
- Remaining 100% owned permits incorporate numerous mapped (USGS) and identified gold occurrences located along the Archaean/Birimian transition zone however no modern exploration has ever been undertaken.
- Represents a long held objective of Middle Island to secure a major land package in one of the most prospective emerging gold frontiers of West Africa.

Strategic Rationale

Middle Island Resources considers the eastern half of Liberia to represent a major new West African gold frontier which, by virtue of a civil war dating back 20 years and the subsequent legacy of those events, has effectively remained preserved from modern exploration. The country is now a well-run emerging democracy that is keen to attract foreign investment, and has sound mineral legislation in place that is well administered. In order to capitalise on this situation, Middle Island has secured the rights to an extensive landholding referred to as the **Nuon River Project** comprising some **2,918km²** that covers what the Company considers to represent **one of the most technically prospective gold terrains in West Africa**.

The Nuon River Project (shown in Figure 1 below) straddles and lies immediately east of the Cestos Shear, which represents the interpreted major east-dipping, listric, crustal suture, being the primary structure of a series of similar features that transition from the Archaean (Man Shield) to the west to Proterozoic (Birimian) elements of the West African Craton in the east.

Further, **diversification into a third West African jurisdiction (Liberia)** also represents a sound **political and sovereign risk mitigation strategy**, such that if the political situation degenerates in any one jurisdiction, the Company has highly prospective projects located in two other jurisdictions to actively pursue.

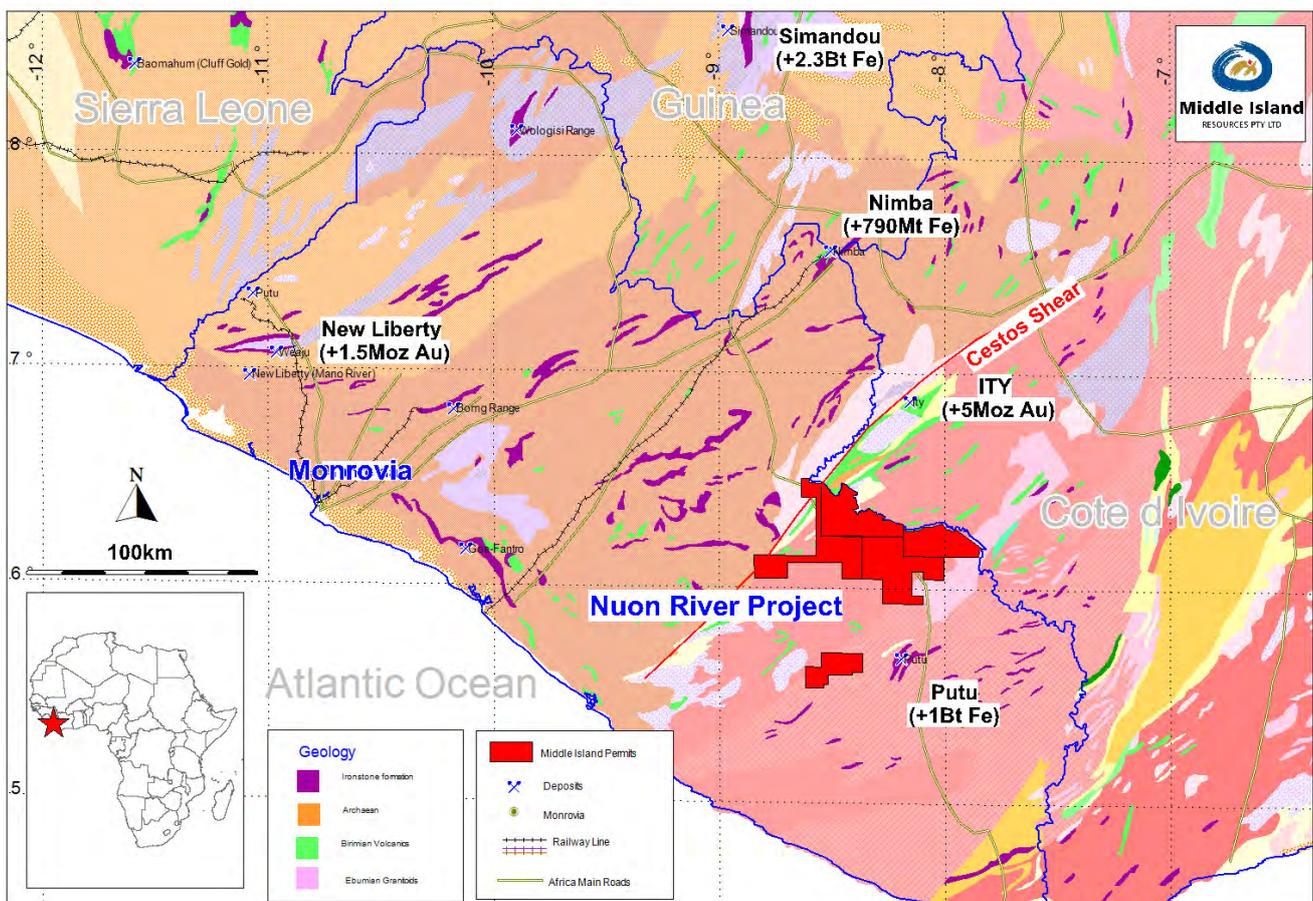


Figure 1 - Location of the Nuon River Project

While major first order structures such as the Cestos Shear need not necessarily be mineralised in their own right, the second and third order structures which propagate off them frequently control and/or host major gold deposits in such terrains worldwide.

Although the Archaean and Proterozoic domains either side of the Cestos Shear both host gold deposits, Middle Island has deliberately focused on the Birimian elements to the east. These lie on the interpreted hangingwall side of the listric faults, in a more favorable lithological setting, with lower metamorphic grades, and have a substantially higher density of mapped gold occurrences.

The Birimian greenstone belts, which host the vast majority of significant gold deposits in West Africa, extend from Guinea, Mali and Burkina Faso in the north, through Cote d'Ivoire, into eastern Liberia.

The Nuon River Project lies some 50km immediately along strike from the Ity gold deposit in adjacent Cote d'Ivoire, which is operated by La Mancha Resources Inc and has a reported gold endowment of some 5Moz.

Project Tenements

The key tenement comprising the Nuon River Project is the Grand Gedeh (pronounced 'Jedda') joint venture permit, covering an area of 657km² in the north-central portion of the project area, immediately adjoining the Côte d'Ivoire border. **Of particular significance is the major alluvial and saprolite artisanal mining centre of Bateajam (pronounced 'Bartajam')** shown in Figure 2 below.

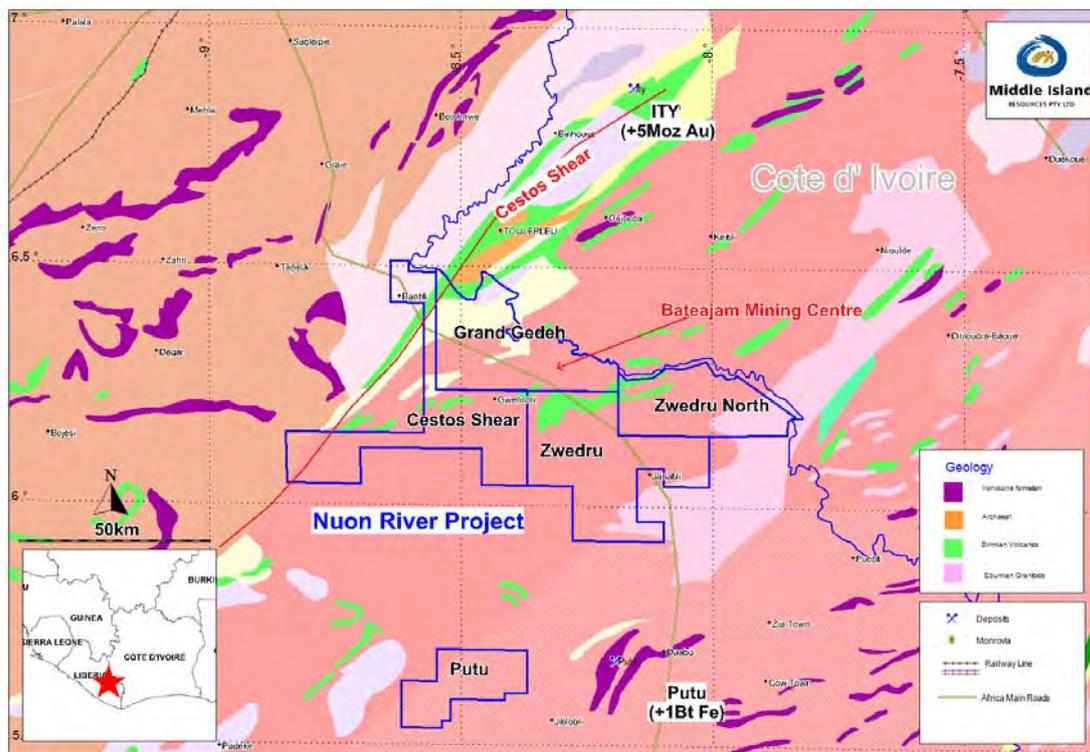


Figure 2 - Middle Island's Nuon River project permits straddling the major boundary between the Archaean and Birimian elements of the West African Craton.

Previous exploration within the Grand Gedeh permit comprises stream sediment sampling throughout the permit and soil sampling over part of the Bateajam artisanal mining centre. **Stream geochemistry has outlined numerous significant anomalies**, the nature of which will require progressive verification. Soil geochemistry has been completed at the Big Hill Prospect (within the Bateajam mining centre), defining a **broad, high tenor (>60ppb Au; maximum 3.75g/t Au), east-west trending gold soil anomaly that extends at least 1.8km along strike and remains open at either end** (Figure 3 below).

The soil anomaly axis is clearly defined on the ground by a dense array of active and historic artisanal shafts developed over a ~100m width as shown in Figure 4 below. A due diligence site visit completed by Middle Island to the Big Hill Prospect in February 2011 indicates that gold mineralisation is associated with **sheeted or stockwork quartz veining hosted within sheared, sericite-carbonate altered amphibolites**. The distribution of extensive alluvial workings and the broad zone of anomalous soil geochemistry in the Bateajam area strongly suggest that the Big Hill Prospect may extend considerably further along strike and/or that unidentified parallel or *en echelon* mineralised zones are present in the vicinity.

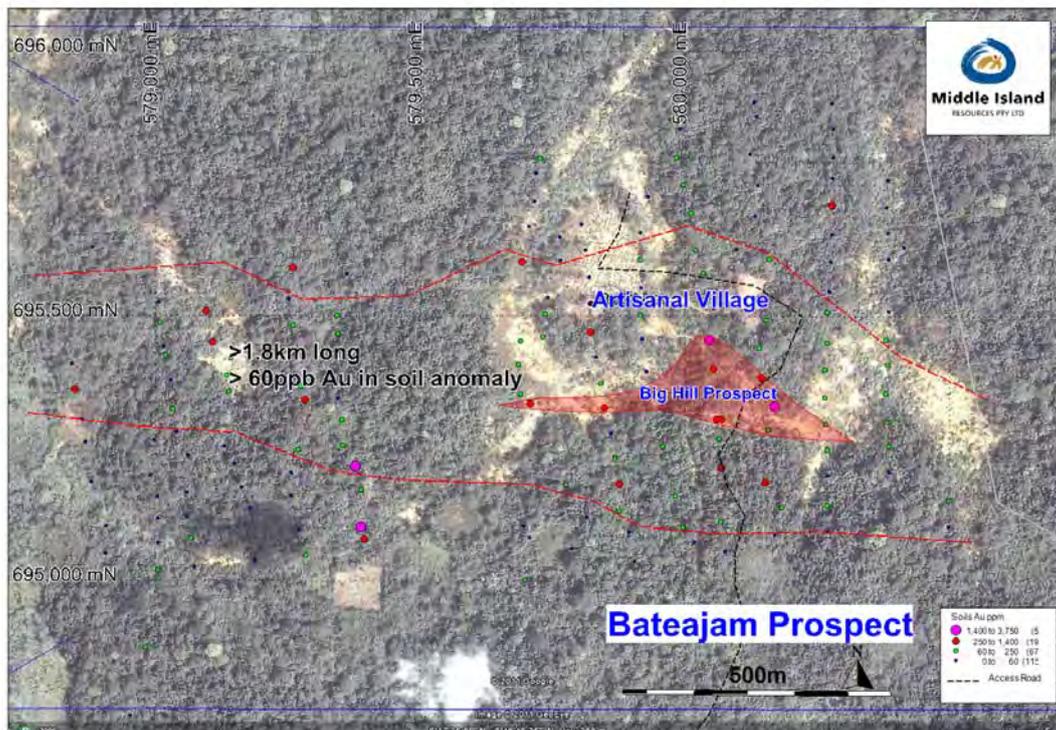


Figure 3 - Satellite image of the Bateajam mining centre showing the extensive distribution of alluvial and saprolite workings, with soil geochemistry superimposed.



Figure 4 - Big Hill Prospect within the Grand Gedeh Permit, showing abundant artisanal shafts developed to ~40m depth in the foreground and alluvial workings evident through the trees in the background.

The remaining four permits comprising the Nuon River Project are held 100% by Middle Island (shown in Figure 2 above), which were recently granted to the Company's wholly-owned Liberian subsidiary, Middle Island Resources – Liberia Ltd. The four permits are as follows:-

- Cestos Shear (781km²)
- Zwedru (856km²)
- Zwedru North (301km²)
- Putu (323km²)

The Cestos Shear, Zwedru and Zwedru North permits completely envelop the Grand Gedeh permit, collectively representing a cohesive block of tenements some 2,595km² in area, securing what is considered to be the highest priority areas of exploration interest. **Reconnaissance exploration currently underway through these permits has already identified another major artisanal alluvial field**, referred to as the 'Middle East' mining centre, within the Zwedru North permit, and **the Company is confident other major occurrences will be identified elsewhere within the project area**. The fourth permit, Putu, lies some distance to the south, in a similar geological environment, **covering a considerable number of gold occurrences mapped by the US Geological Survey (USGS)**.

While the availability and quality of access within eastern Liberia can be extremely challenging due to sparsely developed, poor quality roads, and the extreme physiographic environment, **access to and within the Nuon River Project permits is good**, via main formed gravel roads linking the provincial towns of Tapeta, Zwedru and Pynetown traversing portions of all permits. **Importantly, the principal Big Hill Prospect and the Bateajam mining centre can be readily and directly accessed via existing roads**.

Grand Gedeh Agreement

On 2 June 2011 Middle Island and private Liberian company, Superior Mineral Resources Inc. (Superior), executed a formal Joint Venture Agreement (JVA), in respect of the Grand Gedeh permit, following satisfactory completion of full due diligence. The Grand Gedeh permit has an initial three year exploration term before partial relinquishment is required, followed by a further two year extension of term if needed.

Under the JVA, **MDI has the right to progressively earn up to an initial 75% interest in the Grand Gedeh permit by making a one off cash payment of US\$100,000 to Superior within 14 days of executing the JVA and thereafter completing aggregate staged exploration expenditure of up to US\$5 million within a 5 year timeframe** as follows:-

EITHER

- Year 1 – US\$500,000 for an initial 15% interest
- Year 2 – US\$1.0 million for a further 15% interest (30%)
- Year 3 – US\$1.5 million for a further 15% interest (45%)
- Year 4 – US\$1.0 million for a further 15% interest (60%)
- Year 5 – US\$1.0 million for a further 15% interest (75%)

OR

Complete a positive feasibility study, whichever is the earlier.

The above staged expenditure is essentially equivalent to the minimum statutory commitment required to maintain the Grand Gedeh permit in good standing under Liberian regulations.

Middle Island must spend a minimum of US\$500,000 on exploration before it has the right to cease earning further equity by sole expenditure or withdrawing, after which it can withdraw from the agreement at any stage.

Beyond the earn-in stage, the parties must contribute to expenditure on a pro-rata basis or dilute in accordance with industry standards. Once a party dilutes to a 10% interest, this interest will automatically revert to a 2% net smelter return (NSR) royalty, which the other party has the first right of refusal to acquire.

About Liberia

Liberia is centrally located in the extremely productive West African Gold province and one of the most under-explored countries in the region. Liberia returned to democracy in 2005 and has subsequently made significant progress in rebuilding the economy, administration and infrastructure, and redeveloping international relations. In January 2006 Her Excellency Ellen Johnson-Sirleaf was inaugurated as President. She is heralded as an astute economist and the new 'Star of Africa', who is regarded as being responsible for much of Liberia's recent redevelopment.

The significant presence of multinational United Nations peace-keepers and engineers continues to support Liberia's democratic progress and development. The International Monetary Fund, the United States, the United Kingdom and China have also announced decisions to forgive significant portions of Liberia's foreign debt, further supporting the country's redevelopment.

Liberia's main mineral products are currently gold and diamonds. Iron-ore used to be the country's major export earner, and this industry is being progressively redeveloped to its original standing. Artisanal mining currently accounts for 98% of gold and diamond production, with a conservatively estimated 20,000 to 30,000 artisanal miners operating in the country, accounting for approximately 1 tonne of reported gold production per year. Liberia remains largely unexplored by modern means and has exceptional potential for hosting large deposits of gold, iron ore and other minerals.

Major international mining companies including BHP Billiton, Severstal, Arcelor-Mittal and China Union have recently developed, or are in the process of developing, major mining projects within Liberia, demonstrating the country's prospectivity and its attractiveness as an investment destination. In the gold sector, African Aura Inc (now Aureus Mining Inc.) is advancing its 1.5Moz New Liberty gold project in western Liberia towards production, while Hummingbird Resources Plc is making significant discoveries at its numerous gold properties in eastern Liberia. More recently Gryphon Minerals Limited (via an alliance with Tawana Resources NL), NT Resources Limited (at Bukon Jedeh) and Adamus Resources Limited have acquired significant interests in Liberia's gold potential, and many other international companies are now recognising the opportunity Liberia presents.

Discussion

Middle Island Resources Managing Director Mr Rick Yeates said: "Securing a major land package in this most prospective emerging gold frontier of West Africa has always been a key objective of the Company. The technical basis on which the Nuon River Project strategy has been developed is fundamentally robust, and we are confident that it will lead to significant new gold discoveries".

"We had hoped to take this concept to our ASX listing in December 2010, but were unable to assemble the various project elements at that time. While the Nuon River Project as it stands is a great start, we are also reviewing additional opportunities in Liberia to consolidate our position," Mr Yeates said.

"We also view the opening of a third jurisdiction in West Africa as a prudent diversification strategy that broadens our project pipeline and operational activities across this key province", Mr Yeates added.

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Competent Persons Statement

Information in this report relates to exploration results or mineral resources that are based on information compiled by Mr Rick Yeates (Member of the Australasian Institute of Mining and Metallurgy) and Mr Beau Nicholls (Member of Australian Institute of Geoscientists). Mr Yeates and Mr Nicholls have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Yeates and Mr Nicholls consent to the inclusion in the release of the statements based on their information in the form and context in which they appear.

Please note with regard to exploration targets, the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.