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Gold Exploration Update – West Africa

LIBERIA

- Initial 5,000m reverse circulation percussion (RC) drilling program in progress on the Big Hill Prospect at Barteh Jam mining camp within the Nuon River gold project.

- Comprehensive stream sediment sampling, and airborne magnetic and radiometric surveys, covering the whole of the Nuon River project area both now 75% complete.

- Possible kimberlite diatremes (the traditional host to diamonds) identified in initial interpretation of preliminary airborne magnetic data at the Nuon River Project.

BURKINA FASO

- Rotary air blast (RAB) drilling intercept of 34m at 1.05g/t Au (including 4m at 2.55g/t) defines new gold zone at the Morley Prospect within the Reo gold project.

- A further mineralised RAB drill intercept of 8m at 3.32g/t Au (including 4m at 5.80g/t) has been returned from hole MRRB256 within the K5 portion of the K4/K5 target area.

- 431 holes (18,471m) of RAB drilling completed at Reo, with reconnaissance traverses completed over all targets in the Morley area and encouraging geology and mineralised zones being encountered in initial RAB drilling of the K4/K5 target area.

- 58,037m (7,700 holes) of auger geochemical drilling completed at the Reo gold project, defining the new Samba Prospect over a 3.5km strike length in the north-eastern portion of the project.

NIGER

- Nassilé Gold Project - 145 holes (10,600m) of RC drilling completed to assess 7km long Songonduari and 1.2km long Forbemi gold anomalies, with initial results including 4m at 2.24g/t Au.

- Geochemical auger drilling has recommenced at Nassinl to extend existing auger traverses southeast to cover elements of the major shear zone identified in the airborne magnetic survey.
EXPLORATION UPDATE

Nuon River Gold Project – Liberia

Figure 1; Nuon River gold project location plan, showing the Barteh Jam mining camp.

RC Drilling

An initial program of 5,000m of RC drilling has commenced on the Big Hill Prospect at Barteh Jam Camp within the Nuon River gold project in Liberia (Figure 2 below).

Figure 2; RC drilling at the Big Hill Prospect at Barteh Jam Camp, within the Nuon River gold project, Liberia
Initial drilling (Phase I) is being undertaken at 80m hole centres on 160m spaced lines (Figure 3 below) over the entire 3km strike length of the cohesive soil anomaly that defines a thick package of shallow dipping mineralised veins and breccia zones being mined by artisanals over an 80-150m width.

Figure 3: Cohesive, high tenor, 3km long Big Hill soil gold anomaly defined at the Barteh Jam mining camp within the Nuon River Project, with Phase I RC holes shown in red and Phase II holes shown in green.

Rig access and pad preparation is now well advanced ahead of drilling, however the contracted RC rig is not performing to expectations. In order to resolve this situation, an alternative RC rig, capable of undertaking the work in an efficient manner, is being sourced as the ultimate solution, while a diamond drill rig is being brought in to ‘tail’ deeper RC holes as an interim measure.

Should significant results be confirmed from this initial RC/diamond program at the Big Hill Prospect, a further 15,000m of drilling is planned in two further stages (Phase II and III) to respectively infill the drill pattern to 160m x 40m and 80m x 40m.

**Stream Sediment Sampling**

A comprehensive stream sediment sampling campaign, covering the whole of the Nuon River gold project, commenced in November 2011. The campaign involves ultra-sensitive BLEG sampling and multi-element analytical techniques, designed to confidently identify and discriminate anomalies in order to delineate specific sources of primary gold mineralisation.

To date 250 samples of a planned 340 sample programme (~75%) have been collected for gold and multi-element analysis. BLEG analyses are being undertaken by Genalysis-Intertek in Perth. Sample collection is progressing at the rate of 3-5 samples per day, depending on terrain.
Airborne Magnetic & Radiometric Survey

South African-based Xcalibur Geophysics has been contracted to undertake an airborne magnetic and radiometric survey over the whole of the Nuon River gold project. This survey commenced on 16 January and is also approximately 75% complete.

The combination of airborne geophysics and stream sediment sampling will not only permit the identification of priority exploration areas, but also allow rationalisation of the substantial Nuon River Project tenure to mitigate holding costs and statutory expenditure commitments.

Preliminary interpretation of the unprocessed magnetic data received to date has revealed two more obvious features of potential interest. First, a persistent, moderately magnetic zone has been identified that precisely coincides with artisanal saprolite workings at the Big Hill Prospect that may well assist in tracing this prospective horizon.

Second, a series of individual and clustered dipole anomalies have been provisionally interpreted to represent possible kimberlite diatremes, the primary host to diamonds. Given the presence of kimberlites, including diamondiferous kimberlites, with similar magnetic expressions in the adjacent Nimba Province to the immediate northwest of the Nuon River Project, this outcome is perhaps not unexpected. While diamonds do not represent a strategic focus for Middle Island, should these anomalies be confirmed as kimberlites, the Company will complete sufficient work to establish their potential diamond-bearing characteristics in order to optimise the value of this opportunity in the best interests of Middle Island shareholders without it becoming a distraction to the primary corporate objective.

Given the encouraging preliminary results, the geophysical contractor has been requested to infill specific areas of the original survey at a 100m line spacing to provide higher resolution data for more detailed evaluation. Images of the magnetic data will only be provided once the survey has been completed and data processing finalised.

Reo Gold Project – Burkina Faso

Auger Drilling

Since the recommencement of geochemical auger drilling at Reo on 22 October 2011, the Company has completed an additional 36,453m (4,923 holes), bringing the aggregate campaign total to 58,037m (7,700 holes). Only one of the three contracted auger rigs currently remains at the Reo Project, dedicated to completing infill drilling, while the other two rigs have been reassigned to the Nassilé gold project in Niger. Assay results are awaited for a further 2,207 auger holes at the Reo Project.

As predicted, of particular note is the definition of a new 3.5km long gold anomaly at the northern end of the project, termed the Samba Prospect, where the major Yako Shear is deflected around the western margin of an interpreted mafic intrusive body, as shown in Figure 4 below. This anomaly represents the third significant target to be identified at the Reo Project, all three of which are being progressively assessed via the current RAB drilling campaign. Although the Company is still only completing infill auger drilling at Samba in order to refine the target for more cost effective RAB drill follow-up, artisanal miners are already active on this recently defined prospect.

A recent re-evaluation of auger drilling in the apparently barren, central portion of the K4/K5 target area indicates that numerous sites were either undrilled or were unable to penetrate stiff, lacustrine clays and consequently abandoned or sampled within the transported profile. As such, it is considered that saprolite mineralisation may well persist beneath this area, providing a more cohesive gold anomaly that is some 5km x 5km in extent. This possibility will be tested by two RAB drill traverses from north to south across the entire anomaly during the course of the current campaign.
Figure 4: Image of auger geochemical drilling at the Reo Project, with insets showing the three areas of particular interest. The recently defined Samba anomaly is shown in the extreme northeast portion of the tenement block.

RAB Drilling

RAB drilling designed to assess priority auger gold geochemical targets commenced at the Reo gold project on 30 November 2011. Since this date, 431 holes (18,471m) have been completed. All targets within the Morley Prospect area have now been drilled and the rig has commenced work on the large K4/K5 target area (Figure 5 below).

To date, assay results have been received for some 156 completed RAB holes (including 80% of those drilled within the Morley target area), while results for a further 266 holes are still outstanding. Of particular note is an intersection of 32m at 1.05g/t Au (including 4m at 2.55g/t) in MRRB250, representing the discovery of a potentially significant new mineralised zone in the Morley area. This discovery is located some 5km southwest of the Northern Zone at Morley, where broad high grade trenching and drilling intercepts (including 10.6m at 17.4g/t, 34m at 16.4g/t, 10m at 7.55g/t, 11m at 7.97g/t and 10m at 9.63g/t Au) have been reported previously.
A further mineralised intercept of **8m at 3.32g/t Au (including 4m at 5.80g/t)** in hole **MRRB256** has been returned from limited additional RAB drilling completed to date in the southern (K5) portion of the K4/K5 target area, where previously reported RAB and RC intercepts included **18m at 2.51g/t (eoh), 13m at 2.23g/t (eoh), 4m at 16.2g/t, 4m at 14.0g/t and 12m at 4.11g/t Au** over an open-ended, 800m strike length.

Initial RAB drilling of elements of the northern (K4) portion of the K4/K5 target have also identified multiple, broad zones of quartz-carbonate veining and associated sericite alteration within metasediments, essentially identical to significant mineralisation encountered in previous drilling in the K5 area above. No assay results have yet been received for drilling in the K4 area, however suspected mineralised traverses have been prioritised for assaying.

**Nassilé & Dogona Gold Projects - Niger**

**RC Drilling**

An initial reconnaissance RC drilling programme, which commenced at the Nassilé gold project in December 2011, is nearing completion. The primary purpose of this programme is to assess the 7km long Songonduari-Bamperi South and 1.2km long Forbemi gold anomalies, defined by auger geochemistry last field season. To date 145 holes (10,500m) have been completed and assay results for the initial 18 holes have been received. Assay results received to date include **4m at 1.03g/t Au** from 62m depth in hole MNRC 009 and **4m at 2.24g/t Au** from 62m in hole MNRC013 on the Songonduari target. Assay results for the remaining 127 holes are pending and updates on this programme will continue to be provided during the March and June quarters.
Airborne Geophysical Interpretation & Mapping

The mapping, structural interpretation and targeting studies, based on the magnetic and radiometric surveys flown over the Nassilé and Dogona projects in Niger, have been completed and compiled.

Auger Drilling

Two of the contracted fleet of three auger rigs have been reassigned from the Reo Project in Burkina Faso to the Nassilé Project in Niger where they have commenced the extension of existing auger drill traverses to the southwest in order to cover the primary shear zone and associated splay structures interpreted from the recently completed airborne magnetic survey, shown in Figure 6 below. It is anticipated that additional targets will be identified by this ~5,000m program, which will also permit a logical rationalisation of the permit area required under a statutory 50% reduction due in August 2012.

![Figure 6: Total magnetic intensity, gradient enhanced image of the Nassilé Project showing the northeast trending primary shear zone, horse-tailing into a series of splay structures towards the north.](image)

The combination of geophysical interpretation and mapping will provide the information necessary to define priority corridors for initial geochemical auger drill assessment of the Dogona Project, with three rigs scheduled commence an initial auger campaign on the Dogona and Boulkagou permits in March/April.
Overview

The Company currently has six drill rigs assessing five targets on three projects, each of which has the potential to achieve Middle Island’s minimum resource objective by December 2012.

Commenting on the current activities, Middle Island Managing Director, Rick Yeates, said “I am extremely pleased with progress on what is an aggressive 2012 exploration campaign and I am particularly enthusiastic about the way in which the K4/K5 and Big Hill prospects, at the Reo and Nuon River projects respectively, are shaping up. We certainly won’t die wondering what potential these superb targets might represent, and I am confident that one or both will ultimately prove to be company-makers.”

Corporate

The Company has also been busy on the promotional front, recently presenting at the African Mining Congress in Livingstone, Zambia and attending the Mining Indaba Conference in Cape Town, South Africa. These events were immediately followed by a fund manager and broker tour of the Nuon River, Reo and Nassilé Projects in Liberia, Burkina Faso and Niger respectively (Figure 7 below).

Figure 7; African investor tour participants on the airstrip at Zwedru during a site visit to the Nuon River Project in Liberia.
The Company will also be represented at the African Mining Investment Conference in Sydney and the Mines & Money conference in Hong Kong during March.

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Competent Person’s 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.

Forward Looking Statements

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the mining industry, expectations regarding gold prices, exploration costs and other operating results, growth prospects and the outlook of Middle Island’s operations contain or comprise certain forward looking statements regarding Middle Island’s exploration operations, economic performance and financial condition. Although Middle Island believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes that could result from future acquisitions of new exploration properties, the risks and hazards inherent in the mining business (including industrial accidents, environmental hazards or geologically related conditions), changes in the regulatory environment and other government actions, risks inherent in the ownership, exploration and operation of or investment in mining properties in foreign countries, fluctuations in gold prices and exchange rates and business and operations risks management, as well as generally those additional factors set forth in our periodic filings with ASX. Middle Island undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today’s date or to reflect the occurrence of unanticipated events.