

January 18, 2012

# Exploring James Bay II

Industry Report - Mining

## An Emerging Mining Camp Well Positioned With the Plan Nord

### Adventure Gold Inc.

AGE-V: \$0.36  
Rating: Buy (S)  
Target price: \$1.20

### Azimut Exploration Inc.

AZM-V: \$0.90  
Rating: Buy (S)  
Target price: \$1.40

### Balmoral Resources Ltd.

BAR-V: \$0.98  
Rating: Buy (S)  
Target price: \$1.50

### Eastmain Resources Inc.

ER-T: \$1.13  
Rating: Buy (S)  
Target price: \$2.80

### Midland Exploration Inc.

MD-V: \$1.36  
Rating: Buy (S)  
Target price: \$2.75

### Stornoway Diamond Corp.

SWY-T: \$1.08  
Rating: Buy  
Target price: \$3.40

### Virginia Mines Inc.

VGQ-T: \$9.00  
Rating: Top Pick  
Target price: \$17.00



## Industry Report – Mining

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## Investment Thesis

### Quality Exploration Plays in an Emerging Region

We are initiating coverage on seven small-cap exploration companies operating in the James Bay and Northern Quebec areas. These companies have undeveloped or developing assets and meet our criteria of quality management, strong pipeline of projects, dynamic exploration programs and district-scale land positions. Their market capitalizations range from \$22M to \$284M. **We believe that these companies have considerable potential, both in the short and long-term.** Our view is that they have solid exploration projects in different types of geological environments within the general James Bay and Northern Quebec areas. See Exhibit 1 for a summary of the companies covered in this report.

**Exhibit 1 - Coverage Summary**

Company	Ticker	Price	Mkt. Cap.	Rating	1-Yr. Target	1-Yr. ROR
Adventure Gold Inc.	AGE-V	\$0.36	\$22 M	Buy (S)	\$1.20	233%
Azimut Exploration Inc.	AZM-V	\$0.90	\$33 M	Buy (S)	\$1.40	56%
Balmoral Resources Ltd.	BAR-V	\$0.98	\$65 M	Buy (S)	\$1.50	53%
Eastmain Resources Inc.	ER-T	\$1.13	\$110 M	Buy (S)	\$2.80	148%
Midland Exploration Inc.	MD-V	\$1.36	\$35 M	Buy (S)	\$2.75	102%
Stornoway Diamond Corp.	SWY-T	\$1.08	\$128 M	Buy	\$3.40	215%
Virginia Mines Inc.	VGO-T	\$9.00	\$284 M	Top Pick	\$17.00	89%

Note: T - TSX; V - TSXV. All pricing as of January 16, 2012.

Source: Thomson ONE; LBS.

### Adventure Gold Inc.

We rate Adventure Gold a Speculative Buy with a one-year share price target of \$1.20, based on our NAV estimation of \$83.6M, implying a 233% return. Our valuation is supported by the assessment of Adventure's portfolio of properties and its diversified land holdings. We highlight the following:

- ◆ **Adventure is a pure-play exploration company focused on discovering high quality gold deposits in the Abitibi Greenstone Belt in northwest Quebec and northeast Ontario.** Its portfolio includes gold projects in Val-d'Or, Rouyn-Noranda, Timmins, as well as projects along the Casa Berardi-Cameron and Sunday/Detour Lake Gold Breaks – all proven environments with strong potential for new gold discoveries and where exploration costs are low.
- ◆ **Emerging as a focused gold explorer and project generator.** Several properties are adjacent to known deposits: Lake Shore Gold – Timmins, Agnico Eagle – Goldex, Richmond – Beaufor, Aurizon – Casa Berardi, Metanor – Bachelor Lake, North American Palladium - Vezza & Discovery. We believe Adventure is a relatively young (listed in 2007), serious and focused mineral exploration company in the central Abitibi greenstone belt of Quebec and explores in areas with demonstrated exploration and mining potential.
- ◆ **We believe Adventure's business model is based on solid, active and well thought exploration within proven, relatively accessible mining districts of the Abitibi.** Adventure Gold has astutely accumulated land positions within the Val d'Or, Rouyn, Casa-Berardi, Detour and Timmins gold camps.

**Azimut  
Exploration Inc.**

We rate Azimut Exploration a Speculative Buy with a one-year share price target of \$1.40, based largely on our NAV estimation of \$59.1M, implying a 56% return. Our valuation is supported by the assessment of Azimut's portfolio of properties, its blue-sky potential and project generation capability. We highlight the following:

- ◆ **Azimut is a key holder of properties in Northern Quebec.** We believe its important land position in the Nunavik puts the company in an advantageous position and should benefit from any discovery within a new potential polymetallic mineral belt.
- ◆ **The company's business model is based on innovative exploration and generation of district-scale projects.** Azimut's growth strategy focuses on i) regional-scale mineral potential modeling, targeting potential underexplored polymetallic belts, ii) quality partnership development at an early stage and iii) discovery and delineation of gold, silver, copper, rare-earth elements (REE), uranium, chrome and nickel deposits in Quebec.

**Balmoral  
Resources Ltd.**

We rate Balmoral Resources a Speculative Buy with a one-year share price target of \$1.50, based on our NAV estimation of \$129.6M, implying a 53% return. Our valuation is supported by the assessment of Balmoral's portfolio of properties, its strategic land positioning and assertive exploration programs. We highlight the following:

- ◆ **Balmoral is a junior gold exploration and development company with six projects in advanced and early stages, located along the Sunday/Detour Lake trend in northwestern Quebec.** We believe the Fenelon, La Martinière, Detour East, and Grasset properties and others assembled by Balmoral since its foundation in 2010 position the company astutely in the emerging Sunday/Detour Lake deformation belt.
- ◆ **Balmoral controls 82km strike length on the Quebec side of the Sunday/Detour Lake trend that is host to the 14.9M oz. reserve Detour Gold deposit.** As Detour advances construction of the Detour Gold deposit, we believe the whole belt may garner even more interest. Balmoral is focused, experienced and is dynamically conducting drilling programs to discover gold.

**Eastmain  
Resources Inc.**

We rate Eastmain Resources a Speculative Buy with a one-year share price target of \$2.80, based on our NAV estimation of \$284.6M, implying a 148% return. Our valuation is supported by the growing Eau Claire gold deposit, the potential of the well located in the Eastmain mine and the company's portfolio of properties. We highlight the following:

- ◆ **We believe Eastmain is a solid gold explorer focused on the Eastmain River area of James Bay.** The company is actively exploring for gold and base metal deposits within the Opinaca / La Grande sub-provinces and is advancing three key projects.
- ◆ **Eastmain controls 100% of two growing gold deposits with large land positions and notable access and infrastructure:**
  - i) **Eau Claire:** this deposit contains an estimated resource of 580,000oz. of gold (measured & indicated) and 1,020,000oz. of gold (inferred) resources with high-grade zones showing potential at depth and extensions to the west-northwest with the emerging 850 West Zone.
  - ii) **Eastmain Mine:** this project should be accessible by the Route 167 Ext. by 2014, providing excellent access to a gold project with large growth potential.
- ◆ **We believe the company has a robust portfolio of projects with key acreage along the eastern Eastmain River Greenstone Belt.** Eastmain's significant land holdings cover key geology adjacent to the Eleonore discovery. The Eleonore South Project is a JV with Goldcorp and Azimut Exploration with promising exploration targets.

**Midland  
Exploration Inc.**

We rate Midland Exploration a **Speculative Buy** with a one-year share price target of **\$2.75**, based on our NAV estimation of **\$75.4M**, implying a **102% return**. Our valuation is supported by the assessment of Midland's portfolio of properties and its prospector-generator model. We highlight the following:

- ◆ **Diversified project generator with growth potential.** Midland remains a young, dynamic, and aggressive mineral exploration company focused on mine discovery in Quebec. The company has over 15 wholly owned or in partnership grass-roots and advanced mineral exploration properties, diverse commodity exposure (gold, copper, zinc, REE, uranium and molybdenum), and a robust pipeline of quality projects.
- ◆ **Midland continues to establish key partnerships.** Midland is gaining a foothold for gold exploration in the Abitibi by assembling a portfolio of gold projects ranging from the Maritime-Cadillac, Dunn and Patris to the Laflamme, Casault and Valmond projects. With options to Mines Aurizon Inc., North American Palladium and Osisko Mining Corporation for its gold properties located in the resource-rich Cadillac-Larder Lake mining camp of northwestern Quebec, we believe Midland has attracted good partners that confirm the quality of its projects.

**Stornoway Diamond  
Corporation**

We rate Stornoway Diamond a **Buy** with a one-year share price target of **\$3.40**, based on our NAV estimation of **\$493.2M**, implying a **215% return**. Our valuation is supported by the confirmation of the robustness of the Renard diamond project and Stornoway's strong pipeline of diamond properties in Canada. We believe the recent disclosure of a mineral reserve confirms a critical de-risking of the Renard project and the potential establishment of Quebec's first diamond mine. We highlight the following:

- ◆ **Robust feasibility study.** A bankable feasibility study led by SNC Lavalin has been disclosed on November 16, 2011 and highlights a solid diamond project with 18M carats of probable reserves with upside potential.
- ◆ **Strong management and exploration team.** Over the past years, we believe Stornoway has assembled a quality Quebec-based mine development team. Community consultations have been a key priority and social acceptance is strong.
- ◆ **Potential to develop a solid diamond mine in northern Quebec.** Since the discovery of kimberlite pipes in 2001, the Renard project has progressed to a stage that we believe could lead to a potential long-lived quality diamond mine.

**Virginia Mines Inc.**

We rate Virginia Mines a **Top-Pick** with a one-year share price target of **\$17.00**, based on our NAV estimation of **\$565M**, implying a **89% return**. Our valuation is supported by the assessment of Virginia's Eleonore royalty, its portfolio of properties and other minor royalties. We highlight the following:

- ◆ **Virginia remains the *référence* in the James Bay area.** In 2003, Virginia Gold Mines Inc. discovered the Roberto gold deposit on the Eleonore property, northeast of Opinaca reservoir, triggering a major staking rush in the Eastmain metavolcanic and Opinaca metasedimentary belts. We believe this discovery marked a turning point for the James Bay area as it served as a catalyst for a major staking rush and highlighted the area as an emerging gold district.
- ◆ **The Roberto deposit on the Eleonore property is one of the most significant discoveries made over the past 15 years in North America; Virginia holds a 2.2% to 3.5% NSR on the Eleonore project, which is gaining value with time.** The Eleonore project is located in the eastern part of the Opinaca reservoir in the James Bay area, about 320km north of Matagami in an area where Virginia was pioneer for exploration and has developed considerable expertise. Goldcorp's rights to the Eleonore project were obtained through the acquisition of certain assets of Virginia Gold Mines Inc. (predecessor of Virginia Mines Inc.) in a transaction that closed in March 2006 and was valued at about \$500M. We believe Virginia demonstrated the value of persistence, focus and commitment to a soundly based geological targeting.

- ♦ **Virginia has expertise, focus and positioning to find more deposits.** Virginia has a sizeable land package in the James Bay area, which has been assembled in the last 20 years and remains one of the best positioned in this emerging mining camp. Additionally, we believe Virginia has properties in Northern Quebec that remain tantalizing targets. The Coulon base metal project is proving to be an exciting base-metal play that is still open for size increase as attested by the discovery of new lens 223 in early 2011. With the development of infrastructure in the region, we believe that base metal projects could turn out to be an attractive economic venture in the long-term, further supported by the Plan Nord. With new partnerships with Quadra FNX, IAMGold and Anglo-American, Virginia is set for more discoveries and project advancement.

## Management and Tight Share Structure: The Keys

We believe that a strong portfolio of properties, quality management and a tight share structure are the key success factors for exploration and development companies. We highlight the importance of the companies' expertise and perseverance, first-mover advantage and patience.

### Expertise & Perseverance

**Expertise and perseverance are vital to mineral exploration success.** Focused exploration develops expertise; expertise with perseverance can lead to discovery. We believe the essence in appraising the exploration potential is a fine dosage of perseverance, expertise and the long-term thinking usually found in quality management.

### Focus & Stamina

**In exploration and development, winners lead the way and do not necessarily follow others.** Maximizing exploration potential is generally not successful without a quality management team that has innovation, stamina, focus and integrity. Situations of fast-tracking projects have often led to shortfalls and broken promises.

### First Mover Reaps Benefits

**Grass-root exploration in unknown or lesser-known (remote) areas is not easy, but may pay immense dividends.** Exploration success is based on leading the pack and not following it. Exploration has often been compared to research and development where innovation is key. In that sense, discoveries have often been made by those who are off the trodden path. Thoughtful diversification is beneficial and the pursuit of blue-sky projects (early stage exploration plays) can pay hefty rewards. Essentially, it takes innovation to claim new ground on uncharted territory as well as the ability to recognize the potential of former producing mining camps with the proviso of updated geological models and clear thinking. Indeed, the current high price of precious and base metals suggests that revisiting former mining districts is worthwhile and that exploring the new frontiers is also quite relevant.

### Patience

**We believe patience does have its rewards.** Exploration is also a timely process where compilation and data acquisition through field work and project appraisal cannot be done instantly. Exploration requires a balanced dose of stubbornness and belief. This is why projects must be viewed with a timetable of more than a year. Project evaluation can be done in a matter of days, but acquiring a mineral project implies enough determination to explore thoroughly. In that sense, we believe Virginia's portfolio of properties is revealing. Projects that may not have panned out immediately today may indeed later be of interest through timely methodological work and revised geological models.

### Tight Share Structure

**We believe that companies maintaining a tight share structure provide a greater "leverage to discovery".** The table in Exhibit 2 provides a comparison of the evolution of share structure for junior mining companies exploring in northern Quebec on a three-year basis. We note that while the average increase in shares outstanding stands at 98%, Eastmain Resources (ER-T), Midland Exploration (MD-V) and Virginia Mines (VGQ-T) only average respectively 14%, 25% and 15%. We note that Adventure Gold (AGE-V) and Azimut Exploration (AZM-V) range over 100% as their exploration programs have been financed by share issuance. We highlight that Balmoral Resources (BAR-V) was listed in Fall 2010.

**Exhibit 2 - Selected Exploration Companies in James Bay Area**

Company	Ticker	Price	Mkt. Cap. (M)	EV (M)	Shares Out. (M)		Var. %	HQ Location
					Q4/F08	Current		
<b>Adventure Gold Inc.</b>	<b>AGE-V</b>	<b>\$0.36</b>	<b>\$22</b>	<b>\$20</b>	<b>25.1</b>	<b>61.9</b>	<b>147%</b>	<b>QC</b>
Arianne Resources Inc.	DAN-V	\$0.99	\$66	\$61	45.7	66.3	45%	QC
Augyva Inc.	AUV-V	\$0.24	\$15	n/a	37.9	60.5	60%	QC
<b>Azimut Exploration Inc.</b>	<b>AZM-V</b>	<b>\$0.90</b>	<b>\$33</b>	<b>\$30</b>	<b>16.8</b>	<b>36.5</b>	<b>117%</b>	<b>QC</b>
<b>Balmoral Resources Ltd.</b>	<b>BAR-V</b>	<b>\$0.98</b>	<b>\$65</b>	<b>\$56</b>	<b>n/a</b>	<b>65.8</b>	<b>n/a</b>	<b>BC</b>
Beaufield Resources Inc.	BFD-V	\$0.28	\$27	\$22	83.4	96.3	15%	ON
Ditem Explorations Inc.	DIT-V	\$0.05	\$4	\$4	50.9	82.0	61%	QC
<b>Eastmain Resources Inc.</b>	<b>ER-T</b>	<b>\$1.13</b>	<b>\$110</b>	<b>\$94</b>	<b>85.8</b>	<b>97.6</b>	<b>14%</b>	<b>ON</b>
Eloro Resources Ltd.	ELO-V	\$0.13	\$6	n/a	13.6	48.3	255%	QC
Everton Resources Inc.	EVR-V	\$0.13	\$14	\$13	58.3	111.7	92%	ON
Golden Tag Resources	GOG-V	\$0.33	\$17	\$17	24.1	52.5	118%	QC
Golden Valley Mines Ltd.	GZZ-V	\$0.28	\$20	\$20	61.1	73.4	20%	QC
Hinterland Metals Inc.	HMI-V	\$0.10	\$2	n/a	11.9	24.3	104%	QC
Matamec Explorations Inc.	MAT-V	\$0.39	\$47	\$42	70.7	120.0	70%	QC
Maudore Minerals Ltd.	MAO-V	\$5.25	\$140	\$134	16.5	26.6	61%	QC
<b>Midland Exploration Inc.</b>	<b>MD-V</b>	<b>\$1.36</b>	<b>\$35</b>	<b>\$31</b>	<b>20.5</b>	<b>25.7</b>	<b>25%</b>	<b>QC</b>
NQ Exploration Inc.	NQE-V	\$0.05	\$3	n/a	26.5	72.8	175%	QC
Plexmar Resources Inc.	PLE-V	\$0.03	\$7	\$7	145.6	228.2	57%	QC
Pro-Or Inc.	POI-V	\$0.23	\$14	\$12	29.5	59.4	101%	QC
Sirios Resources Inc.	SOI-V	\$0.04	\$4	\$3	69.4	121.7	75%	QC
Stellar Pacific Ventures	SPX-V	\$0.07	\$7	n/a	24.9	113.8	357%	QC
Typhoon Exploration Inc.	TYP-V	\$0.43	\$9	n/a	56.7	19.9	-65%	QC
Vantex Resources Ltd.	VAX-V	\$0.15	\$9	n/a	13.4	63.0	370%	QC
<b>Virginia Mines Inc.</b>	<b>VGQ-T</b>	<b>\$9.00</b>	<b>\$284</b>	<b>\$240</b>	<b>27.5</b>	<b>31.5</b>	<b>15%</b>	<b>QC</b>
Western Troy Capital Res.	WRY-V	\$0.15	\$5	n/a	19.4	33.6	73%	ON

Average increase in s/o: **98%**

Note: T - TSX; V - TSXV. All pricing as of January 16, 2012.

Source: Bloomberg; Capital IQ.



## Metal Prices Trends and Fundamentals

### Metal Prices to Remain Strong

We believe that rising precious metals prices may set the tone for the next few years. Indeed, gold has gravitated and consolidated towards new records that we believe remain on solid footings, even in light of the recent price drop that is reminiscent of Fall 2008. With eventual rising inflation concerns, combined with continued political uncertainty in some parts of the world, we believe that precious metals stand to remain at current levels and even appreciate in the near term. We believe supply constraints are compounded by i) mine depletion, ii) fewer discoveries, iii) growing environmental and social constraints and iv) increased costs. We highlight that the increasing tightness in the specialized mining labor market is putting certain brakes on the speed of project development. We strongly believe that the precious metals price outlook is one of limited upside, rather than drastic downside. Short term declines and volatility will certainly affect the precious metals sector; however the long-term fundamentals remain strong though we have gold declining to US\$1,000/oz. after 2020 which we expect maybe the average cost of production. Our price forecast is the following (Exhibit 3):

Exhibit 3 - Gold & Silver Price Forecast												
US\$/Oz.	2009A	2010A	2011A	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gold	972	1,224	1,572	1,850	1,900	1,750	1,550	1,450	1,350	1,250	1,150	1,100
YoY %		26%	28%	18%	3%	-8%	-11%	-6%	-7%	-7%	-8%	-4%
Silver	14.6	20.2	35.1	40.0	45.0	40.0	35.0	30.0	25.0	25.0	25.0	25.0
YoY %		38%	74%	14%	13%	-11%	-13%	-14%	-17%	0%	0%	0%

Source: LBS.

### Conducive Environment for Development and Discovery

**Robust precious, specialty metals and base metals prices should foster a conducive environment for development and exploration.** In this type of general favorable environment, we believe mineral exploration in the James Bay area and in northern Quebec should pick-up. We highlight that the area is developing a proven record for discoveries and holds an enormous mineral potential coupled with relative political and social stability, as well as growing infrastructure.



## What's New? Recent Developments in Northern Quebec

### Plan Nord – Growing Infrastructure

The Quebec Government has committed to the sustainable development of Northern Quebec with its **Plan Nord**. The Plan Nord intends to support sustainable wealth-creating projects that should open new access routes, consolidate and improve infrastructure (such as telecommunications network and airports). In addition, Hydro Quebec's hydro-electric infrastructure continues to grow with the Eastmain-1-A/Sarcelle/Rupert Project, while a new mandate under the Plan Nord should lead Hydro-Québec to develop and operate hydroelectric projects (not linked to its main network) supporting development of industrial projects, including mining. We strongly believe that the growing infrastructure should provide competitive advantages to mineral development projects in the James Bay and Northern Quebec areas.

### The Eleonore Project Is Advancing and Growing

Goldcorp reported an initial probable reserve estimate of **3M oz. for the Eleonore deposit and is setting the stage for construction of a world-class mine**. The overall resource base is currently over 7.68M oz. The pre-feasibility study update highlights a robust project that is set to grow and advance with scheduled production by 2015. The Eleonore gold project, property of the Opinaca Mines Company, a subsidiary of Goldcorp, continues to kindle the James Bay exploration play and the recent approval for full construction permit should lead to a new era of project advancement.

### Exploration Activities Showing a Multi-Commodity Territory

**Active exploration projects continue to advance and a multi-element endowed territory is emerging.** Gold, base metals and diamonds are the main minerals in the James Bay territory; however, uranium, rare metals (lithium, tantalum) and iron projects are emerging. Beyond the known iron and nickel operations, extensions to these well-known mineralized belts and potential new areas are emerging. Indeed, the Labrador Trough is already renowned for its world-class iron mines (Schefferville, Wabush, Fermont) serviced by rail and port infrastructure for more than 40 years. In this context, Xstrata's Raglan nickel mine in the upper Nunavik is a testament that world-class operations can thrive in the arctic. We believe that the James Bay and Northern Quebec are turning out to be growing multi-commodity territories located in an ever accessible, stable and safe jurisdiction.

### James Bay, Quebec – an Emerging Mining Camp

We believe that the James Bay area may become one of Canada's important areas for **mineral exploration and development**. Since 2008, several projects have advanced to development stage and various mineral exploration projects are active. We believe 2012 could set pace for new discoveries and mine development and construction. With potential long-term developments, including deep water ports, rail links, we believe that established projects will benefit from new strategic infrastructure. In addition, access to low-cost and clean hydroelectric energy may also set competitive advantages. We also highlight that the First Nations' long-established consultation and growing participation may consolidate a stable social framework.

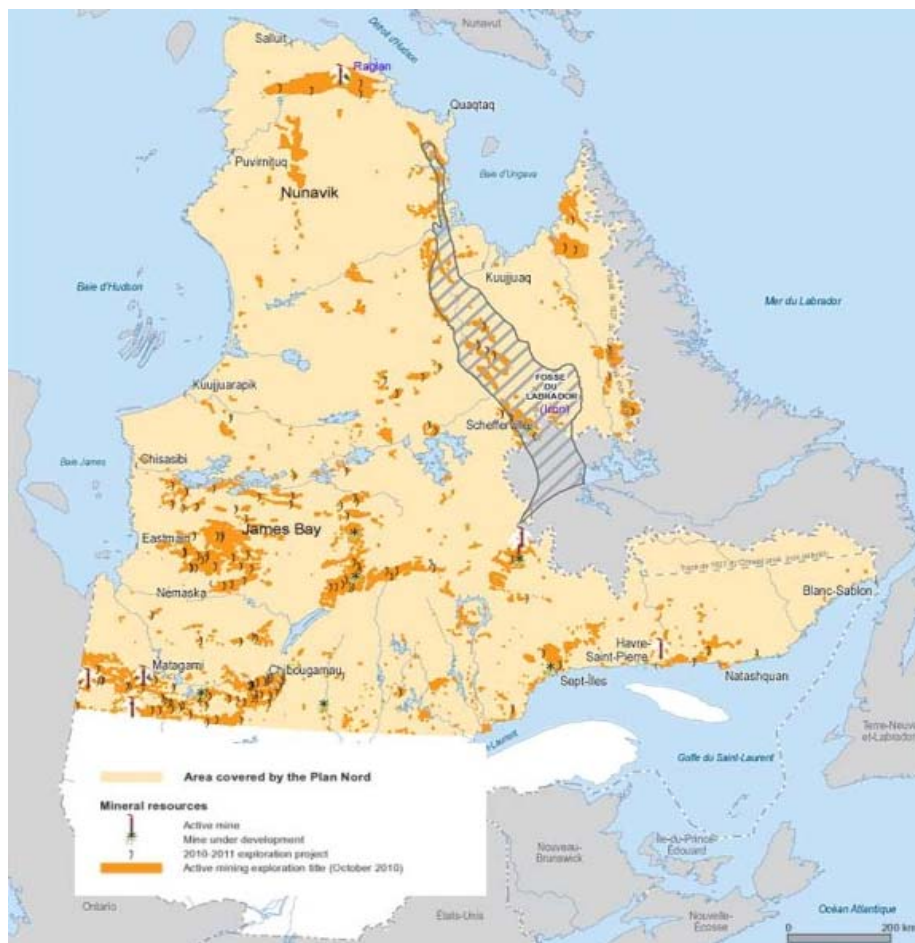
## Northern Quebec: An Emerging Frontier to Benefit from the Plan Nord

### Le Grand Nord – Next Frontier

Le Grand Nord north of the James Bay area remains the **final frontier and is set to attract more and more exploration companies**. The James Bay Territory, also known as Jamésie or Eeyou Istchee in Cree, is the southern administrative part of the Nord-du-Québec (Northern Quebec) administrative region. Nord-du-Québec (Le Grand-Nord), created in 1987, is the largest of the 17 administrative regions of Quebec with 839,000 km<sup>2</sup>, covering all the Ungava, the James Bay and much of the Labrador Peninsula and amounts to approximately 55% of the total land surface area of Quebec (see Exhibit 4). It is the locus of the Quebec government's Plan Nord, a multi-billion dollar long-term plan to develop Quebec's north for the benefit of generations of Québécois; essentially analogous to the April 1971 plans by Robert Bourassa for development of the James Bay hydro-electric potential.



Exhibit 4 - Quebec's Mining Claims and Plan Nord Region



Source: Government of Quebec; LBS.

#### Numerous Exploration Permits

**Growing land positions.** There were 139,422 active claims in Northern Quebec as of December 31, 2010 (134,880 in 2009), represented by 204 exploration projects (140 in 2009). We believe that, as Goldcorp advances the Eleonore project to full-construction phase, exploration in the James Bay and Northern Quebec areas should pick-up. The James Bay territory covers an area of 350,000 km<sup>2</sup> and hosts a growing variety of metallic substances (Au, Ag, Cu, Zn, Pb, Fe, Mo, Li, Ni, REE, U, PGE, Co, Cr and diamond). Over 64 mineral exploration and development projects are currently in progress.

#### Land of Many Resources

**Northern Quebec is a vast area with outstanding potential for development.** Energy potential up north is yet to be harnessed by Hydro-Quebec's vast hydro-electric generating infrastructure, similar to the south of the James Bay. In addition, Northern Quebec has considerable potential tourism and wildlife development possibilities, as well as substantial un-developed mineral resources. These different wealth-creating fields have taken the spotlight with the Quebec Government's manifested interest to embark and commit in an important program of durable development with the Plan Nord.

## Polymetallic Endowment

*Le Grand Nord* produces a wide array of metals. We highlight that all of Quebec's nickel, cobalt and platinum group metals are mined at Xstrata's Raglan mine. Also, the Labrador Trough to the southeast accounts for a significant portion of iron ore and ilmenite production. The James Bay, certainly known for its hydro-electric power stations, is set to produce gold with the Eleonore deposit. Resources of uranium and diamonds are also found, as development projects in the Otish Mountains region reveal. We also highlight growing occurrences of lithium, vanadium, rare-earth metals and tantalum, as well as potential new mineral belts farther north. No doubt, Northern Quebec with the James Bay is emerging as a polymetallic endowed area with a growing multitude of varied metallic substances (Au, Ag, Cu, Zn, Pb, Fe, Mo, Li, Ni, REE, U, PGE, Co, Cr, diamond).

## Details of the Plan Nord

### Plan of a Generation

The Plan Nord of the Quebec Government highlights an interesting framework based on a **consensus-building approach**. Key elements of this "plan of a generation", totalling \$80 billion in investments over a period of 25 years, are as follows:

1. Establishment of a public coordinating body, the *Société du Plan Nord*, to confirm the Quebec Government's determination to make the development of the North a priority and the essential nature of sustainable development.
2. Commitment for the development of 3,500 MW of clean renewable energy composed of 3,000 MW of hydroelectricity, 300 MW of wind power and 200 MW from other renewable sources. Of particular interest is the statement that Hydro-Quebec will support the development of industrial projects, such as mining projects in the territory that the Plan Nord covers. Potentially, Hydro-Quebec may develop and operate hydroelectric projects not linked to its main network in order to respond specifically to the energy and power needs of such industrial projects. This could be very beneficial for the mining industry.
3. Establishment of an integrated transportation network with the following initial priorities:
  - ◆ Extension of Route 167 to the Otish Mountains.
  - ◆ Rebuild Route 389 between Baie-Comeau and Fermont.
  - ◆ Airport upgrades.
  - ◆ Extension of Route 138 between Natashquan and Kegaska.
  - ◆ Extension of Route 138 with the construction of a link between Kegaska and Blanc-Sablon.
  - ◆ Conduct studies to ascertain the feasibility of a south-bound road or rail link from Kuujuaq.
  - ◆ Conduct studies to ascertain the feasibility and profitability of a deepwater port in Whapmagoostui-Kuujuarapik (Poste La Baleine) and of the construction of a land link to Radisson.

### Growing Accessibility – a Stepping Stone for Potential Development

The Plan Nord is establishing the foundations for an exemplary project development with **road infrastructure**. The Quebec Government has committed funds for the construction of Route 167 Ext. (also known as the Otish Mountain Road), a 260km road linking Témiscamie to the Renard diamond project of Stornoway Diamond. This all-season road may eventually reach the Trans-Taiga road providing access to fertile territories and open up new significant opportunities (see Exhibit 5). Conversely, the potential deepwater port in the eastern James Bay/Hudson Bay could provide a strategic outlet for mineral commodities to the Orient.



Exhibit 5 - Infrastructure and Mineral Projects in James Bay, Quebec



Source: LBS.

We believe that all these works could represent stepping-stones for sustainable development. The Plan Nord is an initiative that strives to make the vast Quebec northern territory accessible for the responsible development of mining and other activities. Combined with Hydro-Quebec's extensive hydro-electric complex, access to power, road infrastructure and First Nations community participation, we firmly believe that the area will garner attention as the Eleonore project and others advance towards production.

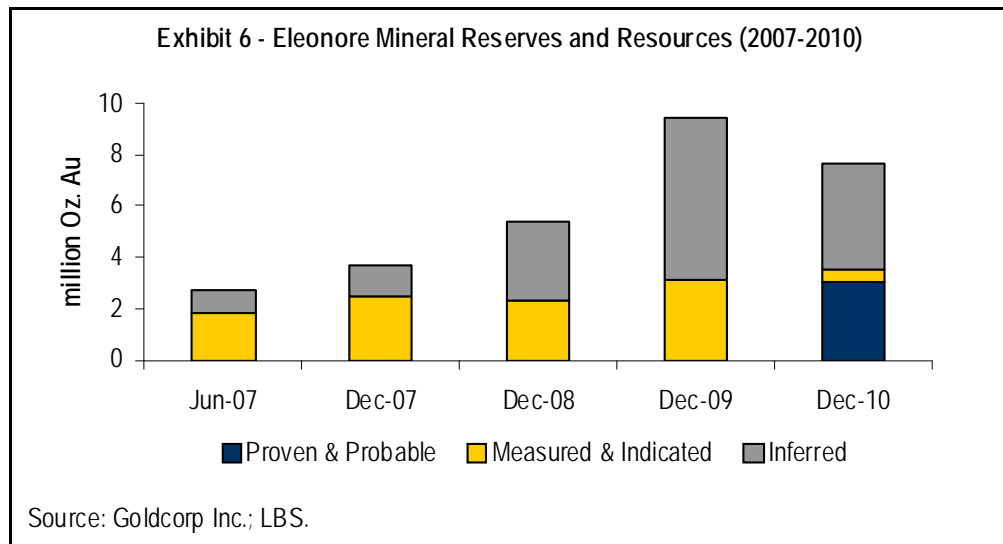
## The Growing Eleonore Deposit

### Pure Gold in a Safe Jurisdiction

Opinaca Mines Company, a subsidiary of Goldcorp, is about to build a world-class mine. With projected cash costs below \$US400/oz., the Eleonore project could become a world-class mine located in a safe and stable jurisdiction with a framework of strong social acceptance and participation of the local Cree population. With an agreement completed with the Cree nation (press-release of February 21, 2011) and permits for mine construction just received, all is set for full construction phase in 2012. Constructive discussions with the Cree Nation of Wemindji, the Grand Council of the Crees and the Cree Regional Authority have led to a binding collaboration agreement. This agreement establishes a collaborative mine-life relationship regarding the construction and operation of Eleonore in respect of traditional Cree activities and ensuring Cree economic and social development. The Eleonore project is positioned to increasingly attract attention as it grows and develops in a sustainable manner. Goldcorp is currently sinking the exploration shaft that should provide access for deep drilling.

**Considerable Growth**

Goldcorp has reported an “upper/lower mine concept” of 7,000 tonnes per day (tpd) with a mine life of approximately 15 years. On December 31, 2010 Goldcorp reported 3M oz. of probable gold reserves for the Eleonore project. The overall resource base is currently over 7.5M oz. Au. The pre-feasibility study update in February 2011 highlighted a robust project that is set to grow. The “upper/lower mine concept” of 7,000 tpd (over 600,000oz. Au per year) with a mine life of approximately 15 years implicitly suggests a mineral inventory of at least 9M oz. Au. with an important un-classified portion below the 650m level. We believe that the completion of the 725m deep exploration shaft could materially increase the mineral reserve and resource estimates for the Roberto deposit of the Eleonore project. We highlight that this “exploration shaft” will serve eventually as a production shaft for the upper mine and be named after André Gaumond of Virginia Mines Inc. The following graph shows the progression of the total Eleonore resources since 2007:

**Progress on Several Fronts**

During its last two conference calls (Q2/11 on July 28<sup>th</sup>, 2011 and Q3/11 on October 27<sup>th</sup>, 2011), Goldcorp reported substantial progress at the Eleonore Gold project. We highlight the following:

- ◆ Exploration shaft has attained a 640m depth of the targeted 725m depth and is on schedule.
- ◆ Exploration ramp advanced to 830m in length and should provide an excellent plate-form for definition drilling and stope mining preparation.
- ◆ Detailed engineering and pre-construction of main access road, permanent bridges and 120KV power line sub-station are being completed. Site infrastructure is growing (see Exhibit 7).
- ◆ 46,000m of surface drilling has been completed in 2011; ongoing drilling should have impact on mineral resource upgrade and size.
- ◆ Goldcorp announced on November 14, 2011 that it had received authorization to immediately commence full construction of the Eleonore gold project.





Exhibit 7 - Eleonore Gold Project Site



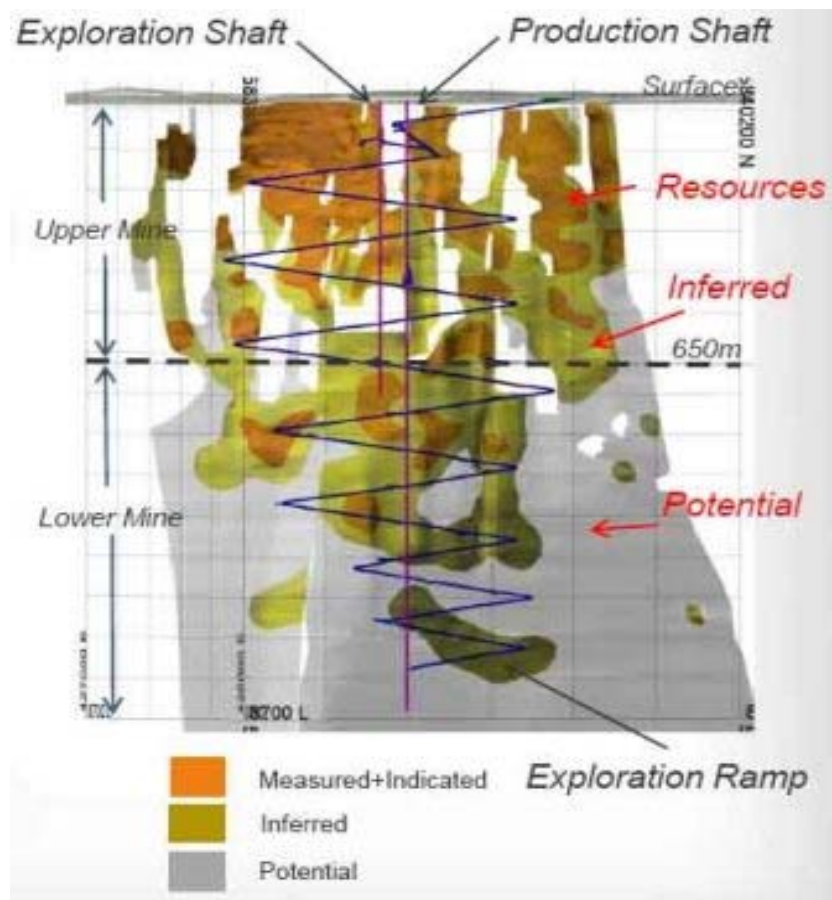
Source: Goldcorp Inc.

#### Extensions at Depth and Surface

We also highlight that the potential for open-pit mineralization remains high and could become part of a mine plan. Goldcorp's current mine plan is indeed an "upper/lower mine concept" of 7,000 tpd (over 600,000oz. Au per year) accessed by the "André Gaumond" exploration shaft for the upper part (Mine 1) and the future main shaft for Mine 2. We understand that the ramp is advancing (830m distance) and that gold zones have been encountered and surface drilling has been encountering wide zones of low-grade mineralization to the north of the Roberto deposit that could be amenable to open pit as the zone is away from waters of the Opinaca reservoir. We highlight that the Eleonore deposit has been traced by drilling over a strike length of over 1,900m and a depth of 1,300m and remains open in all directions and the centre of gravity may be moving at depth. We believe that we may eventually see a Mine 3 concept evolve. We highlight that the Abitibi deposits often have great vertical continuity and extension and we would not be surprised to see the same emerging for this part of the James Bay. In fact, Goldcorp recently highlighted that there is excellent growth potential below the -800m level.



Exhibit 8 - Eleonore Longitudinal Section with Two Shafts\* and Ramp



\* Upper and lower mine.  
Source: Goldcorp Inc.



## Favourable Environment for Discovery and Development

### Significant Discoveries Are Yet to Be Made

The James Bay and Northern Quebec areas still remain relatively uncharted, especially at depth, and could potentially represent a significant amount of Quebec's ultimate mineral wealth. With gold, base metals and diamonds currently the main metallic commodities, the Northern Quebec territory is also locus of other metallic minerals and is certainly emerging as a multi-commodity mineral district. We highlight reworked and new projects in gold, copper-zinc-silver, lithium, tantalum, uranium, iron and nickel-copper PGE's that show northern Quebec's growing and diverse mineral endowment. We continue to believe that the Eleonore project should serve as beacon emerging mining camp and would be surprised if Eleonore remains a one gold deposit anomaly in the emerging James Bay mining camp. With full mine construction set to begin in 2012, we believe that exploration will pick-up as the area becomes recognized as an emerging mining camp. We maintain that well positioned, well managed exploration companies could benefit greatly.

### Regional Competitive Advantages

The James Bay area is a vast territory where the mining industry is still at the forefront and is to be supported by the Plan Nord. Furthermore, in a rising energy cost environment with scarce skilled workforce, the proximity of hydroelectric complexes and an established mining region just south in the Abitibi sub-province could provide a competitive edge to projects in the James Bay area. As land positioning is key, we firmly believe first movers should benefit. We also highlight that engineering firms such as Genivar Inc. (GNV-T), Stantec (STN-T), SNC Lavalin (SNC-T), BBA Engineering, Dessau-Soprin, Met-Chem, among others have established footholds and expertise in the area. In a tight specialized labor market, having previous experience and presence in an area could prove to be critical.

### Infrastructure and Accessibility

Infrastructure should provide a powerful competitive edge and favour the development of mineral projects in the James Bay area. Due to the development of large hydroelectric dams over the past 25 years, the once remote James Bay area is now endowed with significant infrastructure which offers year-round accessibility by road, as well as electricity, airports, and hotels. The access to projects is enhanced as it is possible to drive directly by car from Montreal to the roads adjacent to the numerous hydroelectric plants and infrastructure, as well as to certain exploration projects that were not accessible in the past. With the development of the Plan Nord, infrastructure may eventually reach even farther north.

### James Bay, Quebec – Set for Discoveries and Advancement

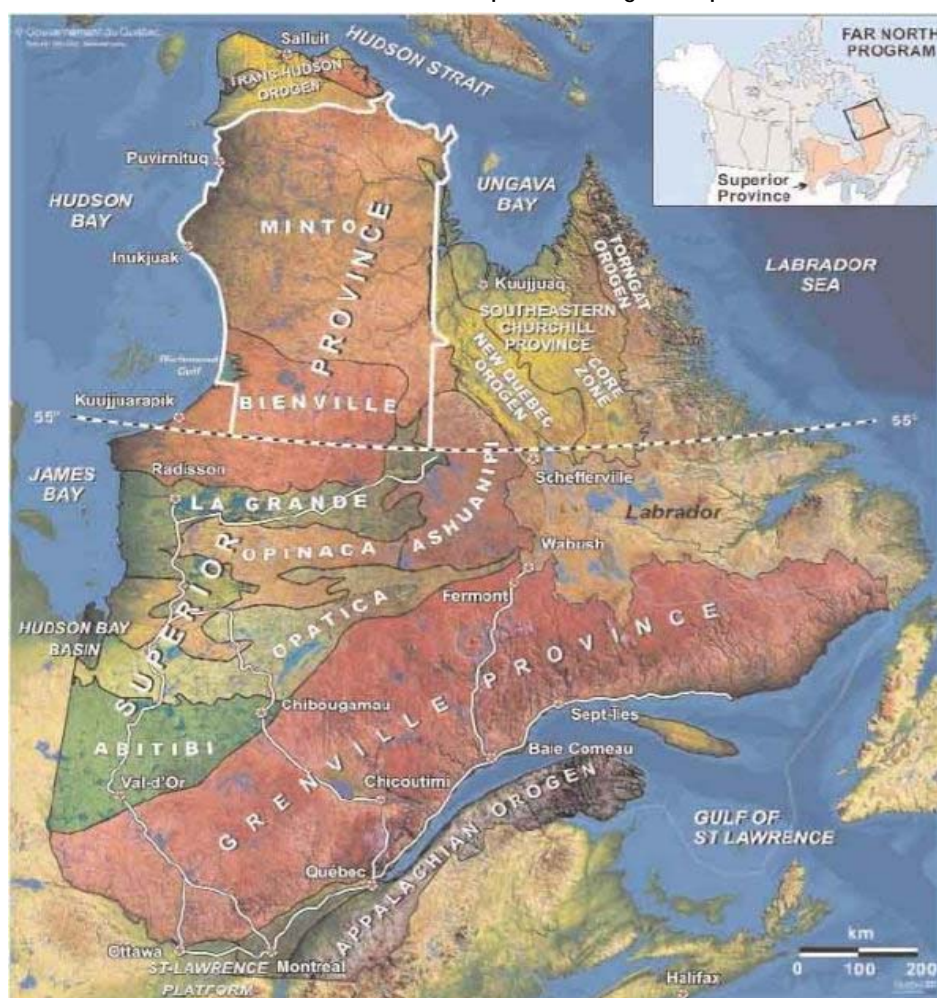
We remain convinced that the James Bay area may become one of Canada's most important areas for mineral exploration and development as it is proving to be a fertile territory for base and precious metals, as well as strategic metals discovery. Since 2008, several projects, other than Eleonore, have advanced to the development stage. For example, the Eau Claire deposit has a recent mineral resource estimate of 1.6M oz. and current drilling continues to expand the gold deposit. The Coulon base metal project has a growing 14Mt global resource estimate and other lenses are being delineated. The same goes for the Otish Mountains, north of Chibougamau, where diamonds were discovered by the joint venture of Stornoway-SOQUEM in 2001. In this region, the Renard diamond project has recently completed a feasibility study. Effectively, a first diamond mine could be opened in Quebec by 2015-2016 by Stornoway Diamond Corp. This area also offers excellent potential for the discovery of uranium deposits, as proven by the results of exploration work carried out by Strateco Resources Inc. on its Matoush property. We note that the Matoush uranium project is awaiting social acceptability and permits for underground exploration/development. The area is also emerging as a potential lithium mining camp with the Wabouchi, Cyr and Moblan deposits of respectively Nemaska Exploration (NMX-V), Lithium One (LI-V) and Perilya Limited (PEM-A).



### Exploring the Grand-Nord – a Potential Multi-Commodity Mining Camp?

The Grand-Nord remains the final frontier as its geology is being better defined. Indeed, the vast area lying between the James Bay and the Cape Smith nickel belt (Trans-Hudson orogen) to the north has seen its geological comprehension improved since the early 1990's. Previously defined as a mass of granite rocks (pink on the geological maps), recent scientific studies and exploration works have considerably improved the geological, geochronology and the mineral appraisal database and have highlighted tracts of volcanic-sedimentary belts within the Minto geological sub-province of the Superior geological province (see Exhibit 9). These volcanogenic belts and structural breaks have been recognized and explored by SOQUEM, Virginia, Cominco and a few others and recent works may be showing an area also endowed in rare earths, uranium and copper-gold in relation to Iron Oxide-Copper-Gold (IOCG) systems. As studies and exploration works advance, we believe discoveries could be made and highlight an emerging multi-commodity mining camp.

Exhibit 9 - Quebec's Simplified Geological Map



Source: Geological Survey of Canada.

## Adventure Gold Inc. (AGE-V – \$0.36)<sup>1</sup>

### Company Profile

Adventure Gold is a Quebec-based early mining exploration company focused on the discovery of high quality gold deposits in the Abitibi Greenstone Belt in northwestern Quebec and northeastern Ontario. Adventure's portfolio consists of projects within the Val d'Or, Timmins West gold camps, as well as along the Casa-Berardi-Cameron and Detour Lake areas. The company's portfolio of properties straddles the main structural fault breaks host to several of the richest gold deposits in the world.



Source: BigCharts.com

Ticker	AGE-V	Shares O/S (M)	61.9
Rating	Buy (S)	Market Cap (M)	\$22.3
Risk	High	Float O/S (M)	56.3
Price	\$0.36	Float Value (M)	\$20.3
1-Yr Target	\$1.20	Avg Daily Volume (K)	66.2
Dividend	\$0.00	Enterprise Value (M)	\$20.2
Yield (%)	n/a	Control Blocks:	
1-Yr ROR	233%	Mgmt. & Dir.	9%
52 Wk High-Low	\$0.80-\$0.31	Net Debt/Cap	n/a
Valuation	NAV	BVPS	\$0.13
Year End	Jul. 31	Next Reporting	Mar-12

Expenditures (M) - Years ending Dec. 31						
	2012	2013	2014	2015	2016	2017
Capex	n/a	n/a	n/a	n/a	n/a	n/a
Exploration	\$4.0	Funded by partners		\$1.6		

Resource Estimate	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (oz.)
Lapaska (Inferred)	0.22	3.14	22,197

Source: Company reports; Bloomberg; LBS.

1. All pricing as of January 16, 2012.

## Buy (S) – Target Price: \$1.20

We are initiating coverage on Adventure Gold Inc. with a Speculative Buy rating and a one-year target price of \$1.20, implying a return of 233%.

We highlight the following:

- ◆ **Focused gold explorer in the Abitibi.** Adventure has assembled prospective land positions within the main structural breaks of the Abitibi. Its properties are located within the Cadillac-Larder Lake, Casa-Berardi-Cameron and Sunday/Detour Lake structural breaks. Adventure targets Archean lode gold mineralization style within or near new and past producing gold deposits, as well as less explored areas that are highly prospective for discovery.
- ◆ **Quality project instigator.** Adventure's is focused on discovering high quality gold deposits using thorough compilation and good land positioning in the Abitibi region of northern Quebec and Ontario. Adventure is emerging as a serious and focused mineral exploration company in the central Abitibi greenstone belt of Quebec, by virtue of its growing land position that totals over 45,000ha within emerging gold plays.
- ◆ **Young and talented exploration team.** Adventure's team includes mining professionals with both exploration and production experience. The company uses its exploration know-how to attempt to discover major ore deposits using advanced exploration techniques, including aggressive drilling campaigns.
- ◆ **On-track for a major gold discovery.** Adventure's portfolio of properties has potential for new discoveries. In particular to the east of Val d'Or, where it has identified potential extensions to the past producing L-C Beliveau mine on the Pascalis-Colombiere property. Adventure has partnered with Agnico-Eagle on the Dubuisson project near the suspended Goldex mine. The company also has a promising wildcat deep drill hole for potential deep extensions to the West Timmins Mine in Ontario.
- ◆ **Quality partners.** Adventure has begun to attract quality JV partners such as Agnico-Eagle and Lakeshore Gold as well as other junior explorers. These partners have the capacity to advance projects to the production level.
- ◆ **Compelling net asset value.** Adventure has an attractive valuation based on our geological assessment of the portfolio of properties that suggests a NAV of \$83.6M or \$1.18 per share (FD).





## Company Profile: Focused Gold Exploration and Development

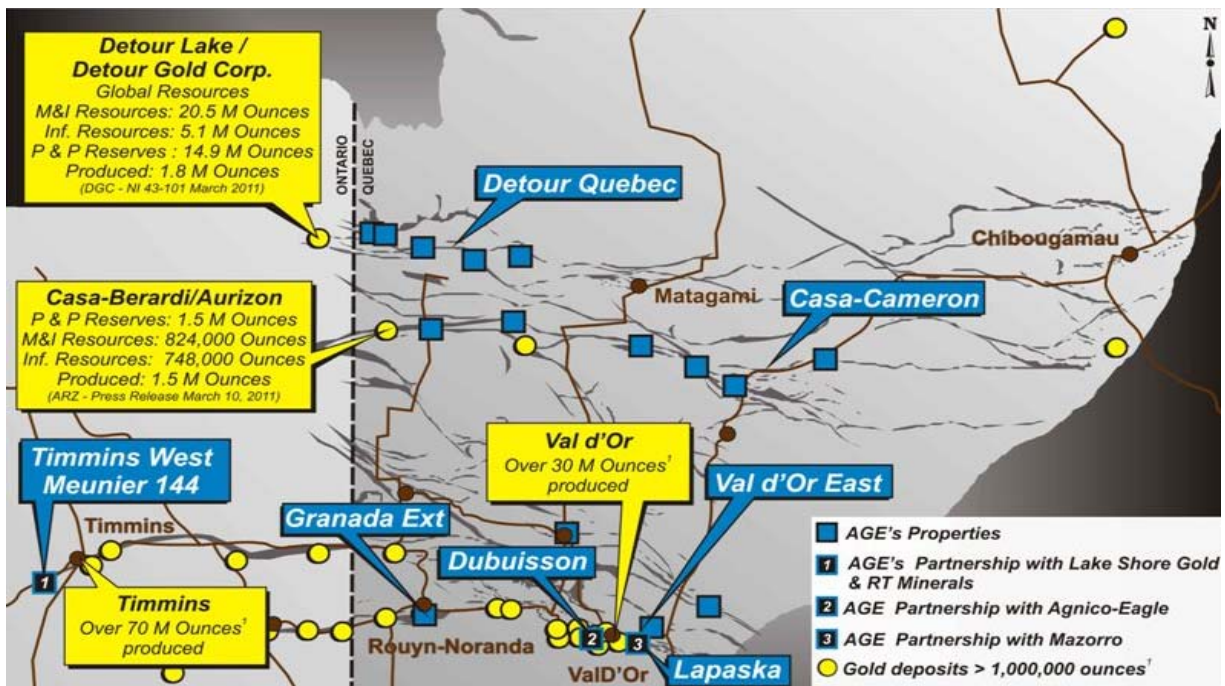
Dynamic Canadian  
Gold Exploration and  
Development  
Company

Adventure Gold is a Quebec-based early-stage exploration company founded in 2007 that has since built an impressive portfolio of projects, targeting precious metals mineralization near or within past producing deposits. The company's strategy is to reduce the technical and financial risks associated with mineral exploration by generating quality targets and developing projects that have potential for resource expansion near proven mining camps. Adventure is focused on gold within Archean lode gold mineralization systems associated with the main structural breaks of the Abitibi. Its general philosophy is that the best place to find gold is right beside other gold mines that either are operating or will eventually be in production.

Emerging Exploration  
Leader in Mining-  
Friendly Quebec

Adventure is emerging as a premier Canadian gold exploration and development company, by virtue of the quality of its portfolio. This includes over 30 exploration properties in Quebec, which are essentially focused on gold at different stages of advancement along the main structural breaks of the Abitibi. The company's properties represent about 1,000 claims (~45,000ha), making Adventure an emerging important claim-holder in the northwestern Quebec, a jurisdiction that remains an attractive mining area because of its history and relatively stable social framework. In a rather short time span, the company has assembled a large portfolio of quality properties in the Abitibi that straddle the main fault breaks which are often locus of gold mineralization (Exhibit 10).

Exhibit 10 - Projects in Ontario and Quebec (Abitibi)



Source: Company reports.

## Building Partnerships

**Adventure has begun to establish quality partnerships.** Adventure has astutely optioned-off some of its properties and kept others to work by itself with the objective to increase the value of its property portfolio. Agreements with Agnico-Eagle Mines Ltd. (AEM-T), Lake Shore Gold (LSG-T), RT Minerals Corp. (RTM-V) and Mazarro Exploration Inc (MAZ-V) are a beginning to establishing partnerships for Adventure's growing property portfolio.

**Adventure has partnered with Agnico-Eagle Mines Ltd. for the development of its Dubuisson property,** located west of Agnico-Eagle's suspended Goldex Mine. Agnico can acquire up to 65% of Dubuisson property through investments totaling approximately \$5M and ultimately 70% interest by completing a bankable feasibility study. Agnico has recently completed a 4,000m drill program that aims to confirm and define the Quebec Explorers (QEX) deposit located along the Cadillac-Larder-Lake fault break. As the property is located near the urban perimeter of town of Val d'Or, and as Agnico-Eagle has established good working relations with the community, Adventure has found the right partner to advance the Dubuisson project.

**On the Meunier-144 property, located in the western Timmins area, Adventure has picked-up a strategic land position.** The property is within the potential strike extension at depth of Lake Shore's West Timmins mine. Adventure's property is 4km to the west of Lake Shore's Timmins and Thunder Creek zones, which plunge to the west and are going into production. Lake Shore's property encircles Adventure's property and Lake Shore Gold and RT Minerals Corp. have an option to earn a stake in Adventure's property by spending \$3M in drilling and thus acquire each a 25% interest. The Meunier 144 is being drilled with a directed (navigated) drill hole that aims to investigate the potential down-dip extension of Timmins and Thunder Creek zones. If there is extension into Adventure Gold's property, the potential value of the property could increase substantially.

**Total budget from partners was approximately \$4.0M in 2011 and could be between \$1.6M and \$3M in 2012.**

## Strategic Landholdings Offering Opportunities

**Adventure has positioned itself for discovery.** The company's insight over the Abitibi has allowed it to recognize and position itself over potential ore deposits or new emerging area plays. Adventure's has assembled an impressive land position by claim staking in the areas of the Casa-Berardi-Cameron and Sunday/Detour Lake structural breaks. Adventure has been assembling a portfolio of projects all along the Casa-Berardi-Cameron structural break in the vicinity of the Casa-Berardi mine, operated by Aurizon Mines (ARZ-T), as well as more to the east along the Cameron break and near the Vezza and Douay gold deposits. In the Sunday/Detour Lake area of Quebec, Adventure has assembled six properties totaling almost 15,000ha. Along with Balmoral Resources (BAR-V) and Midland Exploration (MD-V), Adventure controls considerable key acreage along the Massicote and Lower Detour Grasset deformation zones. This land position has been poorly explored due to the depth of overburden. The following exhibit summarizes Adventures portfolio of projects:

**Exhibit 11 - Adventure Gold's Portfolio of Properties**

Project	Commodity	Interest	Partner	Acreage *	Stage	Status	Drilling
<b>Val d'Or</b>							
Beaufor North	Au	100%		167	Exploration	n/a	No
Beaufor West	Au	100%		78	Exploration	n/a	No
Dalquier	Cu, Zn, Au	100%****	MZO-V	3,497	Exploration	Active	No
Dubuisson	Au	49% ***	AEM-V	870	Adv. exploration	Active	Yes
Lapaska	Au	100% **	MZO-V	344	Adv. exploration	Active	Yes
Megiscane-Tavernier	Au	100%		3,096	Early exploration	To be active	No
Pascalis-Colombiere	Au	100%		637	Adv. exploration	Active	Yes
Realore	Au	100%		632	Early exploration	n/a	No
Senore	Au	100%		729	Exploration	n/a	No
<b>Timmins West</b>							
Meunier-144	Au	75%	RTM-V	161	Adv. Exploration	Active	Yes
<b>Casa-Berardi-Cameron</b>							
Bachelor-Extension	Au	100%		2,659	Exploration	n/a	No
Bell-Vezza	Au	100%		1,666	Exploration	Active	No
Casagasic	Au	100%		1,203	Exploration	Active	No
Cere	Au	100%		952	Exploration	n/a	No
Florence	Au	100%		3,148	Exploration	n/a	No
KLM	Au	100%		167	Exploration	To be active	No
Sinclair-Bruneau	Au	100%		4,480	Exploration	Active	No
Vezza Extension	Au	100%		656	Exploration	n/a	No
<b>Detour Quebec</b>							
Casgrain	Au	100%		8,593	Exploration	Active	No
Manthet	Au	100%		2,019	Early exploration	Active	No
Martigny	Au	100%		2,101	Early exploration	Active	No
Massicotte	Au	100%		340	Exploration	Active	No
Nantel	Au, Cu, Zn	100%		888	Exploration	Active	No
Sicotte	Au	100%		833	Early exploration	n/a	No
<b>Appalaches</b>							
St.Francois	Au	n/a		n/a	Early exploration	n/a	No
Stoke	Au	n/a		n/a	Early exploration	n/a	No
<b>Rouyn-Noranda</b>							
Granada-Extension	Au	100%		232	Exploration	Active	No
Montreuil	Au, Cu, Zn	100%		1,303	Early exploration	n/a	No
Solitaire	Au	100%		346	Early exploration	n/a	No

**Approx. 30 properties with combined acreage of : > 45000**

\* Hectares. \*\* 30% if partner exercises option. \*\*\* 35% if partner exercises option. \*\*\*\* 0% and 2.5% royalty.

Note: T - TSX; V - TSXV.

Source: Company reports; LBS.

For a detailed description of Adventure's projects and land holdings, see Appendix III.

## Management and Board: Experienced

Enthusiastic, Focused  
and Solid

Management is highly experienced with a long and successful track-record in exploration. The solid experience of management and staff with major companies has provided exposure to diverse projects and different industry contacts. The company is very dynamic and well established in the Abitibi. Management has demonstrated ability to significantly grow the portfolio of quality projects. We profile some members of the management team below:

- ♦ **Marco Gagnon, P. Geo., President, CEO, Director (Sorel)** – Mr. Gagnon, a graduate in geology from Université du Québec à Chicoutimi, is a senior mining exploration professional with more than 20 years of experience, mostly with major mining companies. From 2004 to 2007, he was VP Exploration and Acquisitions with Société d'exploration minière Vior inc., a Quebec-based mining exploration company. Prior to 2004, Mr. Gagnon acquired vast experience in mine production and mine site and project exploration with Inmet Mining Corporation where, over a period of 10 years, he developed an expertise in designing, implementing and managing exploration programs on archean base metal and gold properties in Eastern Canada and in Finland. Prior to Inmet, he was employed by Barrick Gold, Minnova and Radisson Mining Resources. Marco was President of the Quebec Mining Exploration Association (AEMQ) from 2007 to 2009 and is a member in good standing of the Ordre des géologues du Québec.
- ♦ **Stéphane Le Bouyonnec, P. Eng., Chairman of the Board (Montreal)** – Stéphane Le Bouyonnec is the co-founder and President of Synergis Capital and possesses a strong background in corporate strategic planning, M&A activities and financing initiatives. Prior to co-founding Synergis, Stéphane was COO for Orthosoft (OSH-V). In previous years, he was a Senior Partner at Secor Consulting, President of Innovitech Consulting, Senior Vice-President at the Solidarity Fund (QFL), Executive VP of Hypocrat (today Medisolution, MSH-T) and CEO of Métaforia Entertainment. Mr. Le Bouyonnec is an industrial engineer who graduated from l'école Polytechnique de Montréal.
- ♦ **Marc L'Heureux, Director (Sorel)** – Mr. L'Heureux has recently been appointed as the VP Exploration of Vior Inc. (VIO-V) and he has more than 20 years of experience as a professional geologist in exploration for gold, nickel, base metals and diamond in North and Latin America. Prior to 1997, he had worked for Cambior, Falconbridge and Barrick and since been involved with junior explorers such as Boreal Exploration, GlobeStar Mining, Majescor Resources and Everton Resources. Mr. L'Heureux holds a degree in Geology and a Master Degree in Earth Sciences (Applied Geochemistry), which he received from the University of Quebec in Montreal and University of Quebec in Chicoutimi, respectively. He is also a member in good standing of the Ordre des géologues du Québec.
- ♦ **Michael Williams, Director (Vancouver)** – Mr. Williams is the President, Director and founder of Full Metal Minerals (FMM-V) and he currently oversees the company's corporate development, strategic and operational planning. Mr. Williams is also Chairman for Full Metals Zinc (FZ-V) and Revolution Resources (RV-T) and has significant contacts with both retail and institutional investors. He has been directly involved in the mineral exploration business for the past 15 years and was the Chairman and founder of Underworld Resources Ltd. which was purchased for \$140M by Kinross Gold Corporation in March 2010. Mr. Williams is also a Director of several Canadian publicly traded mining exploration companies. He was previously VP of Atna Resources, where he developed and implemented the company's communication and investor relations programs from 1996 through to 2004.



- ◆ **Robert Boisjoli, Chief Financial Officer (Montreal)** – Mr. Boisjoli is a Chartered Accountant (CA) and a Chartered Business Valuator (CBV), and holds a Bachelor of Commerce and Diploma in Accounting from Concordia University in Montreal. Mr. Boisjoli is currently a Managing Director at Atwater Financial Group and CFO of Brionor Resources Inc. (BNR-V). Mr. Boisjoli is also a Director and audit committee chairman of both Aptilon Corporation (APZ-V), a customer relationship manager for the pharmaceutical industry, and Mitec Telecom Inc. (MTM-T), a designer and manufacturer of wireless and satellite components. He previously held the CFO position at Topigen Pharmaceuticals and Xanthus Pharmaceuticals Inc., a Boston based biotechnology firm, of which he is a co founder. He was also an investment banker with various Canadian securities' firms and contributed to the creation of a mutual fund in the Quebec market.
- ◆ **Jules Riopel, VP Exploration (Rouyn)** – Mr. Riopel is a senior mining exploration professional with more than 20 years of experience. He is a graduate in geology from Université de Montréal and holds a MBA from UQAM. Mr. Riopel has worked with major mining companies such as Richmond Mines, Cambior Inc. and Noranda Inc. Prior to joining Adventure Gold, he was the Director of Geology and Exploration with Richmond Mines, where he obtained 6 years of expertise in all aspects of mineral mining management. He was instrumental in discovering and delineating new gold resources at Francoeur (West), Wasamac, Beaufor, Valentine Lake, East-Amphi and Island Gold projects. We note that Mr. Riopel is a member in good standing of the Ordre des géologues du Québec.
- ◆ **Mathieu Guay, Project Geologist (Rouyn)** – Mr. Guay is a graduate in geology from Université du Québec à Chicoutimi. He is a professional geologist with more than 14 years of experience in exploration for gold, nickel, PGE and base metals in Northern Quebec, Ontario, Newfoundland and USA. Prior to join Adventure Gold as senior geologist, he worked for intermediate to major producer as Richmond Mines, Meston Resources, Falconbridge, Inmet Mining and Noranda. Mr. Guay has acquired a vast experience in grass root exploration to advanced project development and mining. He was involved in the discovery and orebody delineation of the new Francoeur West Zone, Wasamac deposit and Island Gold Mine. He is also a member in good standing of the Ordre des géologues du Québec.
- ◆ **Elisabeth Tremblay, P.Geo., – Corporate Communication Manager (Montreal)** – Ms. Tremblay is a geologist with more than 15 years experience in exploration for gold, nickel and base metals. She previously worked for Falconbridge Ltd. and for junior exploration companies such as Boreal Exploration, Everton Resources, Focus Metals and Osisko Mining Corp. She is a member in good standing of the Ordre des géologues du Québec and holds a degree in Geology and a Master Degree in Earth Sciences (volcanology), which she received from the University of Quebec in Montreal and University of Quebec in Chicoutimi, respectively.

## Valuation: Sum-of-all-the-Parts

### Value in a Quality Portfolio of Projects

Our valuation of Adventure is based on the NAV of the company's portfolio of projects. We believe that Adventure has assembled an impressive portfolio of projects along the main structural breaks of the Abitibi. The company has also shown its ability to conduct aggressive drill programs aimed at unlocking the potential and establishing the initial foundations of a valuable portfolio of properties within potential expanding and emerging gold belts. Adventure has disclosed positive drill results from the Pascalis-Colombière, Dubuisson and Lapaska projects that indicate prospective gold mineralization and excellent exploration and development potential.

### Determining Exploration Targets

Our assessment of the properties' value is based on geological potential (acreage propensity), value of past and present works, potential resources pondered for location and probability of discovery. Our assumptions for potential resources are based on current knowledge and approximation of mineral potential that is based on historical works, current works and local geology. The assessed value is thus determined for each property. We estimate the NAV for Adventure's diversified portfolio of projects at \$55.4M. This is essentially based on the Val d'Or East projects (Pascalis-Colombière, Beaufor Nord, Senore and Lapaska), Dubuisson and the Timmins West Meunier-144 project. We have also derived a value for the properties within the Casa-Berardi-Cameron and Detour areas.

Exhibit 12 - Adventure Gold's NAV Appraisal											
Project	Inferred Mineral Resources (oz. Au)	Potential Mineral Resources (oz. Au)	Commitments (M)	Historical Works (M)	Acreage Propensity (\$/ha)	Acreage Value (M)	Mineral Resource Value (75\$/oz) (M)	Mineral Potential Value (10\$/oz) (M)	Location Premium	Mineral Potential Probability	Assessed Total Value (M)
<b>Val d'Or</b>											
Beaufor North	-	45,000	-	\$1.69	1,100	\$0.18	-	\$0.45	1.20	0.80	\$1.00
Beaufor West	-	75,000	-	\$2.40	1,100	\$0.09	-	\$0.75	1.20	0.80	\$1.00
Dalquier	-	50,000	\$2.30	\$2.11	800	\$2.80	-	\$0.50	1.00	0.50	\$2.00
Dubuisson	-	1,500,000	\$4.90	\$6.48	1,900	\$1.65	-	\$15.00	1.60	0.80	\$9.06
Lapaska	22,000	350,000	\$2.25	\$6.91	1,000	\$0.34	\$1.65	\$3.50	1.00	0.80	\$2.78
Megiscane-Tav.	-	35,000	-	\$1.55	700	\$0.44	-	\$0.35	1.00	0.50	\$1.00
Pascalis-Colomb.	-	450,000	-	\$14.09	1,200	\$0.76	-	\$4.50	1.50	0.90	\$11.40
Realore	-	-	-	\$1.01	600	\$0.38	-	-	1.00	-	\$0.50
Senore	-	50,000	-	\$4.32	1,100	\$0.80	-	\$0.50	1.50	0.80	\$2.00
<b>Timmins West</b>											
Meunier-144	-	750,000	-	\$1.54	1,800	\$0.29	-	\$7.50	1.50	0.70	\$5.83
<b>Casa-Berardi-Cameron</b>											
Bachelor-Extension	-	-	-	\$0.00	800	\$2.13	-	-	1.00	-	\$0.50
Bell-Vezza	-	50,000	-	\$0.07	800	\$1.33	-	\$0.50	1.00	0.50	\$0.60
Casagasic	-	75,000	-	\$0.07	700	\$0.84	-	\$0.75	1.00	0.60	\$1.30
Cere	-	-	-	\$0.18	700	\$0.67	-	-	1.00	-	\$1.00
Florence	-	-	-	\$0.01	400	\$1.26	-	-	1.00	-	\$0.50
KLM	-	-	-	\$0.01	800	\$0.13	-	-	1.00	-	\$0.70
Sinclair-Bruneau	-	50,000	-	\$0.16	700	\$3.14	-	\$0.50	1.20	0.50	\$1.50
Vezza Extension	-	50,000	-	\$0.00	700	\$0.46	-	\$0.50	1.00	0.50	\$1.00
<b>Detour Quebec</b>											
Casgrain	-	150,000	-	\$0.35	600	\$5.16	-	\$1.50	1.80	0.80	\$3.50
Manthet	-	-	-	\$0.00	700	\$1.41	-	-	1.00	-	\$0.70
Martigny	-	-	-	\$0.00	600	\$1.26	-	-	1.00	-	\$0.60
Massicotte	-	50,000	-	\$0.03	600	\$0.20	-	\$0.50	1.20	0.50	\$0.75
Nantel	-	-	-	\$0.03	500	\$0.44	-	-	1.00	-	\$0.70
Sicotte	-	45,000	-	\$0.04	700	\$0.58	-	\$0.45	1.20	0.50	\$0.75
<b>Rouyn-Noranda</b>											
Granada-Extension	-	750,000	-	\$0.20	1,000	\$0.23	-	\$7.50	1.00	0.40	\$3.60
Montreuil	-	-	-	\$0.04	300	\$0.39	-	-	1.00	-	\$0.40
Solitaire	-	-	-	\$0.01	300	\$0.10	-	-	1.00	-	\$0.20
<b>Total</b>											<b>\$55.40</b>

Source: Company reports; LBS.

### Quality Gold Assets – Potential Partnership Candidate

We believe that certain of Adventure's properties could eventually be interesting acquisition targets, given the promising prospective potential. We also believe that management knows how to generate good projects and conduct good exploration. This should establish a track record that should eventually be recognized.

### Net Asset Value

We have estimated Adventure's NAV at **\$1.18 per diluted share**. This is based on the sum of the parts valuation (see Exhibit 13), which includes the value of the exploration targets, exploration potential and the potential take-over value, as well as the exploration goodwill of \$15M which is a proxy for the quality of management and the exploration team. As a diversified explorer with a sizeable land claim status in the Abitibi, Adventure Gold has assembled a good portfolio of properties based on sound analysis and could be poised for discovery as work ramps up.

Exhibit 13 - Adventure Gold's NAV Summary			
Project	Value (M)	Project	Value (M)
<b>Val d'Or</b>		<b>Casa-Berardi-Cameron</b>	
Beaufor North	\$1.0	Bachelor-Extension	\$0.5
Beaufor West	\$1.0	Bell-Vezza	\$0.6
Dalquier (50%)	\$2.0	Casagasic	\$1.3
Dubuisson (49%)	\$9.1	Cere	\$1.0
Lapaska (30%)	\$2.8	Florence	\$0.5
Pascalis-Colombiere	\$11.4	KLM	\$0.7
Senore	\$2.0	Sinclair-Bruneau	\$1.5
<b>Detour Quebec</b>		Vezza Extension	\$1.0
Casgrain	\$3.5	<b>Timmins</b>	
Manthet	\$0.7	Meunier-144 (50%)	\$5.8
Martigny	\$0.6	<b>Rouyn-Noranda</b>	
Massicotte	\$0.8	Granada-Extension	\$3.6
Nantel	\$0.7	<b>Other</b>	
Sicotte	\$0.8	Other Properties	\$2.6
Exploration potential goodwill	\$15.0	Total NAV	\$83.6
Cash	\$5.2	Shares outstanding (FD)	71.0
Take-over premium	\$8.0	<b>Total NAV per share (FD)</b>	<b>\$1.18</b>

Source: LBS.

### Recommendation: Speculative Buy

Target of \$1.20, Total  
Return of 233%

We are initiating coverage of Adventure Gold with a Speculative Buy rating and a one-year target price of \$1.20, implying a 233% total return from current levels. Our sum-of-parts NAV is based on a conservative approach of assessing the geological potential of Adventure's portfolio of properties. We believe the company represents a compelling investment opportunity with significant exposure to discovery and resource delineation. We highlight that Adventure has built a portfolio of quality assets in a stable jurisdiction that could provide a stepping stone for the establishment of a quality gold project generator. We appreciate management teams who have good work ethics.



## Near-Term Catalysts

### Setting Stage for Discoveries

We highlight the following near-term catalysts for Adventure's share price:

- ♦ **We expect important news flow in 2012 as drilling continues on the company's portfolio of properties.** Certainly, continued diamond drilling results from Dubuisson, Pascalis-Colombière, Lapaska, Meunier-144 should provide news flow and exposure to potential mineral deposit delineation.
- ♦ **An initial resource estimate on the Pascalis-Colombière project by mid-year 2012.** Following a phase 3 drill program, a NI 43-101 resource estimate should be completed by SGS Geostat.
- ♦ **Grass-root exploration works.** On-going compilation and exploration in the Casa-Berardi and Cameron sector and on the Sunday/Detour Lake area projects should provide news flow and exposure to discovery.
- ♦ **Continued focused work in the Abitibi could attract quality partners.** In a short span of time, Adventure has assembled a portfolio of interesting and exciting projects. Projects are a mix of advanced and early-stage exploration and offer potent resource delineation and blue-sky potential. Adventure could be in a great position to attract quality JV partners for overlooked or underestimated areas.

In the next six to twelve months, we believe Adventure may attain milestones that could surpass a necessary threshold for majors to seriously consider acquiring the company's portfolio of assets. We highlight that some of Adventure's properties could be project take-over or partnership targets, with Agnico-Eagle, Lake Shore Gold and Osisko being the natural acquirers.

## Company Risks

Risks to our price target includes :

- 1) **Exploration Risk:** Our valuation of Adventure depends on the company's exploration success. The delineation and evaluation of mineral deposits is dependent on quality control, the accuracy of analytical data, the interpretation of geology and estimation of tonnage and grade as well as metallurgical recoveries, hydrological and geotechnical conditions. Even once a discovery is made, a large amount of capital is required to fund a project's development into operation.
- 2) **Financing/Dilution Risk:** As an exploration company, Adventure is dependent on the ability to raise money for further exploration. Quite often, it is difficult for mineral exploration companies with undeveloped properties and uncertain income to secure the financing needed to further projects. Adventure has not yet determined whether any of its properties contain economically recoverable reserves. As a result, there are no current sources of revenue and Adventure may have to rely on the issuance of shares or debt to generate the funds required to advance its development program and eventual construction of mining operations.
- 3) **Stage of Development Risk:** The company is an early-stage exploration company and, as such, does not have any defined proven or probable reserves. There have not been any economical studies conducted on any of the company's assets that would otherwise contain important model inputs to be estimated. Such inputs would include a mine schedule with grades, recoveries, stripping/dilution ratios - as well as cost estimates for mining, processing, transportation, and capital costs. Without detailed estimates of these inputs, we have used published information and conservative assumptions based on our geological assessments to determine the value of the portfolio of exploration projects.

## Azimut Exploration Inc. (AZM-V – \$0.90)<sup>1</sup>

### Company Profile

Azimut Exploration Inc. is a Canadian junior mining company specializing in project generation and whose focus is on discovering gold, copper, uranium and rare earth element metal deposits in the James Bay and Northern Quebec areas. Azimut has developed an innovative targeting methodology, holds a large mineral exploration portfolio and has signed 29 strategic or option agreements with senior and junior partners, including Rio Tinto, Goldcorp, IAMGOLD and Aurizon Mines.



Source: BigCharts.com

Ticker	AZM-V	Shares O/S (M)	36.5
Rating	Buy (S)	Market Cap (M)	\$32.8
Risk	High	Float O/S (M)	31.0
Price	\$0.90	Float Value (M)	\$27.9
1-Yr Target	\$1.40	Avg Daily Volume (K)	36.2
Dividend	\$0.00	Enterprise Value (M)	\$29.6
Yield (%)	n/a	Control Blocks:	
1-Yr ROR	56%	Mgmt. & Dir.	15%
52 Wk High-Low	\$1.70-\$0.73	Net Debt/Cap	n/a
Valuation	NAV	BVPS	\$0.36
Year End	Aug. 31	Next Reporting	Mar-12

Expenditures (M) - Years ending Dec. 31					
	2012	2013	2014	2015	2016
Capex	n/a	n/a	n/a	n/a	n/a
Exploration	\$4.5	Funded by partners	\$3.7		

Resource Estimate	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (oz.)
n/a			

Source: Company reports; Bloomberg; LBS.

1. All pricing as of January 16, 2012.

## Buy (S) – Target Price: \$1.40

We are initiating coverage on Azimut Exploration Inc. with a Speculative Buy rating and a one-year target price of \$1.40, implying a return of over 56%.

We highlight the following:

- ◆ **Focused hybrid explorer.** Azimut's core business is to target potential major mineral deposits by acquiring quality properties through project analysis and generation and developing subsequent partnerships.
- ◆ **Quality project generator.** Azimut uses a proprietary targeting methodology, combined with considerable exploration know-how, to attempt to discover major ore deposits. Azimut's data-based exploration has been able to scan vast parts of Quebec and select the most favourable sectors for mineralization. This mineral potential targeting methodology has led to the establishment of a quality portfolio of projects.
- ◆ **Excellent land exposure in northern Quebec.** Azimut's important land position in Quebec puts it in an advantageous position to benefit from any discovery. Azimut has a portfolio of approximately 25 exploration properties in Quebec representing over 20,000 claims, making it one of the major land holders in Northern Quebec. With a stable political and social regime, as well as attractive provincial exploration tax credits, Azimut has established strategic land positioning in Quebec that could attract more partnerships.
- ◆ **Minimizing exploration risk.** Azimut's strength is exploration targeting, while its growth strategy focuses on i) regional-scale mineral potential modeling, ii) partnership development at early stages and iii) discovery of gold, copper, REE, uranium, chrome and nickel deposits in Quebec.
- ◆ **Management with track record of project generation.** The experience of management in generating projects should prove to be an asset. It is disciplined, innovative and focused and should lead to success. CEO Jean-Marc Lulin is an experienced explorationist.
- ◆ **Sum-of-parts valuation** based on the blue sky potential suggests a NAV of \$59.1M or \$1.42 per FD share.

## Company Profile: Project Generator Set To Open New Frontiers

### Generating Quality Projects

**Azimut Exploration is a Quebec-based early-stage exploration company that was reactivated in 2003.** The company's strategy is to drastically reduce the technical and financial risks associated with mineral exploration by generating quality targets and developing partnerships with other mining companies at an early stage. Azimut is focused on gold, copper, nickel, uranium and REE metals and has identified prospective targets through innovative compilation and delineation techniques in northern Quebec.

### Competitive Edge as Project Generator

**Azimut has generated quality grass-root targets by rigorous and systematic mineral potential modeling.** Using an innovative targeting methodology combined with considerable exploration proficiency, Azimut's objective is to discover major ore deposits within under-explored areas of Northern Quebec. Mineral potential modeling of vast regions with the size of geological provinces or subprovinces is diligently performed in a systematic manner, using an exclusive methodology for processing geoscientific data. Azimut is in the course of regional-scale assessments of Quebec's mineral potential and has applied quality selection and targeting that have permitted it to generate new grass-root projects.

### Exploration Leader in Mining-Friendly Quebec

**Azimut is an important land holder, establishing a camp-scale land position.** Azimut's portfolio of projects includes approximately 25 properties in Quebec for exploration of uranium, gold, rare earths, chromium and platinum group metals. The properties represent more than 20,000 claims (~9,600km<sup>2</sup>), making Azimut an important claim-holder in the province of Quebec, a jurisdiction that remains an attractive mining area because of its history and relatively stable social framework.

### Partnership Model

**Reducing exploration risk with a large number of active properties in partnership.** From 2003 to 2008, the proprietary data-based exploration compilation generated projects that were subsequently offered to potential partners. Azimut had signed 29 option agreements and regional-scale strategic alliances with majors (including three with Rio Tinto and two with Goldcorp), as well as numerous juniors. These deals have represented up to \$90M in potential investments on Azimut's diverse properties. The company currently has approximately seven option agreements signed with four partners.

### Strategic Land Holdings

**Azimut has positioned itself for discovery with strategic land holdings.** The company's mineral potential modeling over Northern Quebec and the James Bay has allowed it to recognize and position itself over potential world-class ore deposits. Strategic land holdings for gold and chrome in the James Bay, uranium in the eastern Ungava and copper-gold-REE in central Nunavik are based on novel compilation target selection and recognition of camp scale mineralized systems (see Exhibit 14).

### Gold Assets – Opinaca, James Bay

**Azimut has established a long-held presence in the James Bay.** Azimut's predictive modeling over 172,000 km<sup>2</sup> of land in the James Bay region allowed it to recognize the strong gold potential of the Opinaca area back in 2003 and obtain a land position (currently over 100,000 ha). We understand that Azimut began establishing its land position adjacent to the Eleonore gold deposit nine months before its discovery was announced. This was based on processing and modeling of geoscientific data. We note that option agreements for these properties, including a joint venture with Goldcorp, have generated encouraging results that continue to validate the initial modeling.

The JV partners, including Eastmain, Goldcorp and Aurizon, have budgeted \$3.7M for drilling in 2012 out of a total work commitments of \$10M.

### Uranium Assets - Rae Province

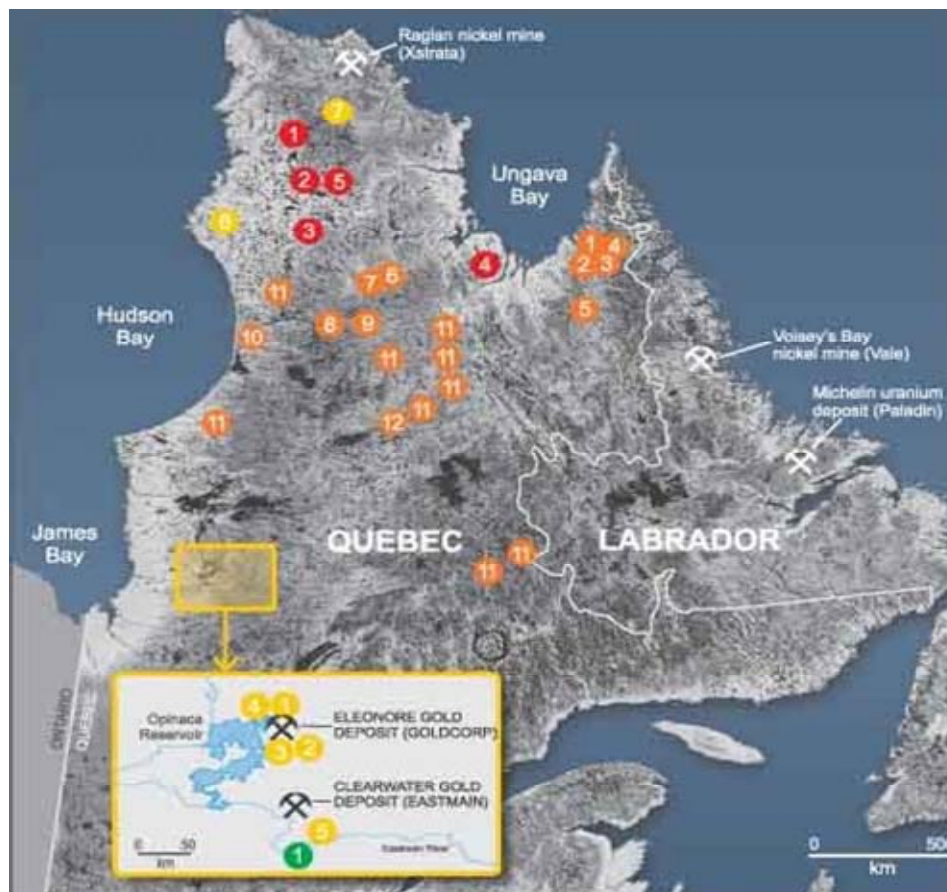
**Azimut maintains a dominant land position in a potential emerging uranium mining district in Northern Quebec.** The company's mineral potential modeling has established the emergence of a potential new uranium district that has been explored very little. Geoscientific data modeling that covered about 1M km<sup>2</sup> of land in Quebec and Labrador led to the recognition of three target-regions in Quebec. Each of these being broadly comparable to the Central Mineral Belt in Labrador, where resources of more than 50,000t U<sub>3</sub>O<sub>8</sub> have been discovered and where Paladin Energy has established a foothold.





For a detailed description of Azimut's projects and land holdings, see Appendix IV.

Exhibit 14 - Location of Azimut's Properties



Source: Company reports.





Exhibit 15 - Azimut's Portfolio of Properties

Project	Commodity	Interest	Partner	Acreage *	Stage	Status	Drilling
<b>Ungava</b>							
Rex	Cu, Au, Ag, REE	100%		243,135	Exploration	Active	Yes
Rex Sud	Au, Cu, W, Ag	50%	ARZ-T	94,194	Exploration	Active	Yes
Nunavik Copper	Cu	100%		273,770	Early Exploration	Active	No
Ungava Uranium	U	100%		87,612	Exploration	n/a	No
Central Quebec U	U	100%		68,065	Exploration	n/a	No
Nunavik Gold	Au	100%		38,900	Early Exploration	Active	No
<b>James Bay</b>							
Opinaca A & B	Au	50%**	EVR-T, ARZ-T	33,849	Exploration	Active	Yes
Wabamisk	Au	49%	G-T	38,300	Exploration	Active	Yes
Eleonore South JV	Au	27%	G-T, ER-T	14,700	Exploration	Active	Yes
Opinaca D	Au	100%		9,800	Early Exploration	Active	No
Eastmain West	Cr, Pt, Pd, Ni	100%		4,084	Early Exploration	Active	No

11 properties with combined acreage of : 906,409

\* Hectares. \*\* ARZ-T can increase its stake to 60%.

Note: T - TSX; V - TSXV.

Source: Company reports; LBS.

## Management and Board: Academic, Creative and Experienced

### Innovative and Highly Scientific

Management's experience with a focused and systematic exploration approach in Northern Quebec provides exposure to increasing activity in Northern Quebec and the James Bay area. Management has acquired the company's projects through a focused exploration strategy and targeted project generation. Management is experienced and has a long track-record of deposit appraisal and sustainable exploration. Azimut's management has the ability to use new technologies and build partnerships.

We highlight that Azimut is led by a team with considerable international experience in the mining industry. We profile some Directors and Officers:

- ♦ **Jean-Marc Lulin, Ph.D., Geologist, President and Chief Executive Officer, Director (Montreal)** – Mr. Lulin is a senior mining executive with 30 years of experience in North America, Africa and Europe. Mr. Lulin holds a Doctorate in Economic Geology from the Université d'Orléans (1984), and a Diploma of Advanced Studies in Mineral and Energy Resources (1981), a Master's degree in Applied Geology (1980) and a Licence in Earth Sciences (1979) from the Université de Paris VI, France. Since June 2003 he is President, CEO and Director of Azimut Exploration and he reactivated the company by implementing a new business strategy based on mineral potential targeting methodology. Prior engagements include President, COO and Director for Channel Resources (1996-2001), VP West Africa for Channel Resources (1995-1996), Chief Geologist for SOQUEM (1992-1995) and the Vior-Mazarin Group (1986-1992), as well as a geologist for the BRGM (1981-1984). Mr. Lulin was involved in the discoveries of several important deposits, notably gold deposits in Burkina Faso (resources of 2.5M oz.) with Channel Resources and the Douay gold deposit and Lac Knife flake graphite deposit in Quebec with Vior-Mazarin. Mr. Lulin has been recently elected as President of the AEMQ (Quebec Mining Exploration Association).

- ◆ **Dennis Wood, Chairman of the Board of Directors (Montreal)** – Mr. Wood is currently President and CEO of DWH Inc, as well as Interim President and CEO for GBO Inc (formerly Le Groupe Bocenor Inc). He is a highly respected, self-directed venture capitalist who brings with him more than 30 years experience as a company director and a manager. Mr Wood was previously President, Chairman and CEO of C-MAC Industries Inc, a world-leader in the design and manufacture of high-tech components and systems. Mr. Wood is Chairman of 5N Plus Inc and a board member of many companies, such as Transat A.T. Inc., National Bank Trust, the Jean Coutu Group Inc., GBO Inc. and Rite Aid Corporation. Mr. Wood received in 1987 an honorary PhD from the Université de Sherbrooke.
- ◆ **Moniroth Lim, CGA, Secretary and Treasurer, Officer (Montreal)** – Ms. Lim is an experienced financial and auditing professional with more than 20 years of experience. She is a graduate in Business Administration from the Université du Québec à Montréal (1987). Ms. Lim has been Secretary Treasurer of Azimut Exploration since April 2006 and her area of expertise includes the preparation of statutory reports for publicly traded mining companies, management of financial audits, conventional and flow-through share financing and review of internal controls. From 1986 to 2006, she worked as a supervisor and financial auditor for the accounting and business advisory services of Montreal-based Bratt Fremeth Star. Ms. Lim is a member of the Ordre des comptables généraux accrédités du Québec.
- ◆ **Jean-Charles Potvin, MBA, Geologist, Director (Toronto)** – Mr. Potvin holds an Honours Bachelor of Science degree in Geology from Carleton University and a MBA degree from the University of Ottawa. Mr. Potvin is currently Chairman of Vaaldiam Mining Inc and President of Flemish Gold Corp., a private company focusing on gold exploration in sub-Saharan Africa (Burundi). He is also a director of Gold Reserve Inc. (GRZ-T) and Geomega Resources Inc. (GMA-V). Until January 1994, Mr. Potvin was a director and VP of Burns Fry Limited (now Nesbitt Burns Inc.) where he evaluated worldwide mining investment opportunities as a gold mining analyst. After 1994, he was President and Chief Executive Officer of Pangea Goldfields Inc, which had extensive holdings in Tanzania, until its acquisition in July 2000 by Barrick Gold Corporation for \$204M.
- ◆ **Louis P. Salley, BA, LLB, Director (Vancouver)** – Mr. Salley holds a B.A. (History & Economics) and an LLB from the University of Alberta and is Managing Partner of Salley Bowes Harwardt Law Corporation, a corporate and securities law firm in Vancouver that focuses on corporate finance and law, with particular expertise in the mining and oil and gas sectors. He has 40 years of Canadian and international practice as a barrister and solicitor. Mr. Salley has served as a member of the Board of Directors of both for-profit and not-for-profit national organizations. He is a member of the Law Societies of Alberta and British Columbia.
- ◆ **Francois Bissonnette, Project Geologist** – Francois Bissonnette is a senior geologist with 20 years of experience in Quebec. He holds a B.Sc. in Geology from Université Laval (in Quebec City), and has managed exploration projects for SOQUEM, Manicouagan Minerals, Majescor gaining insight on project logistics in remote areas of Quebec.

## Valuation: Sum-of-the-Parts

### Exploration Potential

Our valuation is based on our assessment of the value of the company's properties, which is based on their geological potential (see Exhibit 16). We have used the acreage propensity, as well as the value of past and present works and potential resources pondered for location and probability of discovery. An assessed value for Azimut's diversified portfolio of projects has a derived NAV of \$51.6M. Essentially, we value the Rex and Rex-Sud projects at over \$21M based on their land positioning in what could potentially be an emerging mineral belt. We have valued the James Bay area properties at almost \$19M and highlight that Azimut's partners can provide upside value with more works.

Exhibit 16 - Azimut's NAV Appraisal											
Project	Inferred Mineral Resources (oz. Au)	Potential Mineral Resources (oz. Au)*	Commitments (M)	Historical Works (M)	Acreage Propensity (\$/ha)	Acreage Value (M)	Mineral Resource Value (75\$/oz) (M)	Mineral Potential Value (10\$/oz) (M)	Location Premium	Mineral Potential Probability	Assessed Total Value (M)
<b>Nunavik</b>											
Rex	-	1,000,000	-	\$4.25	400	\$97.25	-	\$10.00	0.50	0.80	\$9.20
Rex Sud	-	3,500,000	\$5.00	\$5.78	500	\$47.10	-	\$35.00	0.50	0.80	\$12.10
Nunavik Copper	-	1,000,000	-	\$1.08	367	\$109.07	-	\$10.00	0.70	0.70	\$6.50
Ungava Uranium	-	0	-	\$5.87	70	\$8.52	-	-	0.90	0.70	\$1.70
Central Quebec U	-	0	-	\$7.96	50	\$3.96	-	-	0.90	0.70	\$2.60
Nunavik Gold	-	350,000	-	\$0.00	600	\$23.34	-	\$3.50	0.80	0.50	\$0.80
<b>James Bay</b>											
Opinaca A & B	-	250,000	\$6.00	\$1.00	1,100	\$37.23	-	\$2.50	1.50	0.90	\$5.30
Wabamisk	-	250,000	-	\$3.13	1,000	\$38.30	-	\$2.50	1.50	0.90	\$4.17
Eleonore South JV	-	1,000,000	-	\$4.70	1,100	\$16.17	-	\$10.00	1.70	0.80	\$5.29
Opinaca D	-	100,000	-	\$1.48	500	\$4.90	-	\$1.00	1.50	0.90	\$2.00
Eastmain West	-	350,000	-	\$0.65	1,000	\$4.08	-	\$3.50	0.90	0.50	\$1.90
<b>Total</b>											<b>\$51.60</b>

\* Gold equivalent  
Source: Company reports; LBS.

### Sum-of-Parts

We have also derived value for Azimut's proprietary exploration compilation data-set, which we estimate at \$3M. Finally, we give a \$2.5M exploration goodwill value as recognition of the quality of Azimut's small, but efficient technical team. We have thus estimated Azimut's NAV at \$1.42 per diluted share (see Exhibit 17).

Exhibit 17 - Azimut's NAV Summary			
Project	Value (M)	Project	Value (M)
<b>Ungava</b>		<b>James Bay</b>	
Rex	\$9.2	Opinaca A & B (50%)	\$5.3
Rex Sud	\$12.1	Wabamisk (49%)	\$4.2
Nunavik Uranium	\$4.3	Eleonore South JV (27%)	\$5.3
Nunavik Gold	\$0.8	Opinaca D	\$2.0
Nunavik Copper	\$6.5	Eastmain West	\$1.9
Exploration potential goodwill	\$2.5	Total NAV	\$59.1
Exploration database	\$3.0	Shares outstanding (FD)	41.5
Cash	\$2.0	<b>Total NAV per share (FD)</b>	<b>\$1.42</b>
Take-over premium	n/a		

Source: LBS.

## Recommendation: Speculative Buy

### Blue-Sky Exploration Potential

We rate Azimut a Speculative Buy with a favorable outlook derived from its diversified but focused and innovative exploration model. Azimut has generated and acquired a portfolio of properties with a great land position in Northern Quebec. The company's sizeable land claim status in diverse geological environments in Northern Quebec suggests that it is well positioned in the potential emerging mining camp of James Bay and Nunavik. It is exposed to gold, silver, copper, zinc and molybdenum, as well as rare earths in a stable political environment.

We believe that the near-term (12 months) valuation of Azimut presents a compelling investment opportunity when factoring in its dominant land position in a potential emerging new mineral district in Nunavik. Azimut may be on the cusp of making an important mineral discovery in the confirmation of a new mineral belt. We believe this is blue-sky potential at its best and this was recently recognized with Azimut receiving the 2011 Prospector of the Year Award during the Quebec Exploration Convention organized by the Association de l'exploration minière du Québec (AEMQ) and the Ministère des ressources naturelles et de la faune du Québec (MRNF).

### Target of \$1.40, Total Return of 56%

We believe that the Azimut has substantial blue-sky exploration potential supported by a passionate and focused business model. We believe the real value of the exploration projects lie in the potential for the existence and discovery of an economically viable mineral deposit. We maintain a conservative view that a 12 month target of \$1.40 per share is quite reasonable taking into account that Azimut is a pure play exploration company focused in Northern Quebec and in the James Bay area.

## Near-Term Catalysts

### Positioning for Discovery

We highlight the following near-term catalysts for Azimut's share price:

- ◆ **Set for discovery.** Azimut has taken a major position in Northern Quebec where potential for defining a new major mineral belt is plausible. Results of the summer 2011 are trickling-in and could be suggestive of an emerging new mineral district. Specifically, drill results from the 29 drill holes (2,136m) of drilling are expected on Rex.
- ◆ **With focused and generative work in northern Quebec, Azimut has the capacity to spawn quality projects.** The company has assembled a portfolio of solid early-stage projects that offer good blue-sky potential and could attract other major mining players.
- ◆ **Drilling in the company's portfolio of JV properties continues.** Ongoing exploration in the James Bay area projects may provide potential for discovery and provide news flow.

## Company Risks

Risks to our price target include :

- 1) **Exploration Risk:** Our valuation of Azimut is very heavily dependent on the company's exploration success. Even once a discovery is confirmed, a large amount of capital is required to fund the deposit's delineation and project's development.
- 2) **Financing/Dilution Risk:** As a pure exploration company, Azimut is much dependent on the ability to raise money for further exploration. Azimut may require dilutive financings to secure the funds needed to further its projects.
- 3) **Regional Remoteness Risk:** Azimut is quite focused in Northern Quebec where infrastructure is not as developed and extensive as in southern parts of Quebec. Northern arctic climat can provide added challenges both on costs of programs as in the timetable execution.

## Balmoral Resources Ltd. (BAR-V – \$0.98)<sup>1</sup>

### Company Profile

Balmoral Resources Ltd. is a junior gold exploration and development company with five projects in the northern greenstone belt of the Abitibi, northwestern Quebec (Fenelon, La Martinière, Detour East, Grasset, and N2). Founded in 2010, Balmoral controls the Grasset (100%), Fenelon, La Martinière (right to acquire 100% subject to the Freeport purchase to own 100%) and Detour East (option for 60%). These are all advanced and early-stage gold exploration properties located along the Sunday/Detour Lake trend, which stretches through northwestern Quebec and northeastern Ontario. This trend is host to the 14.9M oz. reserve Detour Gold deposit that Detour Gold (DGC-T) is building. Balmoral controls 82km strike length of this Sunday/Detour Lake deformation zone on the Quebec side.



Source: BigCharts.com

Ticker	BAR-V	Shares O/S (M)	65.8
Rating	Buy (S)	Market Cap (M)	\$64.5
Risk	High	Float O/S (M)	51.0
Price	\$0.98	Float Value (M)	\$50.0
1-Yr Target	\$1.50	Avg Daily Volume (K)	188.7
Dividend	\$0.00	Enterprise Value (M)	\$56.4
Yield (%)	n/a	Control Blocks:	
1-Yr ROR	53%	Mgmt. & Dir.	23%
52 Wk High-Low	\$1.88-\$0.42	Net Debt/Cap	n/a
Valuation	NAV	BVPS	\$0.33
Year End	Dec. 31	Next Reporting	Feb-12

Expenditures (M) - Years ending Dec. 31						
	2012	2013	2014	2015	2016	2017
Capex	n/a	n/a	n/a	n/a	n/a	n/a
Exploration	\$7.0	Funded by partners		\$0.5		
Resource Estimate		Tonnes	Grade	Contained		
		(Mt)	(g/t Au)	Gold (oz.)		
Fenelon (Inferred)		0.75	17.10	41,421		

Source: Company reports; Bloomberg; LBS.

## Buy (S) – Target Price: \$1.50

We are initiating coverage on Balmoral Resources Ltd. with a Speculative Buy rating and a one-year target price of \$1.50, implying a return of 53%.

We highlight the following:

- ◆ **Balmoral has assembled a strategic land position within the emerging prospective Sunday/Detour Lake deformation zone in northwestern Quebec.** The company is in the midst of aggressive exploration programs in a potential emerging gold district that has seen sporadic exploration. Detour Gold's nameplate world-class mine being built on the Ontario side of the border along the trend is testament to the areas reassessed and raising potential.
- ◆ **Entrepreneurial and discovery focused culture.** Balmoral's strategy hinges on a quality exploration culture, a focus on aggressive exploration programs and on the development of new opportunities based on sound geological analysis and experience. Balmoral has acquired its important land position through sound geological modeling and astute timing. Combined with the criteria of exploring in a conducive jurisdiction, we believe Balmoral is well set to advance its portfolio of quality projects.
- ◆ **Good potential to discover and increase mineral resources.** Balmoral's properties have excellent potential to host sizeable gold ounces. As land position is key, Balmoral's portfolio of properties covers over 80km of prospective land along an emerging gold belt. We believe potential for discovery is excellent. Ongoing drilling on several targets and resource definition are the key upcoming catalysts. Near-term catalysts include upcoming 2012 winter drill program on Martinière, Detour East and Grasset projects.
- ◆ **Healthy financial profile supports aggressive development programs.** Balmoral had net cash of \$9.5M as of December 2011. We estimate that this level should be sufficient to carry the company through its Q1 2012 aggressive drilling and development programs. Balmoral has a portfolio of properties offering investors leverage to discovery.
- ◆ **Sum-of-parts valuation suggests a NAV of \$129.6M or \$1.49 per FD share.**

1. All pricing as of January 16, 2012.



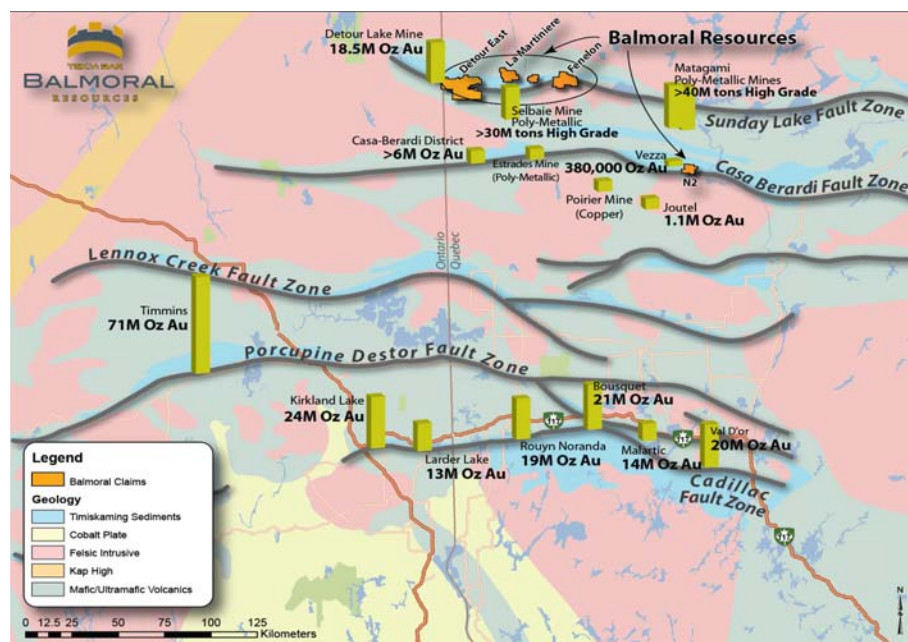


## Company Profile: Developing Quality Gold Assets

### Advancing Quality Gold Assets in Proven Territory

Balmoral Resources is a Canadian-based mineral exploration company focusing on Quebec's Abitibi northern greenstone belts. The Abitibi, one of the largest preserved greenstone belts in the world, is renowned for its gold endowment along the major structural breaks with total mineral production valued at over \$180 billion (LBS estimate). Gold production has chiefly come from the Timmins, Kirkland-Larder Lake, Rouyn-Noranda, Bousquet-Laronde, Malartic and Val d'Or area mines along the southernly Destor-Porcupine and Cadillac-Larder Lake structural breaks or Fault Zones (Exhibit 18). Balmoral, founded in 2010, has assembled in a relatively short time span an extensive land package within the Sunday/Detour Lake deformation zone (DSDZ) the most northerly structural break that has seen lesser exploration. Balmoral controls the advanced and early-stage gold exploration properties of Fenelon, La Martinière, Grasset, and Detour East, all located along the Sunday/Detour Lake deformation zone and the N2 project along the Casa Berardi-Cameron fault zone. The DSDZ, host to the emerging world-class Detour deposit, is one of the principal gold-bearing fault systems in the Abitibi greenstone belt and has not seen much exploration on the Quebec side. This is much due to the remoteness and watershed of the area (lesser forestry development) and the important overburden (10 to 60m depth). Indeed, outcrops are rare as the area is covered by swamps and flat topography forest cover.

Exhibit 18 - Gold-Endowed Structural Breaks in the Abitibi Region \*



\* Ontario and Quebec.

Source: Company reports.

### Experienced Exploration

We believe Balmoral's business model is based on solid, active and well thought exploration within proven and relatively accessible mining districts with high-grade gold. Balmoral has astutely accumulated land positions within the DSDZ in northwestern Quebec lands in extension of Detour Gold's growing gold mine project. Balmoral applies an exploration model based on strong geological modeling, *savoir-faire* business relationships and solid exploration programs. We believe Balmoral has a highly experienced management and solid technical team. Management's primary focus is to advance its gold projects towards discovery and development through quality drilling programs. Balmoral's exploration philosophy is to revisit lesser explored areas, with concepts nurtured and applied, among other, to the Timmins mining camp.

### In the Heart of Detour Trend Extensions

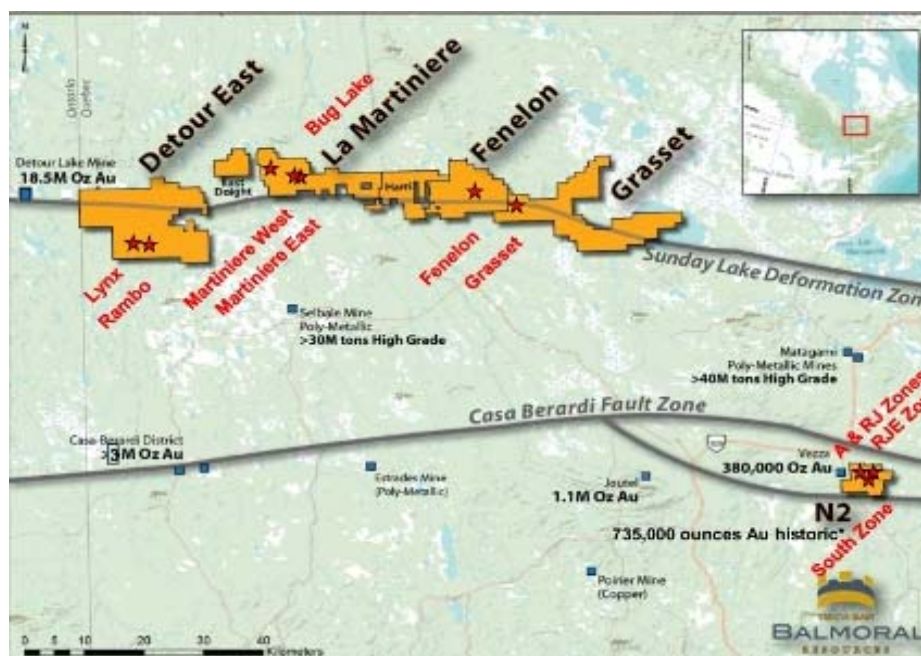
With a land package totaling over 53,300ha, Balmoral has assembled an important position within a potential renewed mining camp. The Fenelon, La Martinière, Detour East, Grasset properties cover over 82km strike length of the Sunday/Detour Lake trend, which stretches through northwestern Quebec and northeastern Ontario. This trend is host to the 14.9M oz. gold reserve Detour Lake deposit on the Ontario side of the border. Detour Gold (DGC-T), is building a world-class mine that highlights the area's changed potential. With global measured and indicated mineral resources at 20.5M oz. (inclusive of mineral reserves), and an additional 5.1M oz. in the inferred category, the area's gold endowment potential has radically evolved. Balmoral's Grasset, Fenelon, La Martinière and Detour East projects are advanced and early-stage gold exploration properties located along the Quebec side of the Sunday/Detour Lake deformation zone. Balmoral has acquired this important land position thru sound geological modeling and incisive timing. The land package could host the much sought after "high-grade gold" at depth and command a premium for its camp scale size. Key projects are the following:

1. **Fenelon Property:** a relatively well-known land package that hosts the Fenelon deposit, a 40,000oz. high-grade Archean lode gold zone located north of the regional Sunday/Detour Lake Deformation zone. The current small high-grade gold deposit has seen development works, such as bulk sampling and some underground drifting from 2001 to 2006. Balmoral holds an option to purchase a 100% interest.
2. **Grasset Property:** located to the east of Fenelon, it is an early-stage exploration project located near a fault splay of the Sunday/Detour Lake Deformation zone, within a geological environment that potentially mirrors the world class Timmins area mines.
3. **Martinière Property:** an emerging gold play located west of the Fenelon property where recently 59 holes of diamond drilling have been completed and has expanded the Martinière West and Martinière East zones. The Martinière project is host to three or more distinct areas of gold mineralization (East, Central and West) related to potential sheared gold and gold VMS systems.
4. **Detour East Project:** located on the Quebec/Ontario border along the Detour Gold eastern border, a few kilometers east of the Detour Gold deposit.





Exhibit 19 - Balmoral's Land Holdings in North-West Quebec



Source: Company reports.

For a detailed description of Balmoral's projects and land holdings, see Appendix V.

### Quality Gold Assets – Potential Take Over Target?

We believe that Balmoral could eventually be an interesting potential take-over target in the gold sector, given that it owns a very promising prospective land package located in a politically safe and stable jurisdiction with good infrastructure. We also believe that management knows how to generate good projects and conduct good exploration.

Exhibit 20 - Balmoral's Portfolio of Properties

Project	Commodity	Interest	Partner	Acreage *	Stage	Status	Drilling
<b>Detour</b>							
Detour East	Au	60%	RDS-V	22,224	Exploration	Active	Yes
East Doight	Au	100%		2,211	Early exploration	n/a	No
Fenelon	Au	100%		9,516	Adv. exploration	Active	No
Grasset	Au	100%		17,457	Exploration	Active	Yes
Harri	Au	100%		5,546	Early exploration	n/a	No
Martinière	Au	100%		9,825	Adv. exploration	Active	Yes
<b>Casa-Berardi-Cameron</b>							
N2	Au	100%		3,582	Adv. exploration	Active	No
<b>Ontario</b>							
Northshore	Au	100% (30%)	GTA-V	322	Exploration	Active	Yes

8 properties with combined acreage of : 70,683

\* Hectares.

Note: T - TSX; V - TSXV.

Source: Company reports; LBS.

## Management and Board: Experienced and Proven

### Practical Management Team

Balmoral's management team and board members have extensive experience working in Canada and its remote regions. Management has demonstrated ability to significantly grow the portfolio of quality projects. We profile certain members of the management team:

- ◆ **Darin Wagner, President, Chief Executive Officer and Director** – Mr. Wagner is a professional geologist with over 20 years of exploration and corporate development experience. Mr. Wagner holds a M. Sc. in Geology and Earth Sciences from Carleton University and a Bachelor of Science Honours Degree from the University of Waterloo. Mr. Wagner started his career with Noranda (now Xstrata) and Cominco (now Teck) as a project geologist and manager in North and South America. In 2005, he became President of Sydney Resource Corp., and engineered the successful merger between Sydney and Band Ore Resources to form West Timmins Mining Inc. He then served as a President, CEO, Director and QP for West Timmins Mining through the discovery of the high-grade Thunder Creek Gold Zone in Timmins, Ontario and the subsequent acquisition of West Timmins by Lake Shore Gold in an all share deal valued at \$424M, which was completed in November of 2009. He currently serves as a director of Druk Capital Partners and acts as a technical and/or corporate advisor to several other publicly listed resource companies such as MAG Silver Corp. and Abzu Gold Ltd. Darin's experience is diverse and was developed with shear-hosted, lode gold deposits, in-line with Balmoral's current assets.
- ◆ **Richard Mann, P. Geo., Exploration Manager** – Mr. Mann is a professional geologist with over 12 years of exploration and development experience. Mr. Mann worked for Barrick Gold Corporation, where he was Senior Geologist leading exploration efforts on and around the world-class Porgera gold deposit in Papua New Guinea. Prior to working at Porgera, Mr. Mann was a key component of Barrick Gold's Canadian project development and exploration team for five years. He has also held exploration positions in Canada with Cominco Ltd. and the Hope Bay/Miramar joint venture. Richard assumes responsibility for day-to-day management of Balmoral's exploration programs.
- ◆ **Ross McDonald, CA, Chief Financial Officer** – Mr. McDonald is a charter accountant with Smyth Ratcliffe Chartered Accountants in Vancouver and a member of the Institute of Chartered Accountants of British Columbia since 1968. He has a broad range of experience in public company accounting and finance, providing accounting, audit and tax services to small and medium-sized natural resource companies. Mr. McDonald serves on the Board of Directors of Fjordland Exploration Ltd. and Miranda Gold Corp.
- ◆ **Henk van Alphen, Director** – Mr. van Alphen has been in the mining business for 25 years, initially as an exploration drilling contractor, then as President of Pacific Rim Mining Corp. Mr. van Alphen is founder and President since 1999 of Cardero Resource Corp. (part of the Cardero Group of companies). He previously served as Vice-President of Corriente Resources Inc. from 1994 to 1999. Mr. van Alphen also holds directorships with International Tower Hills Mines Ltd., Ethos Capital Corp. and Wealth Minerals Ltd.
- ◆ **Lawrence W. Talbot, Director** – Mr. Talbot is a mining lawyer with over 23 years of experience within the industry, from individual prospectors and junior and mid-size explorers to major mining companies. Specialized in natural resources, he is versed in securities and regulatory matters, corporate governance and shareholder issues, and all aspects of corporate acquisitions, takeovers, divestitures and reorganizations. He is a director of Cardero Resources Corp. and Remstar Resources Ltd. and acts as general counsel to International Tower Hill Mines Ltd., Pedro Resources Ltd and Wealth Minerals Ltd.

- ♦ **Gordon Neal, Director** – Mr. Neal brings more than 25 years of providing corporate finance advice and service to public companies to the Board of Balmoral. Mr. Neal founded and grew Neal McInerney Investor Relations to become a large full service investor relations firm in Canada, serving a broad spectrum of financial service and resource companies. Mr. Neal is currently VP of Corporate Development for MAG Silver Corp., and served as a principal advisor to West Timmins Mining Inc. He currently serves on the board of directors of Dorato Resources Ltd., Druk Capital Partners, Rockgate Capital Corp. and is Chairman of Abzu Gold Ltd.
- ♦ **John Toporowski, Corporate Development Manager** – Mr. Toporowski has many years experience in natural resource investor relations. He was most recently investor relations manager for West Timmins Mining Inc., where he was responsible for increasing awareness of that company in the investment community. Since 1990, Mr. Toporowski has held investor relations positions with a number of natural resource companies including New Canamin (Huckleberry Mine), Callinan Mines (Callinan Mine), Tan Range Exploration (now Tanzanian Royalty) and New Millenium Metals (merged with Platinum Group Metals). In the 1980's, he joined the principals of the Breakwater Group and assisted in the promotion of Pecos Resources and Granges.
- ♦ **Sue Chipperfield, Corporate Secretary** – Mrs. Chipperfield served previously at West Timmins Mining Inc. as Executive Assistant to the President. She was responsible for regulatory filings, compliance and office administration from May 2008 until its acquisition by Lake Shore Gold in November of 2009. Mrs. Chipperfield previously worked for five years in a similar capacity with Gitennes Exploration Inc.

### Valuation: Sum-of-the-Parts

#### Value in a Quality Portfolio of Projects

Our valuation of Balmoral and our NAV estimate is based on an assessment of the company's portfolio of projects. We believe that Balmoral has assembled an impressive land position in an emerging gold district of northwestern Quebec. The company has also shown its ability to conduct aggressive drill programs aimed at unlocking the potential and establish the initial foundations of a valuable portfolio of properties within an emerging gold belt. During 2011, Balmoral disclosed positive drill results from the Fenelon, Grasset and Martinière projects that indicate expansive gold mineralization and excellent exploration potential. We believe exploration potential at depth remains excellent and should provide news flow that can act as a share price catalyst.

#### Determining Exploration Targets and Potential

We believe the Quebec side of the Sunday/Detour Lake area has great potential for high-grade gold discovery along the 80km trend, both at depth and on strike of the known deposits. Detour Gold's continued project progression should lead to continued awareness of the emerging fertile gold belt that is the Sunday/Detour Lake trend. We value the Sunday/Detour Lake trend area projects based on an exploration target, which is derived from compiling total land position acreage and establishing its propensity to host a gold deposit.

#### Valuation of all Parts

Valuation metrics suggest a \$87M value for the Balmoral's portfolio of projects based on their potential attributable mineralization and acreage. For each project, we have determined the exploration upside by assessing the quality of the exploration geological targets, up-coming exploration programs and allocated past and current budgets with acreage propensity. Our assumptions for potential resources are based on current knowledge and approximation of mineral potential based on historical works, current works and on local geology. In addition, we factor location and the probability for discovery. Although this is an early exercise, it does permit a rough estimate of the total value of the properties. We determine an exploration target ranging from 25,000 to 1.6M oz. where we apply a conservative \$10/oz. Au value. The following exhibit summarizes our assumptions:

Exhibit 21 - Balmoral's NAV Appraisal											
Project	Inferred Mineral Resources (oz. Au)	Potential Mineral Resources (oz. Au)	Commitments (M)	Historical Works (M)	Acreage Propensity (\$/ha.)	Acreage Value (M)	Mineral Resource Value (75\$/oz) (M)	Mineral Potential Value (10\$/oz) (M)	Location Premium	Mineral Potential Probability	Assessed Total Value (M)
<b>Detour</b>											
Detour East	-	250,000	-	\$1.58	1,200	\$26.67	-	\$2.50	1.50	0.60	\$4.28
East Doight	-	25,000	-	\$0.15	700	\$1.55	-	\$0.25	1.20	0.50	\$0.35
Fenelon*	41,421	1,250,000	-	\$20.02	1,800	\$17.13	\$6.88	\$12.50	1.20	0.80	\$27.83
Grasset	-	1,500,000	-	\$0.85	1,300	\$22.69	-	\$15.00	1.50	0.75	\$17.98
Harri	-	25,000	-	\$0.16	900	\$4.99	-	\$0.25	1.50	0.60	\$0.47
Martinierie	-	1,600,000	-	\$6.29	1,800	\$17.69	-	\$16.00	1.60	0.85	\$28.73
<b>Casa-Berardi-Cameron</b>											
N2	-	500,000	-	\$2.22	800	\$2.22	-	\$5.00	1.10	0.60	\$5.67
<b>Ontario</b>											
Northshore	-	500,000	\$2.50	\$2.70	900	\$0.29	-	\$5.00	1.00	0.50	\$1.70
<b>Total</b>											<b>\$87.01</b>

\* Fenelon has a 30,217 oz Au M&I Resource valued at \$200/oz.  
Source: Company reports; LBS.

### Take-Over Premium

We have added a take-over premium value of \$15M to our valuation. We highlight that Balmoral's extensive land position along the emerging Sunday/Detour Lake deformation zone (DSDZ) could attract a premium.

### Net Asset Value

We estimate Balmoral's sum-of-the-parts NAV at \$1.48 per diluted share. This includes the value of the exploration targets, exploration potential and the potential take-over value, as well as the exploration goodwill. The last metric is a proxy for the management and exploration team's quality, which we have estimated at \$20M (see Exhibit 22).

Exhibit 22 - Balmoral's NAV Summary			
Project	Value (M)	Project	Value (M)
<b>Detour</b>		<b>Casa-Berardi-Cameron</b>	
Detour East	\$4.3	N2	\$5.7
East Doight	\$0.4	<b>Ontario</b>	
Fenelon	\$27.8	Northshore	\$1.7
Grasset	\$18.0	<b>Other</b>	
Harri	\$0.5	Project generation	\$0.5
Martinierie	\$28.7		
Exploration potential goodwill	\$20.0	Total NAV	\$129.6
Cash	\$7.0	Shares outstanding (FD)	87.2
Take-over premium	\$15.0	<b>Total NAV per share (FD)</b>	<b>\$1.49</b>

Source: LBS.

## Recommendation: Speculative Buy

Target of \$1.50, Total Return of 53%

We are initiating coverage of Balmoral Resources with a Speculative Buy rating and a one-year target price of \$1.50, implying a 53% total return from current levels. Our sum-of-parts NAV is based on a conservative approach of assessing the potential of Balmoral's portfolio of properties, essentially in the Detour area. We believe that Balmoral is a compelling investment opportunity as it is significantly exposed to discovery. We highlight that the company has built a portfolio of quality assets with sound geological modeling. We appreciate management teams who have a proven track record and look to repeat previous successes.

## Near-Term Catalysts

### Setting Stage for Discoveries

We highlight the following near-term catalysts for Balmoral's share price:

- ◆ **Continued drilling results on several projects should confirm the areas potential mineral endowment.** Balmoral was aggressive in 2011 by initiating drill programs on the Fenelon, Martinière, Grasset and Detour East projects. Assay results should continue at a steady rate, providing news flow and indicate targets for expansion.
- ◆ **Aggressive 2012 winter drilling campaigns should provide exposure to delineation and discovery.** Continued important drill programs planned in 2012 on the Martinière, Grasset, Fenelon and Detour East projects should lead to continuous news flow and confirm new discoveries.
- ◆ **Potential initial mineral resource estimate on the Martinière, Fenelon and N2 projects in 2012.** We believe that these could be important events and should give initial indications as to the size of the known deposits and highlight the area's potential for development.
- ◆ **Continued gold price appreciation should put the spotlight on quality exploration companies and may lead to acquisitions.** We believe that Balmoral is establishing a portfolio of district-scale properties which could gain exceptional value that has leverage to gold price.

In the next 12 months, we believe Balmoral's aggressive exploration program may attain milestones that will provide a threshold into which the eastern extensions of the Sunday/Detour Lake structural belt emerge as a growing recognized World-class gold district. We highlight that Balmoral's portfolio of properties could be the target of a take-over with an acquirer that searches for district-scale control.

## Company Risks

Risks to our target price include :

- 1) **Exploration Risk:** Our valuation of Balmoral depends on the company's exploration success in defining ore deposits. Even once a discovery is made, a large amount of capital is required to fund the project's development into development and operation. However, given the experienced management team, we believe the company will be able to generate value-added projects and be exposed to discovery.
- 2) **Financing/Dilution Risk:** As an exploration/development company, Balmoral is dependent on the ability to raise money for further exploration. Very often, it is difficult for new companies with undeveloped properties and uncertain income to secure the financing needed to further their projects. In terms of raising capital, the company has two main options: incurring debt or diluting its shares.
- 3) **Model Inputs:** Balmoral is an early-stage exploration company and, as such, does not have any defined mineral reserves. There have been no recent economical studies conducted on any of the company's assets that would provide important model inputs to be estimated. Such inputs would include a mine schedule with grades, recoveries, stripping/dilution ratios - as well as cost estimates for mining, processing, transportation, and capital costs. Without detailed estimates of these inputs, we have used limited published information and conservative assumptions based on our appreciation of geological potential.



## Eastmain Resources Inc. (ER-T – \$1.13)<sup>1</sup>

### Company Profile

Eastmain Resources Inc. is focused on exploration in the James Bay area of Northern Quebec. The company's primary focal point is gold exploration within the emerging Eastmain/Opinaca mining district. Eastmain owns 100% of the Eau Claire gold deposit (Clearwater Project) and has significant land holdings with partners covering key geology adjacent to the Eleonore project where Goldcorp (Les Mines Opinaca Ltée) is defining and developing a world class gold deposit. Eastmain also owns 100% of the past producing Eastmain Mine, further east in the Eastmain River Greenstone Belt, as well as another seven exploration properties in the James Bay sector.



Source: BigCharts.com

Ticker	ER-T	Shares O/S (M)	97.6
Rating	Buy (S)	Market Cap (M)	\$110.3
Risk	High	Float O/S (M)	93.7
Price	\$1.13	Float Value (M)	\$105.9
1-Yr Target	\$2.80	Avg Daily Volume (K)	128.3
Dividend	\$0.00	Enterprise Value (M)	\$94.0
Yield (%)	n/a	Control Blocks:	
1-Yr ROR	148%	Mgmt. & Dir.	4%
52 Wk High-Low	\$1.99-\$0.94	Net Debt/Cap	n/a
Valuation	NAV	BVPS	\$0.55
Year End	Oct. 31	Next Reporting	Mar-12

Expenditures (M) - Years ending Dec. 31						
	2012	2013	2014	2015	2016	2017
Capex	n/a	n/a	n/a	\$42.0	\$90.0	\$90.0
Exploration	\$10.0	Funded by partners		\$0.5		

Potential Resource Base	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (oz.)
Eau Claire	16.00	4.88	2.52

Source: Company reports; Bloomberg; LBS.

1. All pricing as of January 16, 2012.

## Buy (S) – Target Price: \$2.80

We are re-initiating coverage on Eastmain Resources with a Speculative Buy rating and a one-year target price of \$2.80, implying a return of 148%.

We highlight the following:

- ◆ **Solid pipeline with three key projects and significant land holdings.** Eastmain holds a portfolio of properties along the greenstone belts of the upper and lower Eastmain in the James Bay area. The Clearwater, Eastmain Mine and Eleonore South projects are the most advanced projects and could be potential buy-out targets.
- ◆ **Well located projects.** Eastmain's properties are located in the vicinity of what will probably be a world-class deposit and an emerging gold camp. Eleonore South and Eau Claire are, respectively, 15km and 60km southeast of the Eleonore deposit that is in full construction phase. We highlight that new road access increases accessibility and hence project attractiveness.
- ◆ **Growing mineral resources.** Eastmain controls 100% of two gold deposits that hold 1.8M oz. total resources. A recent resource estimate (April 26, 2011) for the Eau Claire deposit has total estimated M&I resources at 3.35 Mt @ 5.4 g/t Au (581,000oz. Au) and inferred at 5.3 Mt @ 5.9 g/t Au (1,020,000oz. Au). This long awaited resource update highlights a potential robust project with prospects for further growth, as attested by current drilling in the 850 West Zone. The Eastmain mine project (878,100 tonnes @ 10 g/t gold) also remains open at depth and strike and is well positioned with Route 167 Ext.
- ◆ **Experienced and committed explorers.** Eastmain is composed of seasoned explorationists with a track record of honest, hard work and strong knowledge of the James Bay area. Their long term focus is key to building quality assets and should eventually lead to attracting potential buyers.
- ◆ **Compelling net asset value.** Eastmain currently has a total defined NI 43-101 mineral resource base of 1.8M oz. We believe that the high-grade nature and the sizeable exploration upside continue to make Eastmain a compelling investment. We have derived a sum-of-parts valuation with a DCF analysis for the Eau Claire deposit. We estimate that the value of Eastmain's property portfolio translates into a NAV of \$284.6M or \$2.77 per FD share.



## Company Profile: Advancing Gold Projects in the James Bay

### Background - High Grade Deposits

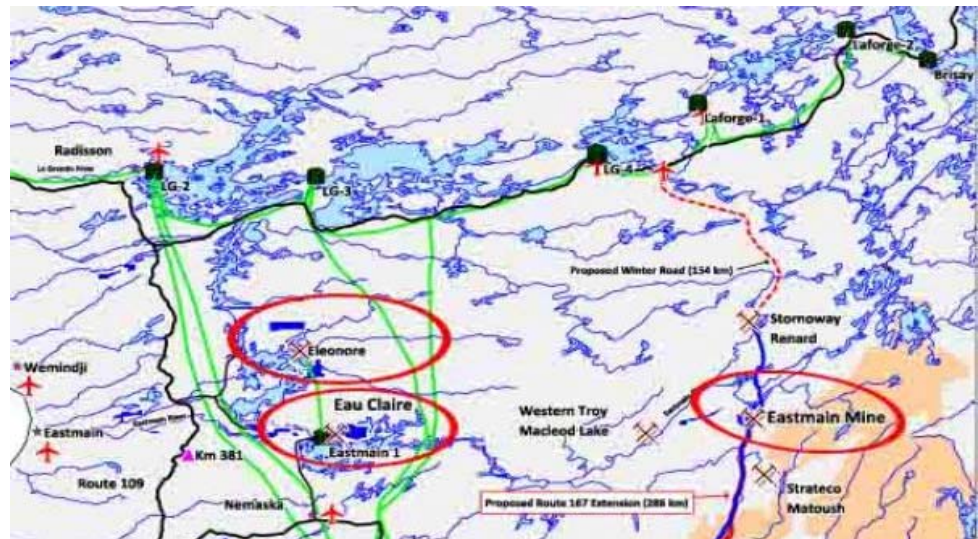
Eastmain is an experienced and focused explorer with a sizeable land claim status in the James Bay area. With a great land position and growing resource base, we believe it is well placed to take advantage of the James Bay being seen as an emerging mining camp. With a potentially continuing booming precious metals cycle, we believe that Eastmain's portfolio of gold properties will garner value. We also believe that it is well positioned for project development advancement and discovery with ongoing exploration work at the Clearwater project and Eastmain Mine project, both of which are hosts to growing high-grade gold mineralization.

### Good Geological Targets

**Low country risk provides a premium.** Focused in central and eastern Canada (Northern Quebec and Ontario), where political and social risks are relatively low, Eastmain has assembled a portfolio of quality projects that range from the growing Eau Claire gold deposit (Clearwater project) to the advanced Eastmain Mine gold deposit. We believe the company is led by a solid management that has geological expertise and experience in working in the James Bay.

**Eastmain holds geologically well positioned properties in an emerging prospective mining camp.** Eastmain has assembled a portfolio of properties totaling more than 109,000ha in the Opinaca-La Grande region. The company has been able to establish a presence by assembling a portfolio of properties since the early 1980's when the area was very remote and gold traded below 500 US\$/oz. With systematic works, Eastmain's portfolio is now composed of two advanced gold exploration projects with a growing NI 43-101 compliant resource estimate (Clearwater project) and emerging accessible gold deposit (Eastmain Mine). As Eastmain owns a portfolio of well located exploration projects with polymetallic and gold targets, such as the Eleonore South, Reservoir, Lac Hudson and Radisson projects in the general vicinity of the growing Eleonore deposit, we believe that exploration potential is very good (see Exhibit 23).

Exhibit 23 - Eastmain Projects in the Eastmain Greenstone Belt



Source: Company reports, LBS.

### Quality Portfolio Based on 3 Core Pillars

Eastmain holds three core projects within the greenstone belts of the upper and lower Eastmain in the James Bay area. The Clearwater and Eleonore South projects, respectively 60km and 15km southeast of the Eleonore deposit, are located in the vicinity of what will probably be a world-class deposit and mine within an emerging gold mining camp. The Eastmain Mine is a historical development project that has attractiveness in light of a more robust gold price environment, growing accessibility and sizeable exploration potential at depth and laterally. Eventual synergies may appear as infrastructure is consolidated and expanded and we believe that some of Eastmain's projects could eventually be potential buy-out targets. The following table describes the company's project portfolio (Exhibit 24):

Exhibit 24 - Eastmain's Portfolio of Properties							
Project	Commodity	Interest	Partner	Acreage *	Stage	Status	Drilling
James Bay							
Clearwater	Au, Te	100%		20,068	Adv. exploration	Active	Yes
Eastmain Mine / Ruby Hill	Au	100%		11,677	Adv. exploration	Active	Yes
Eleonore South	Au	36%	G-T, AZM-V	14,700	Exploration	To be active	Yes
James Bay - Other							
Reservoir	Au, Ag, Cu	100%		8,098	Exploration	To be active	Yes
Radisson	Au, Ag, Cu	100% **	HBE-V	10,698	Exploration	Active	No
Lac Elmer	Au, Ag	50%		9,379	Exploration	To be active	No
Dyna	Au	100%		18,616	Early exploration	n/a	No
Road King	Au	100%		5,704	Early exploration	n/a	No
Lidge	Au	100%		1,024	Early exploration	n/a	No
Lac Hudson	Au, Ag	100%		9,682	Early exploration	To be active	No
Ontario							
Abitibi Extension	Au, Ag, Zn	100%		24,192	Exploration	n/a	No
Abitibi Mega TEM	Au, Ag, Zn	65%	XTA-L	18,534	Exploration	n/a	No
Akweskwa	Au, Ag, Zn	100%		752	Exploration	n/a	No
Kidd	Cu, Zn	50%		896	Exploration	n/a	No
14 properties with combined acreage of:				154,020			
* Hectares. ** Partner has option to acquire 50% interest.							
Note: T - TSX; V - TSXV; L - LSE.							
Source: Company reports; LBS.							

For a detailed description of Eastmain's projects and land holdings, see Appendix VI.

## Clearwater Gold Project

### Eau Claire Growing

The Eau Claire deposit on the Clearwater project is an advanced target with sizeable potential. It contains a growing resource in the measured, indicated and inferred category and could eventually be set for a preliminary economic assessment (PEA). Eastmain holds a 100% interest in the Clearwater Property, host to one of the growing gold deposits in the James Bay area of northern Quebec. Surface trenching and diamond drilling (75,000m) have outlined a measured & indicated and inferred gold resource in excess of 8Mt, containing approximately 1.6M oz. within the 450 West Zone. We provide mineral resources estimates as disclosed on April 26, 2011 (see Exhibit 25).

Exhibit 25 - Clearwater Resource Base			
Deposit	Tonnes (M)	Grade (g/t)	Contained Gold (Oz.)
<b>Open pit (450 west)</b>			
Measured	1.6	6.05	319,000
Indicated	1.1	3.79	133,000
Total M&I	2.7	5.15	452,000
Inferred	1.4	2.56	115,000
Total open pit	4.1	4.27	567,000
<b>Underground</b>			
Measured	0.1	6.81	31,000
Indicated	0.5	6.36	99,000
Total M&I	0.6	6.46	130,000
Inferred	3.9	7.18	905,000
Total underground	4.5	7.08	1,035,000
<b>Total resources</b>	<b>8.7</b>	<b>5.74</b>	<b>1,602,000</b>
Source: Company reports.			

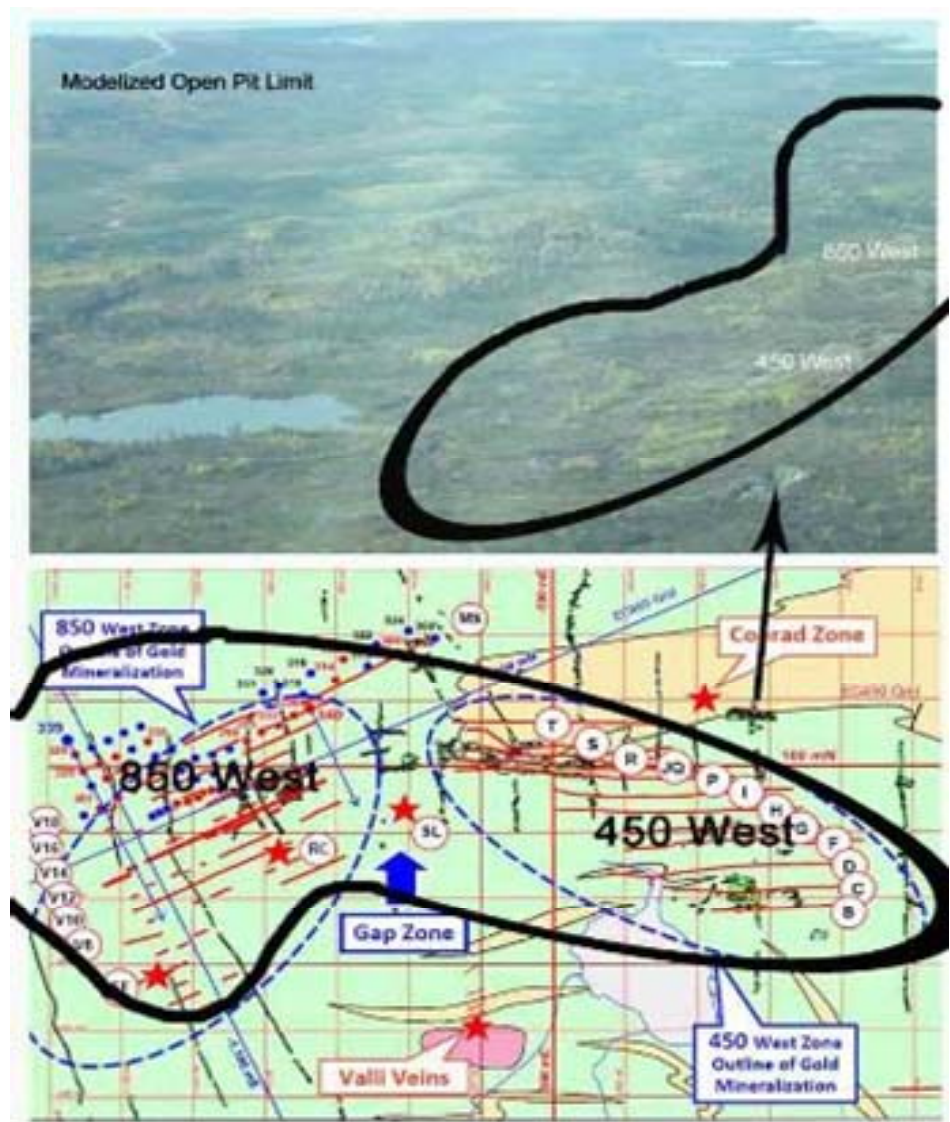
### Expanding Resource Base

Over the past 36 months, Eastmain has focused on definition drilling in the 450 West and 850 West Zones of the Eau Claire Gold deposit, outlining in more detail near surface, high grade resources. Furthermore, the company has continued to drill both on property scale and on expanding the Eau Claire deposit. We believe results suggest an expanding gold system that is ripe to be brought to the next level with initial mining plan scenarios. Our current view is a potential open pit enclosing the 450 West, Gap and 850 West zones (see Exhibit 26).





Exhibit 26 - Expanding Clearwater Project with Potential Pit Outline



Source: Company reports, LBS.



## Management and Board: Determined and Experienced

### Experienced Management Team

We believe management's focused and steady exploration approach in Northern Quebec has assembled a portfolio of quality properties that is well positioned with the increasing activity in the James Bay area. The solid technical expertise and work ethics of management should provide quality asset building.

We highlight the following:

- ◆ **Donald J. Robinson, President, CEO and Director** – Dr. Robinson earned a PhD from the University of Western Ontario in 1982 and has been President and CEO of Eastmain since 1994. Dr. Robinson formerly operated a private consulting firm, Robinson Exploration Services Limited (RESL), which specialized in the exploration of base and precious metals within Canada and Australia from 1987 to 1994. For two years he managed the exploration of a gold-rich volcanic sulfide mineralization ("VMS") discovery at Lewis Ponds, Australia, for Tri Origin Exploration Ltd. Prior to forming RESL, Dr. Robinson supervised an integrated base and precious metal program on behalf of Westmin Resources Ltd. from 1981 to 1987, which led to the discovery of the Eau Claire gold deposit at Clearwater.
- ◆ **Catherine I. Butella, Exploration Manager** – Ms. Butella, B.Sc. (Geology-Biology) has been exploration manager of Eastmain since 1996 and has over 25 years of diversified experience in the exploration of uranium, base and precious metals and PGEs in the Hemlo mining camp in Ontario and in Australia.
- ◆ **John A. Hansuld, Director**, – Mr. Hansuld, Ph.D., is a director of Eastmain since 1986. He was President of the PDAC from 1993 to 1996. He has been recently inducted to the Canadian Mining Hall of Fame and has had a full and varied career in geochemistry and mineral exploration. Dr. Hansuld received his Ph.D. in Geological Sciences from McGill University in 1961 and a P.M.D. from Harvard Business School in 1968.
- ◆ **David K. Joyce, Director** – Mr. Joyce, is a director of Eastmain since 2009 and has been involved in the technical and business aspects of the mining industry for over thirty years. A graduate of the Haileybury School of Mines, Mr. Joyce has worked in senior management positions for several engineering and construction contractors and most recently as VP-Business Development for SNC-Lavalin Inc.'s mining and metallurgical office in Toronto. Mr. Joyce was previously adjunct Professor at the Lassonde Program from 1999-2007 and acts as explosives and blasting consultant.
- ◆ **James Bezeau, Chief Financial Officer** – In office since 2004, Mr. Bezeau, CMA, brings 30 years of financial, accounting and managerial experience to the Company. Having worked for the Iron Ore Company of Canada, Mr. Bezeau is well versed in the mineral industry. Currently the Director of Finance for a number of organizations including Community Living Guelph-Wellington, Mr. Bezeau has acted as a financial consultant for the following companies: Deloitte & Touche Inc., Winfair Investments Limited, Sun Life Assurance Company of Canada, The City of London, The Standard Life Assurance Company of Canada, the Community Living Associations of St.-Thomas-Elgin, Middlesex, Guelph-Wellington and Dufferin.
- ◆ **Jay Goldman, MBA, LL.B., Corporate Secretary** – Mr. Goldman joined Eastmain in 1998 as corporate secretary and is a partner in the law firm Cassels Brock & Blackwell LLP. Previously from 2001 to 2007 a partner in the law firm Goodman & Carr, he was a partner in the law firm Beach Hepburn from 1993 to 2000. Prior to 1993, Mr. Goldman was an associate at the law firm of Tory DesLauriers & Binnington.
- ◆ **Ian Bryans, Director** – Mr. Bryans, BA, is a director of Eastmain since January 2005 and is the President and owner of CP Management Solutions, marketing specialists.

- ♦ **William L. Koyle, Director** – Mr. Koyle is a director since 2004 and chairs the audit committee. Mr. Koyle attended The University of Western Ontario, and Templeton College, University of Oxford, where he completed the Senior Managers Development Programme. From 1983 to 2006, Mr. Koyle has served on the board of a number of publicly held companies, including TSX-listed Spectral Diagnostics Inc. and ESI Entertainment Inc.
- ♦ **Richard W. Hutchinson, Chief Technical Advisor** – Mr. Hutchinson, Ph.D., was director from 1995 to 2009 and is Professor Emeritus at the Colorado School of Mines. He is a renowned authority on ore deposits throughout the World. Dr. Hutchinson served as Professor of Economic Geology at the University of Western Ontario from 1964 to 1983. Between 1954 and 1964, Dr. Hutchinson was involved with AMAX in the worldwide exploration of a wide variety of deposit types, including massive base metal sulphides, potash and porphyry molybdenite ores.
- ♦ **Chad Steward, Investor Communications** – Mr. Steward has over three decades of experience in investor communications and brings a strong and diversified marketing, promotional and communications background to Eastmain. Since 1979, Mr. Steward has been Director and CEO of Steward-Barker & Associates Ltd, a privately held Vancouver-based marketing/management company.

## Valuation: Project Advancement

### Gold Development

Eastmain could soon be on the cusp of transitioning from a junior exploration to a small-tier gold producer in light of the quality of its projects. The company is a quality exploration company with potential to develop a gold project or projects in an emerging mining camp. Presently, it has no mineral reserves, but a mineral resource base that totals more than 1.8Moz. Au. We have valued Eastmain's entire portfolio of projects using our valuation metrics based on geological potential assessment of each property and a DCF analysis of the Clearwater project as the Eau Claire deposit has a robust Measured and Indicated (M&I) Resource estimate.

### Potential to Expand Resources

**Quality resources with potential for expansion.** We believe that Eastmain has a mineral resource base that is set to grow with ongoing works on the 850 West and Gap zones at Clearwater. We believe that the potential for increase in the Measured and Indicated (M&I) category and in the Inferred category are considerable as recent drilling continues to show expansion of the mineralized system. We also highlight the blue-sky potential still offered by the company's portfolio of properties as projects are well located and have been only cursorily explored.

### Assessed Mineral Potential Value

Our valuation is initially based on an approximate in-situ US\$200 EV/oz. value for the Eau Claire M&I gold resource and US\$75 EV/oz. value for the Inferred resource base. Applying to the M&I 582,000oz. resource and the 1,020,000 oz. inferred resource the above EV/oz. provides an in-situ value of \$192M. We have also factored-in a mineral potential value at US\$10 EV/oz. to a potential 2.5M oz. deposit and also accounted for past works and the property acreage propensity (geological potential). We derive an assessed value totaling \$258M for Eau Claire.

### Clearwater Project with Expanding Resources

We believe that the ongoing infill drilling works combined with the extensions of the 850 West Zone and Gap Zone could suggest a potential surface exploration target in the range of 10-20Mt, modeled with a grade of 0.08 to 0.12 oz./t Au providing 1.2M oz. to 2.4M oz. Au. Furthermore, the 450/850 West zones with a minimum strike length of 1,000m x 50m could suggest that over 10Mt material could be mined at surface to -300m with a reasonable stripping ratio. The following is our estimate of the potential expanding resources at Eau Claire (Exhibit 27) following the 2010 and 2011 diamond drilling works:



Exhibit 27 - Potential Resource Base for Clearwater Project

Deposit	Tonnes (M)	Grade (g/t)	Contained Gold (Oz.)
<b>Open pit (450/850 West)</b>			
Measured	1.8	6.00	347,233
Indicated	1.7	4.25	232,293
Total M&I	3.5	5.15	579,526
Inferred	7.3	3.25	762,788
Total open pit	10.8	3.87	1,342,314
<b>Underground</b>			
Measured	0.2	6.80	32,794
Indicated	0.6	6.35	122,496
Total M&I	0.8	6.44	155,290
Inferred	4.5	7.05	1,019,998
Total underground	5.3	6.96	1,175,288
<b>Total resources</b>	<b>16.1</b>	<b>4.88</b>	<b>2,517,602</b>

Source: LBS.

#### Open-Pit Mining Followed by Underground Operations

We had expected Eau Claire to eventually be mined as a satellite deposit and custom milled at the future Eleonore mine complex; however, considering the potential size of the Eau Claire deposit, we believe that the project might fly as a stand-alone with an on-site mill.

We have modeled Eastmain's Clearwater project potential using our deck of metal prices (see Exhibit 3) in a DCF analysis and determined a NAV. We continue to model an initial scenario where an open-pit would first be developed, followed by an underground ramp.

The swarm of gold-bearing veins is indicative of a potential mineralization system, ranging from 2M oz. to 3M oz. at the Eau Claire deposit. Considering that in-fill drilling and the tourmaline and/or actinolite and/or biotite altered rocks contain gold, we can model with reasonable comfort an open pit scenario. As the deposit remains open in most directions and high-grade veins are exposed at surface, ranging from 18.1 to 118 g/t Au, on topographic highs, we believe that Eau Claire offers an initial open pit mine scenario that is characterized by a high gold content. We have modeled 10.8Mt @ 3.1 g/t Au.

This approach for expected mine development, combined with on-going exploration, suggests that the Eau Claire deposit could be brought into production starting in year-end 2014. Considering that mineralization shows extensions of 1.5km and to a vertical depth of 880m with potential M&I resources of 0.75Mt @ 6.44 g/t Au (155,000oz.) and Inferred resources 5.5Mt @ 6.96 g/t Au (1.17M oz.), we have also modeled into the scenario underground operations starting in 2017.

Our DCF analysis scenario has the following assumptions and parameters:

**Exhibit 28 - Assumptions for Clearwater Project Valuation**

Operating metrics	Unit	LBS	Financial metrics	Unit	LBS
Avg. gold price (LOM)	US\$ / oz.	\$1,168	Start date		2015
Mineable resources	Mt	16.05	Mine life	years	11
Grade	g/t	4.88	Avg. gold production	oz./year	101,600
Method	open & underground		Capital cost	US\$ M	\$100
Mill size	tpd	2,000	Working capital	US\$ M	\$8.50
Open pit	Mt	10.85	Operating costs	US\$ / t	\$131.5
Cut-off grade	g/t	0.50	Direct operating costs	US\$ / oz.	\$782.0
Grade	g/t	3.11	Royalty		n/a
Stripping ratio		2.92:1	IRR	annual rate	47%
Underground	Mt	3.20	NPV @ 0%	\$ M	\$348.0
Cut-off grade	g/t	3.00	NPV @ 5%	\$ M	\$230.0
Grade	g/t	7.78	<b>NPV @ 10%</b>	<b>\$ M</b>	<b>\$154.0</b>
Gold recovery		96%	NPV @ 12%	\$ M	\$131.0

Source: LBS.

We derive a \$154M value for the Eau Claire project, based on our 10% DCF/NAV case (see Exhibit 29).

Exhibit 29 - Eau Claire's Simplified DCF Model											
	2011- 2014	2015	2016	2017	2018	2019	2020	2021-2022	2023	2024-2025	TOTAL
Gold Price (\$US/oz.)	-	1,550	1,450	1,350	1,250	1,150	1,100	1,000	1,000	1,000	1,168
<b>Underground Production</b>											
Tonnes Milled (million)	-	-	-	-	0.32	0.35	0.42	0.42	0.42	0.42	3.19
Gold Grade (g/t)	-	-	-	-	7.78	7.78	7.78	7.78	7.78	7.78	n/a
<b>Open Pit Production</b>											
Tonnes Mined (million)	-	1.08	2.88	2.88	2.55	1.48	-	-	-	-	10.85
Tonnes Milled (million)	-	0.43	0.98	0.98	0.83	0.48	-	-	-	-	3.68
Gold Grade (g/t)	-	3.11	3.11	3.11	3.11	3.11	3.11	3.11	3.11	-	n/a
Strip Ratio	-	2.53	2.95	2.95	3.09	3.11	-	-	-	-	2.92
Stockpile (million tonnes)	-	-	0.25	0.25	0.25	0.25	-	-	-	-	1.01
Tonnes Milled Open Pit (million)	-	0.43	0.73	0.73	0.41	0.37	0.27	0.27	0.20	-	3.68
<b>Total Tonnes Milled (million)</b>	-	<b>0.43</b>	<b>0.73</b>	<b>0.73</b>	<b>0.73</b>	<b>0.72</b>	<b>0.69</b>	<b>0.69</b>	<b>0.62</b>	<b>0.42</b>	<b>6.87</b>
Gold Milling Recovery	-	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%
Au Oz Produced (Underground)	-	-	-	-	76,800	84,000	100,800	100,800	100,800	100,800	765,600
Au Oz Produced (Open Pit)	-	40,800	70,080	70,080	39,360	35,520	25,920	25,920	19,200	-	312,000
<b>Total Au Oz Produced</b>	-	<b>40,800</b>	<b>70,080</b>	<b>70,080</b>	<b>116,160</b>	<b>119,520</b>	<b>126,720</b>	<b>126,720</b>	<b>120,000</b>	<b>100,800</b>	<b>1,118,400</b>
<b>Revenue (million)</b>											
Underground	-	-	-	-	\$96	\$97	\$111	\$101	\$101	\$101	\$807
Open Pit	-	\$63	\$102	\$95	\$49	\$41	\$29	\$26	\$19	-	\$449
<b>Total Revenue</b>	-	<b>\$63</b>	<b>\$102</b>	<b>\$95</b>	<b>\$145</b>	<b>\$137</b>	<b>\$139</b>	<b>\$127</b>	<b>\$120</b>	<b>\$101</b>	<b>\$1,257</b>
<b>Operating Costs (million)</b>											
Mining (\$78.7/t)	-	-	-	-	\$25	\$28	\$33	\$33	\$33	\$33	\$251
Mining Open Pit (\$18.0/t)	-	\$19	\$52	\$52	\$46	\$27	-	-	-	-	\$195
Milling Charge (\$13.2/t)	-	\$6	\$10	\$10	\$10	\$10	\$9	\$9	\$8	\$6	\$91
Maintenance (\$8.8/t)	-	\$4	\$6	\$6	\$6	\$6	\$6	\$6	\$5	\$4	\$60
Administration (\$22.0/t)	-	\$9	\$16	\$16	\$16	\$16	\$15	\$15	\$14	\$9	\$151
Transportation (\$1.1/t)	-	\$0	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$0	\$8
Contingency (\$4.4/t)	-	\$2	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$2	\$30
Toronto Office (\$3.3/t)	-	\$1	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$1	\$23
<b>Total (\$131.5/t)</b>	-	<b>\$42</b>	<b>\$90</b>	<b>\$90</b>	<b>\$110</b>	<b>\$92</b>	<b>\$69</b>	<b>\$69</b>	<b>\$66</b>	<b>\$55</b>	<b>\$809</b>
Direct Operating Cost	-	\$1,024	\$1,288	\$1,288	\$944	\$771	\$548	\$548	\$548	\$548	\$723
<b>Total Capital Cost</b>	\$12	\$26	\$3	\$48	\$1	\$0	-	\$1	-	\$9	\$100
Net Cash Flow *	-\$12	-\$13	\$8	-\$44	\$35	\$45	\$70	\$57	\$54	\$42	\$348
											NPV @ 10%
											\$154
											Internal Rate of Return
											47%
* Before taxes and mining rights. Source: LBS.											



### Eastmain Mine - Past Producer

Combining the assessed mineral potential value of \$258M and the \$154M based on our 10% DCF/NAV model we derive a NAV of \$206M for the Clearwater project.

The Eastmain mine could be valued at a premium in the context of rising gold prices. Indeed, 250,000oz. with a \$75/oz. expected value suggests a NAV of \$19M. We have assessed the Eastmain Mine property at \$33M using our mineral potential value and acreage propensity assessment that considers the value of past and present works, as well as potential resources pondered for location and probability of discovery. We believe the Eastmain Mine project is very well positioned considering infrastructure such as the Route 167 Ext, as well as the longer term development of the Otish Mountains sector (diamonds and uranium) with potential power-lines and electrical supply from the upper hydroelectric complexes.

### Exploration Potential on Other Projects

We believe that the portfolio of properties in the Eleonore sector (Opinaca / La Grande subprovinces) can be conservatively valued at over \$9M. To value these properties considering their strategic location in an emerging mining camp, the premium of Goldcorp's interest and the blue-sky potential, we derived a geological estimation value based on the following: geological potential (acreage propensity), value of past and present works, potential resources pondered for location and probability of discovery.

### Net Asset Value

We have estimated Eastmain's NAV at \$2.77 per diluted share. This is based on the sum of the parts valuation (see Exhibit 30), which includes essentially the value of the Eau Claire and Eastmain mine deposits, exploration potential of other projects and the exploration goodwill (a proxy for the quality of management and the exploration team), which we have estimated at \$10M.

Exhibit 30 - Eastmain's NAV Summary			
Project	Value (M)	Project	Value (M)
<b>James Bay</b>		<b>James Bay - Other</b>	
Clearwater	\$206.0	Reservoir	\$2.6
Eastmain Mine / Ruby Hill	\$33.0	Radisson	\$2.2
Eleonore South	\$7.1	Lac Elmer	\$1.6
<b>Other Regions</b>		Dyna	\$0.6
Properties in Ontario	\$4.0	Road King	\$0.8
		Lidge	\$0.9
		Lac Hudson	\$0.8
Exploration potential goodwill	\$10.0	Total NAV	\$284.6
Cash	\$15.0	Shares outstanding (FD)	102.9
		<b>Total NAV per share (FD)</b>	<b>\$2.77</b>

Source: LBS.

### Peer Comparison

Comparable exploration and development companies trade at an average range of \$5 to \$1,029 per ounce, essentially on the quality of the management team and the assets. We have compiled a selection of companies at different development stages, but with growing potential resource base in Canada and southeast United States. The determined average enterprise value per ounce of gold in the ground for the selected exploration and development companies with projects in Canada is approximately \$181.40/oz. (see Appendix II). Eastmain has an assigned value of approximately \$58.70/oz. which we believe reflects an undervalued portfolio of projects. We believe that our determined NAV of \$284.6M for Eastmain is in line with quality explorers and developers.

Target of \$2.80, Total  
Return of 148%

## Recommendation: Speculative Buy

Our valuation of Eastmain is based on conservative multiples for exploration potential and cash flow, and on our discounted (10%) Net Asset Value (NAV), which uses a reasonable metal price scenario forecast. The Eau Claire and Eastmain gold deposits provide Eastmain with significant leverage to gold prices, while other properties provide excellent potential for a second discovery. We believe that the near-term (12 months) valuation of Eastmain presents a compelling investment opportunity when compared to many of its peers as the project contains quality gold ounces. Furthermore, Eastmain is in the process of substantially increasing the total mineral resources at the Eau Claire project and potentially on the cusp of transitioning this project from exploration into development in order to eventually become a gold producer. We believe the Eau Claire project, in times of heightened gold prices, with its high-grade gold could become a potential acquisition target.

## Near-Term Catalysts

### Development

We highlight the following near-term catalysts for Eastmain's share price:

- ◆ **We expect potential increases in the overall size of the Eau Claire project.** On-going 25,000m diamond drilling program suggests growing 850 West and Gap zones.
- ◆ **Drilling in the company's portfolio of properties in the James Bay area should provide excitement as potential for discovery is high.** Results from Eastmain Mine area as well as further works on the Eleonore South project may strengthen Eastmain's portfolio of projects.
- ◆ **The Eastmain Mine to be accessible by the Route 167 Ext.** In light of solid gold prices and potential infrastructure development, the Eastmain Mine project is very well located considering the completion of the Route 167 Ext road by end of 2013. This development should radically change the projects economic parameters.

## Company Risks

Risks to our price target on Eastmain shares include :

- 1) **Model Inputs:** Eastmain is an exploration and development company and, as such, does not have any proven or probable reserves. There have not been any economical studies conducted on the company's most advance assets that would otherwise contain important model inputs to be estimated. Such inputs would include a mine plan and schedule with grades, recoveries, stripping/dilution ratios - as well as cost estimates for mining, processing, transportation, and capital costs. Without detailed estimates of these inputs, we have used limited published information and conservative assumptions based on recent studies on other projects of similar scope. Hence our assumptions on Eau Claire could be subject to revisions.
- 2) **Financing/Dilution Risk:** As a development/exploration company, Eastmain is dependent on the ability to raise money for further exploration and development. Funds to develop Eastmain's projects may still need to be raised. Eastmain has not yet determined whether any of its properties contain economically recoverable reserves. As a result, there are no current sources of revenue and Eastmain may have to rely on the issuance of shares or debt to generate the funds required to advance its development program and eventual construction of mining operations.
- 3) **Exploration Risk:** Our valuation of the company also depends on the Eastmain's exploration success. Even once a discovery is made, a large amount of capital is required to fund the project's development into an operation. Gold exploration and mine development involves a high degree of risk and uncertainty both at discovery and development stages.

## Midland Exploration Inc. (MD-V – \$1.36)<sup>1</sup>

### Company Profile

Midland Exploration Inc. is a mineral exploration company focused on gold, copper, zinc, uranium and rare earths elements (REE) projects in Quebec. Midland owns a variety of grass-roots and drill target mineral exploration projects. The company has amassed a sizeable portfolio of gold properties in the Abitibi and James Bay area. With its partners, such as Agnico-Eagle, Aurizon Mines, North American Palladium Limited and Osisko Mining Corp., Midland is well positioned to generate results. Midland applies the partnership model and has established a track record of securing quality partnership agreements. Midland excels in prospect generation by maximizing compilation of Provincial and Federal Government public databases.



Source: BigCharts.com

Ticker	MD-V	Shares O/S (M)	25.7
Rating	Buy (S)	Market Cap (M)	\$35.0
Risk	High	Float O/S (M)	22.6
Price	\$1.36	Float Value (M)	\$30.8
1-Yr Target	\$2.75	Avg Daily Volume (K)	15.5
Dividend	\$0.00	Enterprise Value (M)	\$31.1
Yield (%)	n/a	Control Blocks:	
1-Yr ROR	102%	Mgmt. & Dir.	12%
52 Wk High-Low	\$1.95-\$1.31	Net Debt/Cap	n/a
Valuation	NAV	BVPS	\$0.29
Year End	Sep. 30	Next Reporting	Feb-12

Expenditures (M) - Years ending Dec. 31					
	2012	2013	2014	2015	2017
Capex	n/a	n/a	n/a	n/a	n/a
Exploration	\$6.0	Funded by partners		\$4.0	

Resource Estimate	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (oz.)
n/a			

Source: Company reports; Bloomberg; LBS.

## Buy (S) – Target Price: \$2.75

We are re-initiating coverage on Midland Exploration Inc. with a Speculative Buy rating and a one-year target price of \$2.75, implying a return of 102%.

We highlight the following:

- ◆ **Young dynamic exploration company.** A junior mineral exploration company focused in Quebec, listed on the TSX-V in early 2007, Midland is a project generator that owns grass-roots mineral exploration properties located in diverse mineral areas of Quebec. It has a varied commodity exposure with a robust pipeline of quality projects.
- ◆ **Assembling an impressive diversified land position.** Midland holds a substantial portfolio of properties in Quebec. Furthermore, with its partnership model and relative financial flexibility, the company has capacity to conduct activities on its properties in the James Bay area, in the Abitibi and in northeastern Quebec near the Labrador border. Midland holds or is assembling an important land package in the Abitibi Greenstone Belt, La Grande/Opinaca Reservoir area in the James Bay, as well as in the Grenville and the Appalachians; making it a growing diversified project generator.
- ◆ **Capacity to attract quality partners.** Management has attracted quality JV partners, notably Agnico-Eagle, Osisko Mining Corp, Aurizon, North American Palladium and JOGMEC. We believe this highlights management's ability to have its expertise recognized and maximized.
- ◆ **Solid business model.** The company is well financed (cash position of \$5.0M) and has a low cash burn rate. With less than 26M shares outstanding, Midland's capital structure remains lean and management intends to preserve it. In addition, we believe management's excellent focus on preserving a tight capital structure could provide huge upside to any discovery. Midland aims to apply the successful business model of Virginia Mines, by spreading risk and reducing share dilution through joint-ventures with quality partners.
- ◆ **Active drilling programs.** With upcoming and ongoing drilling programs, we believe Midland should be well positioned for discoveries. We note that the company and its partners have extensive drilling programs for the coming months of 2012 (20,000m).

1. All pricing as of January 16, 2012.

## Company Profile: Diversified Quality Exploration

### Diversified Explorer

Midland Exploration is a Quebec-based early-stage exploration company targeting new world-class deposits of gold, base metals and rare earth elements. Formed in March 2007 with the objective of creating a diversified mineral exploration company focused on project generation and acquisitions, Midland has acquired a strong and diversified portfolio of projects in the province of Quebec. The company is focused on gold, zinc, copper and REE metals in different geological environments and has acquired prospective targets through innovative compilation and delineation techniques.

### Dynamic Management

Midland is led by highly dynamic and innovative management and technical teams. The company is a young, energetic and aggressive mineral exploration company focused on mine discovery in the province of Quebec. Its business model is based on solid, active and well-thought exploration within proven, relatively accessible mining districts or up and coming area plays.

### Applying the Prospector-Generator JV Model

The company has generated and acquired quality geological targets by rigorous modeling and reacting quickly to opportunities. Midland's strategy is to reduce the technical and financial risks associated with mineral exploration by generating and acquiring quality targets and subsequently developing partnerships. We note that Midland has attracted reputable partners such as Agnico-Eagle Mines Limited, Osisko Mining Corporation, Aurizon Mines Ltd, North American Palladium Limited, Japan Oil, Gas and Metals National Corporation (JOGMEC) and SOQUEM Inc.

Total budget from partners was approximately \$3.5M in 2011 and estimated at \$4.0M in 2012.

### Generating Geological Targets

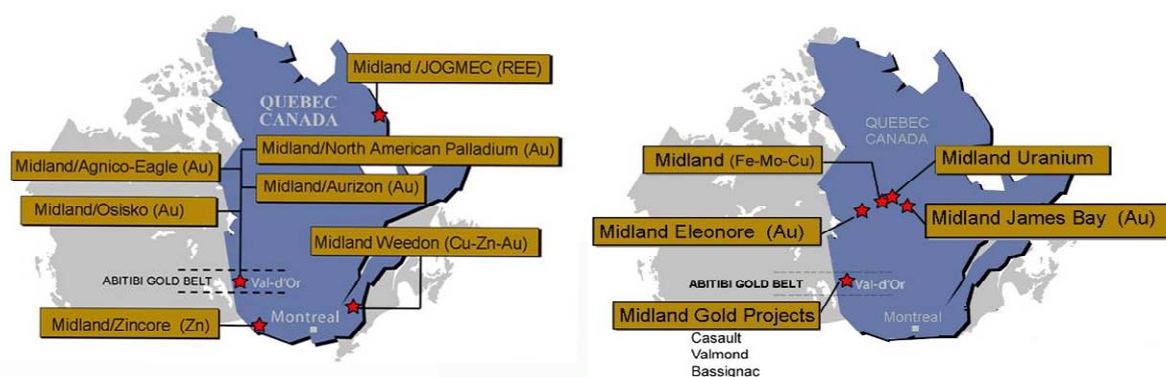
Generation of good targets in the Abitibi, James Bay and Strange Lake areas. Midland strength is to capitalize on its extensive knowledge of the Quebec mineral plays and on its capacity to generate and acquire projects. Recent land acquisition, such as the Valmond property in northwestern Abitibi as well as previous positioning in the Opinaca-La Grande region of the James Bay, Strange Lake-Misery lake areas for Rare Earth Elements (REE) and in other less trodden areas is based on a comprehensive technical compilation and thorough understanding of geological concepts and innovative targeting methodology. We believe Midland's objective is to make a major discovery ore deposits within under-explored or poorly explored areas of Quebec.

## Excellent Diversified Portfolio

### Emerging Exploration Leader in Mining- Friendly Quebec

Midland is emerging as a significant and strategic land holder. The company has assembled a portfolio of projects in diverse geological settings in Quebec (see Exhibit 31), ranging from gold in the Abitibi to land positions in the Grenville and Appalachians for base-metals and near the Quebec/Labrador border for heavy REE mineralization. Land position in the James Bay is based on the rising diversified commodity endowment of the area in gold, iron, uranium and base-metals.

Exhibit 31 - Midland's Land Holdings in Quebec



Source: Company reports, LBS.

## Diversified Explorer

Midland's portfolio includes nearly 20 exploration properties in Quebec for gold, copper, zinc, rare earths, and platinum group metals. The properties represent nearly 272,000ha, making Midland an important claim-holder in the province of Quebec, a jurisdiction that we believe remains an attractive mining area because of its history and relatively stable social and political agendas. The company has acquired its land position in the Abitibi through geological compilation and alert claims staking. It has assembled an interesting portfolio of projects in the Abitibi region of Quebec that has attracted partnerships with majors such as Agnico-Eagle Mines Limited (AEM-T), Osisko Mining Corporation (OSK-T), Aurizon Mines Ltd (ARZ-T) and North American Palladium Limited (PDL-T). Midland is positioned in the James Bay in different sectors, based on sound geological compilation and hypotheses. Projects range from gold properties in the Eleonore sector and the eastern James Bay (LG-4 sector) to commodity plays in iron, molybdenum and uranium in the LG-3 sector. Furthermore, the company also has base-metal plays in the Grenville and a land position near the Strange Lake-Misery Lake areas of the Quebec/Labrador border for potential heavy REE mineralization. Exhibit 32 summarizes Midland's portfolio of properties.

**Exhibit 32 - Midland's Portfolio of Properties**

Project	Commodity	Interest	Partner	Acreage *	Stage	Status	Drilling
<b>Abitibi</b>							
Maritime-Cadillac	Au	50%		173	Adv. Exploration	Active	Yes
Abitibi (gold projects)	Au	100%		802	Generation	Active	No
Bassignac	Au	100%		547	Exploration	Active	No
Casault	Au	100% **	OSK-T	17,640	Exploration	Active	Yes
Chicobi	Au	100%		2,542	Early Exploration	Active	No
Dunn	Au	100%		2,418	Exploration	Active	Yes
Laflamme	Au, Cu, Ni	100% **	NAP-T	30,084	Exploration	Active	Yes
Patris	Au	100% **	ARZ-T	3,131	Exploration	Active	Yes
Valmond	Au	100%		4,401	Exploration	Active	Yes
<b>James Bay</b>							
James Bay (gold)	Au	100%		29,968	Exploration	Active	No
James Bay (uranium)	U	100%		11,352	Early Exploration	n/a	No
James Bay	Fe, Mo-Cu	100%		914	Early Exploration	Active	No
Midland Eleonore	Au	100%		30,858	Exploration	Active	No
<b>Grenville</b>							
Gatineau	Zn	100% **	ZNC-T	6,929	Exploration	Active	Yes
Vermillion	Au, Cu	50%	SOQUEM	2,335	Exploration	n/a	No
Yttria	Rare earths	100%		4,372	Early Exploration	Active	No
<b>Appalaches</b>							
Beauce	Au	100%		15,625	Early Exploration	n/a	No
Weedon	Cu, Zn, Au	100%		23,128	Exploration	Active	Yes
<b>Quebec-Labrador</b>							
Ytterby	Rare earths	100% **	JOGMEC	53,114	Exploration	Active	Yes

**19 properties with combined acreage of : 240,333**

\* Hectares. \*\* 50% if partner exercises acquisition option.

Note: T - TSX; V - TSXV.

Source: Company reports; LBS.

For a detailed description of Midland's projects and land holdings, see Appendix VII.



## Management and Board: Dynamic and Experienced

### Enthusiastic, Solid

We believe management is highly experienced with a long track-record in exploration and good work ethics. The solid experience of management and staff with senior companies has provided exposure to diverse projects and different industry contacts. Midland is very dynamic and has innovative thinkers with the capacity to use new technologies (Infini-TEM, VTEM and MegaTEM® II). We believe the access to scientific researchers (UQAM, COREM, CONSOREM) makes management a solid project generator and a leader of the pack. In our view, Midland has a good mix of expertise, discipline and enthusiasm. Also, when appropriate, the JV partners are operators so the company's expertise and resources are not spread thin.

We highlight the following Directors and Officers:

- ◆ **Gino Roger, P. Eng. President, CEO, Director** – Mr. Gino Roger has been President and Chief Executive Officer of the company since November 1, 2006. Gino graduated as a geological engineer from Laval University in 1990. From May 1990 to October 2006, Gino was a Regional Geologist at Xstrata, Falconbridge and Noranda. During those years, he was actively involved in the generation, acquisition and negotiation of many significant projects and discovery of mineral prospects. He is a member of the Ordre des ingénieurs du Québec and of the Canadian Institute of Mining, Metallurgy and Petroleum. He is also director of the President of the Quebec Mining Exploration Association (AEMQ).
- ◆ **Mario Masson, P. Geo., VP Exploration** – Mario was nominated VP Exploration in January 2010. He is a graduate of University of Montreal in 1987 with a Bachelor's degree in Geology. Prior to joining Midland, between October 2002 and December 2007, Mario was in charge of exploration activities in the Noranda mining camp as Senior Geologist for Noranda Inc. - Falconbridge Ltd. - Xstrata Copper. He began his career as a geologist with Services Géoscientifiques Nipadex and Muscocho, joining Noranda Exploration in August 1990. From August 1990 to September 2002, he worked as Project Geologist then as Senior Project Geologist for Noranda Exploration (Noranda Inc.) in the Matagami mining camp. With more than 20 years of experience in mineral exploration, he has had active roles in many discoveries in Quebec such as the Orchan West, Bell Allard, Caber and the Perseverance ore deposits. He is a member in good standing of the Ordre des géologues du Québec.
- ◆ **Jean-Pierre Janson, Chairman of the Board** – Mr. Janson is Managing Director, National Wealth Management for Richardson GMP Limited. Mr. Janson has been National Sales Manager of Richardson Partners Financial Limited since January 2005 and brings considerable experience. Over the past 17 years, Mr. Janson has acted as Managing Director of CIBC Wood Gundy Financial Services (Québec) Inc. (Eastern Canada) and held senior management positions with Merrill Lynch Canada Inc. and Midland Walwyn Inc. Mr. Janson maintains a strong relationship with the resource industry and its involvement with the financial community.
- ◆ **Dr. Robert I. Valliant, Director** – Former VP Exploration, LAC Minerals Ltd., Dr. Valliant obtained a Bachelor of Science degree from the University of Waterloo and a Ph.D. in Economic Geology from the University of Western Ontario. Dr. Valliant is President of Tri Origin Exploration Ltd. (TOE-V), Dr. Valliant has more than 30 years experience in base and precious metals exploration, discovery and development. He co-founded Tri Origin in 1989. Dr. Valliant is a fellow of the Geological Association of Canada and a member of the Australian Institute of Geoscientists, the Society for Economic Geologist and the Canadian Institute of Mining and Metallurgy. He is a director of the Prospectors and Developers Association of Canada.

- ♦ **Germain Carrière, Director** – Mr. Carrière holds a law degree from the Université de Sherbrooke and a Masters Degree in Business Management from the University of Western Ontario. Mr. Carrière joined the Corporate Finance division of Lévesque Beaubien Geoffrion in 1979 and held various executive positions until 2005. Mr. Carrière was President and Chief Operating Officer of Desjardins Securities Inc. until the end of September 2009. He is a director of several public and private companies and is Chairman of the Board of TSO3 Inc.
- ♦ **Ingrid Martin, Chief Financial Officer** – Ms. Martin holds a Bachelor in Business Management from the École des hautes études commerciales (HEC), in Montreal and is a member of the Ordre des comptables agréés du Québec since 1990. Ms. Martin has experience as consultant for public mineral exploration companies and also acts as Chief Financial Officer of Melkior Resources Inc.(MRK-V) and Hinterland Minerals Inc.(HLM-V).
- ♦ **René Branchaud, Secretary and Director** – Mr. Branchaud holds an LLB from Laval University, which he obtained in 1982 and practices in the areas of securities law, mergers and acquisitions and corporate law. He has been a lawyer since 1983 and he is a partner of the law firm Lavery, de Billy LLP. Mr. Branchaud is currently director of Mines Dynacor inc. and Dacha Capital Inc. and secretary of C2C Inc.
- ♦ **Robert Banville, P. Eng.** – Mr. Banville is part of the technical staff in a consultant capacity. He brings enormous experience from the Matagami, Noranda and Val d'Or camps, as well as from international projects.
- ♦ **Michel Gauthier, P. Geo.** – Acts as an occasional technical advisor. Mr. Gauthier is a UQAM professor and mentor, and an expert in the James Bay geology as well as in precious, base metal and uranium commodities. Winner of the Côme Carboneau Award presented by the Ordre des Géologues du Québec in 2008.

## Valuation: Sum-of-Parts

### Valuing Exploration Potential

We rate Midland a **Speculative Buy** with a favorable outlook derived from a **dynamic business model**. We believe Midland has excellent focused exploration work in Quebec with incredible capacity to generate quality projects and get quality partners. In a short span of time, Midland has assembled a portfolio of interesting and exciting projects with serious JV partners. Projects are early stage exploration, but offer incredible blue-sky potential and have been acquired inexpensively. We have used the sum-of-all-parts valuation method to value Midland. It is the perceived potential to host an economic mineral deposit that can serve as basis of a valuation. In this case, the real value of the exploration property lies in the potential for the existence and discovery of an economically viable mineral deposit. A comparable value method uses the overall realistic assessment of comparable portfolio of properties, stage of development, geological setting, management, exploration philosophies, location and type of mineralization to establish a value. Our methodology uses among other acreage propensity.

### Value in a Dynamic Business Model

Our valuation is based on the assessment of Midland's growing portfolio of projects. This assessment is based on the geological potential (acreage propensity), value of past and present works, potential resources pondered for location and probability of discovery. Furthermore, our assumptions for potential resources are based on current knowledge and approximation of mineral potential based on historical works, current works and on local geology. The assessed value is thus determined for each property in Midland's portfolio. We estimate Midland's portfolio NAV at \$55.8M.

Exhibit 33 - Midland's NAV Appraisal											
Project	Potential Mineral Resources (M oz. Au)	Potential Mineral Resources (Mt)	Commitments (M)	Historical Works (M)	Acreage Propensity (\$/ha)	Acreage Value (M)	Mineral Potential Value (10\$/oz) (M)	Mineral Potential Value (M)	Location Premium	Mineral Potential Probability	Assessed Total Value (M)
<b>Abitibi</b>											
Maritime-Cadillac	2.0	-	\$1.00	\$2.52	2,800	\$0.48	\$20.00	-	1.50	0.50	\$9.10
Abitibi (Au Generation)	-	-	-	\$0.10	600	\$0.48	\$0.00	-	-	-	\$0.50
Bassignac	0.5	-	-	\$0.05	600	\$0.33	\$5.00	-	1.00	0.20	\$0.75
Casault	1.5	-	\$6.60	\$0.56	900	\$15.88	\$15.00	-	1.20	0.40	\$7.20
Chicobi	0.5	-	-	-	300	\$0.76	\$5.00	-	0.70	0.20	\$0.71
Dunn	1.0	-	-	\$1.05	800	\$1.93	\$9.50	-	1.10	0.30	\$3.20
Laflamme	1.0	-	\$1.10	\$1.71	700	\$21.06	\$10.00	-	1.00	0.80	\$5.20
Patris	1.5	-	\$3.23	\$1.00	800	\$2.50	\$15.00	-	1.10	0.50	\$4.20
Valmond	0.5	-	-	-	500	\$2.20	\$5.00	-	1.00	0.50	\$2.00
<b>James Bay</b>											
James Bay (Gold)	1.0	-	-	\$1.46	500	\$14.98	\$10.00	-	0.80	0.40	\$2.60
James Bay (Uranium)	-	5.0	-	\$0.39	200	\$2.45	-	\$10.00	0.50	0.20	\$0.75
James Bay (Fe-Mo-Cu)	-	50.0	-	\$0.08	300	\$0.27	-	\$7.50	0.50	0.30	\$1.10
Midland Eleonore	1.5	-	-	\$0.73	800	\$24.69	\$15.00	-	1.10	0.40	\$6.00
<b>Grenville</b>											
Gatineau	-	15.0	\$3.68	\$1.13	600	\$4.16	-	\$7.50	0.60	0.40	\$3.00
Vermillion	0.5	-	-	\$0.55	300	\$0.70	\$5.00	-	0.80	0.40	\$0.50
Yttria	-	75.0	-	-	200	\$0.87	-	\$7.50	0.50	0.50	\$1.88
<b>Appalaches</b>											
Beauce	0.3	-	-	-	200	\$3.13	-	\$2.50	0.60	0.50	\$0.78
Weedon	-	3	-	\$1.04	600	\$13.88	-	\$3.00	1.00	0.50	\$1.30
<b>Quebec-Labrador</b>											
Ytterby	-	150.0	\$2.70	\$2.91	500	\$26.56	-	\$15.00	0.80	0.60	\$5.00
<b>Total</b>											<b>\$55.8</b>

Source: Company reports, LBS.

## NAV

We estimate Midland's sum-of-the-parts NAV at **\$2.73 per diluted share**. Midland's total NAV is determined at \$75.4M. This includes the value of the exploration targets, exploration potential and the the exploration goodwill which is proxy for the management and exploration team's quality, which we have estimated at \$15M (see Exhibit 34).

**Exhibit 34 - Midland's NAV Summary**

Project	Value (M)	Project	Value (M)
<b>Abitibi</b>		<b>James Bay</b>	
Abitibi (gold projects)	\$1.2	James Bay (Gold)	\$2.6
Bassignac	\$0.8	James Bay (Uranium)	\$0.8
Casault (50%)	\$7.2	James Bay (Fe-Mo-Cu)	\$1.1
Dunn	\$3.2	Midland Eleonore	\$6.0
Laflamme (50%)	\$5.2	<b>Grenville</b>	
Maritime-Cadillac (49%)	\$9.1	Gatineau	\$3.0
Patris (50%)	\$4.2	Vermillion (50%)	\$0.5
Valmond	\$2.0	<b>Quebec-Labrador</b>	
<b>Appalaches</b>		Ytterby (50%)	\$5.0
Weedon	\$1.3	<b>Other</b>	
		Other properties	\$2.7
Exploration potential goodwill	\$15.0	Total NAV	\$75.4
Cash	\$4.5	Shares outstanding (FD)	27.6
Take-over premium	n/a	<b>Total NAV per share (FD)</b>	<b>\$2.73</b>

Source: LBS.

## Recommendation: Speculative Buy

Target of \$2.75, Total  
Return of 102%

We believe that Midland is well positioned to create value through the skill and competence of energetic and credible management. Midland continues to build a very good record in getting other major partners to finance the exploration and development of its projects. This shows the value of the properties and the quality of the geological modeling. In addition, Midland has over \$15M in exploration commitments by quality partners and cash payments of \$1.2M expected by partners over the next four years. We consider that these expected cash inflows (\$15M in exploration commitments, \$1.2M in expected payments and the \$4.5M in the treasury) imply a total value of \$20M, which suggests a price floor of \$0.75 per share.

More importantly, we value that Midland has substantial blue-sky exploration potential and a dynamic business model that commands a premium. Midland is actively generating new projects and seeking new partners and it is this element that supports our \$15M goodwill estimate. We maintain that the upside potential is very strong and we liken this company as the next Virginia in relation to the stated business model and the quality of the management and technical teams. Furthermore, we maintain a conservative view that a 12-month target of \$2.75 per share is quite reasonable taking into account that Midland is a pure play, focused and dynamic exploration company.

## Near-Term Catalysts

### Action and Discovery

We highlight the following near-term catalysts for Midland's share price:

- ♦ **Diversified explorer exposed to discovery.** As a diversified explorer with a sizeable land claim status in diverse geological environments, Midland has assembled a good, growing portfolio of properties based on sound analysis. Planned works, ranging from geophysical surveys, prospecting, diamond drilling and compilation could provide steady news flow thru 2012.
- ♦ **Drilling at the company's properties.** Midland and its partners are set to have several drilling programs and are poised for discovery. Follow-up drilling on the Maritime-Cadillac, Patris, Dunn and Laflamme should provide news flow. The new Osisko/Midland partnership on Casault should start a winter 2012 drill program.
- ♦ **Important news flow expected, following an active 2011 summer program.** Assay results for the recently completed a 2,150m drill program on Yterby are expected.
- ♦ **More agreements certainly to come.** Management has attracted quality JV partners in the likes of Agnico-Eagle, Osisko, Aurizon Mines and JOGMEC and we expect more partnerships to explore overlooked or underestimated areas.

## Company Risks

Risks to our price target on Midland shares include :

- 1) **Exploration Risk:** Our valuation of Midland depends on the company's exploration success. Even once a discovery is made, a large amount of capital is required to fund the project's development into operation. However, given the experienced management team and partnership model, we believe that Midland should be able to move through these hurdles.
- 2) **Financing/Dilution Risk:** As a pure-play exploration company, Midland is dependent on the ability to raise money for further exploration. Very often, it is difficult for new companies with undeveloped properties and uncertain income to secure the financing needed to further its projects. In terms of raising capital, the company has two main options: incurring additional debt or diluting its shares.
- 3) **Partnership Risks:** As Midland is pursuing a number of diversified projects with partners, it is exposed, in part, to the partners pace of exploration and development investment. Partners for different reasons can abandon the project and new partners may be difficult to find.



## Stornoway Diamond Corp. (SWY-T – \$1.08)<sup>1</sup>

### Company Profile

Stornoway Diamond Corp. is a Canadian diamond exploration and development company with an advance development diamond project (Renard project) on track to becoming Quebec's first diamond mine. Stornoway also holds a portfolio of 7 advance and grass-root projects in northern Canada representing approximately 443,360 hectares. The flagship Renard project is an upcoming potential diamond producer with an 18M carat mine reserve. The Aviat and Qilalugaq projects are at the minibulk sampling stage and the Aeon, Pikoo, LG-4 Consorem, Hammer and Timiskaming projects, are early stage diamond exploration projects.



Source: BigCharts.com

Ticker	SWY-T	Shares O/S (M)	118.6
Rating	Buy	Market Cap (M)	\$128.1
Risk	High	Float O/S (M)	107.9
Price	\$1.08	Float Value (M)	\$116.6
1-Yr Target	\$3.40	Avg Daily Volume (K)	177.9
Dividend	\$0.00	Enterprise Value (M)	\$107.5
Yield (%)	n/a	Control Blocks:	
1-Yr ROR	215%	Mgmt. & Dir.	9%
52 Wk High-Low	\$2.64-\$0.77	Net Debt/Cap	n/a
Valuation	NAV DCF 8%	BVPS	\$1.99
Year End	Apr. 30	Next Reporting	Mar-12

Expenditures (M) - Years ending Dec. 31					
	2012	2013	2014	2015	2016
Capex	\$0.0	\$7.0	\$119.0	\$387.0	\$314.0
Exploration	\$15.0	Funded by partners	\$0.5		\$74.0

Potential Resource Base	Tonnes	Grade	Total Carats
	(M)	(CPHT)	(M)
Renard	76.62	41.00	31.25

Source: Company reports; Bloomberg; LBS.

## Buy – Target Price: \$3.40

We are initiating coverage on Stornoway Diamond Corp. with a Buy rating and a one-year target price of \$3.40, implying a return of 215%.

We highlight the following:

- ◆ **Quality portfolio of diamond properties.** Stornoway has assembled a strong pipe-line of projects that range from the potential first Quebec diamond mine with the Renard project in the Otish Mountains in eastern James Bay of Quebec, to advance stage exploration projects in Nunavut as well as interesting exploration projects in Quebec and Saskatchewan.
- ◆ **Robust feasibility study.** A bankable feasibility study by AMEC, SNC Lavalin, GMining and Golder commenced in July 2010 and disclosed in November 2011 highlights a robust diamond project with 18M carats probable mineral reserve.
- ◆ **Developing a solid diamond mine in northern Quebec.** The Renard project since the discovery of kimberlite pipes in 2001 has progressed to a stage that project advancement is potentially leading to a long lived quality diamond mine. Community consultations have been a key priority and social acceptability appears strong.
- ◆ **Strong management, exploration team and good consultants.** These are crucial elements that should permit Stornoway to advance its key projects to the next level. Stornoway over the past years has assembled a quality Quebec-based mine development team. At Renard, we have witnessed a well maintained and secure camp with considerable infrastructure and equipment that should set the stage for a flagship mine operation.
- ◆ **Compelling net asset value:** We derive a NAV of \$493M based on the sum-of-all-parts and DCF analysis of the future Renard diamond project. Stornoway has an attractive valuation based on our geological assessment of the portfolio of properties and the Renard potential to be over a 41M carat operation.

1. All pricing as of January 16, 2012.

## Company Profile: Developing Quebec's First Diamond Mine

### Advancing Quality Diamond Assets

Stornoway Diamond Corporation is a diamond development and exploration company with eight projects in the northern parts of Canada. Stornoway is based in Vancouver with assets in northern Quebec, Ontario, Saskatchewan and Nunavut. Properties include the developing Renard Diamond project and a large portfolio of grassroots exploration projects, as well as 2 advanced stage properties, namely Aviat and Qilalugaq (see Exhibit 35). Stornoway has a 100% interest in the Renard Project which has the potential to become Quebec's first diamond mine. The project has recently completed a Feasibility stage study that suggests a robust project with upside.

### An Improving History at Renard

**The Renard Project has steadily advanced.** The Renard Project, located within the Foxtrot Property, was initially a 50:50 JV with SOQUEM Inc. formed in 1996 to conduct regional reconnaissance scale diamond exploration in north-central Quebec. In 2001, a new field of kimberlite intrusions was found and subsequent exploration on the property resulted in the delineation of the Renard Cluster. On April 1, 2011, Stornoway acquired the remaining 50% of the project from DIAQUEM Inc. DIAQUEM is a wholly-owned subsidiary of SOQUEM INC., itself a wholly-owned subsidiary of Investissement Québec (formerly Société générale de financement du Québec). Stornoway is 25% owned by DIAQUEM, 11% owned by Agnico-Eagle Mines Plc and 5% owned by Rio Tinto Ltd. On a fully diluted basis, DIAQUEM owns 37% through non-voting convertible shares convertible shares. With full control of its destiny, we believe that Stornoway is at the cusp of bringing Renard to the next level.

### Probable Mineral Reserves Defined

**On November 16, 2011 Stornoway disclosed results of its Renard Feasibility Study (RFS) that suggests a combined open pit and underground mine operation with 18M carat mineral reserve.** The proposed diamond mine would be road accessible and based on only a portion of the overall resource base at Renard. The probable mineral reserve base has been estimated at 23Mt @ 78 cpht for 18M contained carats and relates to open pit and underground mining of the Renard 2 and Renard 3 kimberlite bodies and an underground portion for Renard 4. The mineral reserve is based on the indicated mineral resource base determined in January 2011.

### Growing Diamond Potential

**Stornoway holds an important land position in the Otish Mountains region.** Exploration on the property has resulted in the discovery and delineation of a field of kimberlitic intrusions, the diamondiferous Renard 2, 3, 4, 9 and 65 kimberlite pipes and the Lynx and Hibou kimberlite dykes. The clusters have had varied degrees of exploration and development works. In January 2011, Stornoway updated the mineral resource estimate to the level of Indicated Resource with 27Mt @ 89cpht for 24Mcts spread over kimberlite pipes Renard 2, 3 and 4. An Inferred Resource of 31Mt @ 56cpht for 17Mcts is spread over Renard 2, 3, 4, 9 and 65 as well as the Lynx and Hibou dykes. Exploration upside is represented by the material that can conceptually contain between 23.5 and 48.5Mcts. This additional contained carats as well as the inferred portion is not in the RFS.



Exhibit 35 - Location of Stornoway's Projects



Source: Company reports, LBS.

### Strong Portfolio of Properties

**Quality portfolio of diamond properties.** Stornoway has assembled a strong pipe-line of projects that range from the potential first Quebec diamond mine with the Renard project in the Otish Mountains in eastern James Bay of Quebec, to advance stage exploration projects in Nunavut. **With over 15 years experience in Northern Quebec and Canada, we believe that Stornoway has developed the expertise to make more discoveries and advance diamond projects.** Exhibit 36 summarizes Stornoway's portfolio of projects.

**Exhibit 36 - Stornoway's Portfolio of Properties**

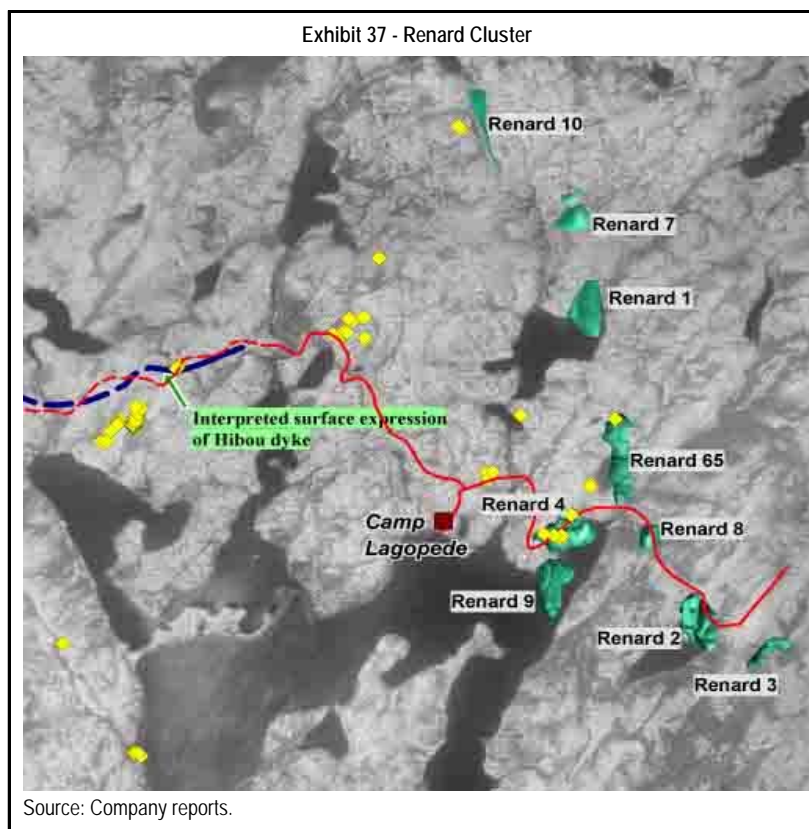
Project	Commodity	Interest	Partner	Acreage *	Stage	Status	Drilling
Quebec							
Renard	Diamonds	100%		54 550	Development	Active	Yes
AEON	Diamonds	100%		49 350	Early exploration	Active	Yes
LG-4 Consorem	Diamonds	25%	Consortium**	11 948	Early exploration	Active	No
Nunavut							
Aviat	Diamonds	90%	Hunter Expl.	173 910	Adv. Exploration	Active	No
Qilalugaq	Diamonds	100%		114 965	Adv. Exploration	Active	No
Hammer	Diamonds	75%	North Arrow	1 014	Early exploration	Active	No
Saskatchewan							
Pikoo	Diamonds	100%		33 374	Early Exploration	Active	Yes
Ontario							
Temiscaming	Diamonds	100%		4 252	Exploration	Active	No
8 properties with combined acreage of:				443 363			
* Hectares. ** ARZ-T, VGQ-T, Soquem.							
Source: Company reports; LBS.							

For a detailed description of Stornoway's projects and land holdings, see Appendix VIII.

### Key Elements of Renard Project

#### Growing Diamond Potential Could Have Impact on Mine Plan

Stornoway currently holds approximately 54,000ha of mineral permits in the Otish Mountains region. Exploration on the property since 1996 has resulted in the discovery and delineation of a field of kimberlitic intrusions, the diamondiferous Renard 2, 3, 4, 9 and 65 kimberlite pipes and the Lynx and Hibou kimberlite dykes. The Renard project is characterized by a cluster of kimberlite pipes (see Exhibit 37) that have had varied degrees of exploration and development work but appear that they can be mined with an underground and open pit operation. In January 2011, Stornoway updated the mineral resource estimate to the level of Indicated Resource with 27Mt @ 89cpht for 24Mcts spread over kimberlite pipes Renard 2, 3 and 4. An inferred resource of 31Mt @ 56cpht for 17Mcts is spread over Renard 2, 3, 4, 9 and 65 as well as the Lynx and Hibou dykes. Of particular interest is the important exploration upside represented by the material that is termed Potential Mineral Deposit ("PMD") or Target for further exploration ("TFFE") and that is expressed as a range. The Renard 2, 3, 4, 9 and 65 as well as the Lynx and Hibou dykes could conceptually contain between 23.5 and 48.5M cts. **This additional contained carats as well as the inferred portion is not accounted for in the economic analysis of the project in the current RFS. We believe this is a key element that is the hidden card in assessing the Renard project.**



### Conservative Feasibility Study

The RFS has determined a robust 18M carat reserve diamond mine. The mine plan currently presented by the RFS disclosed on November 16, 2011 is based on an NI 43-101 compliant Indicated Mineral Resources in the Renard 2, 3 and 4 kimberlites of 27 Mt (representing 23M carats). The RFS outlines a combined open pit and underground mine operation with a limited impact on the environment and hence a marked bonus for sustainable development and social acceptability. A probable mineral reserve of 18M carats has been determined utilizing mining recover factors (mining dilution and ore recovery) and based on the NI 43-101 compliant Mineral Resource of January 2011, by GeoStrat Consulting Inc. and the diamond valuation of June 2011 by WWW International Diamond Consultants Ltd. The RFS was prepared by SNC Lavalin Inc. with contributions from AMEC for the design of the underground mine and diamond processing plant and G Mining Services for open pit mine design and cash flow analysis. Additional technical elements of the study are by Roche Ltd., Golder Associates Ltd. and Itasca Consulting Canada Inc. We understand that the RFS has been peer reviewed by RPA (Roscoe Postle Associates Inc.).

### Robust Parameters

The RFS suggests a base case economic outcome based on rigorous (extensive benchmarking and peer review) and realistic capital (\$802M) and operating cost estimates (\$4.71\$/t LOM). We also believe that relatively reasonable assumptions (diamond valuation, exchange rate and price escalation) have been used. The operating, geotechnical and environmental parameters have been assessed and factored in the LOM estimated capital and sustainable costs of \$944M. Though this CAPEX was a substantial increase from the scoping study estimate (\$510M), it does include considerable contingencies and the establishment of long-lived infrastructure that could accommodate the upside resource base. Indeed, we highlight that the RFS does not incorporate the mining of approximately 17M carats of Inferred Mineral Resources nor the Potential Mineral Deposit material ranging from 23 to 48M carats as well as the exploration upside at greater depths. We believe this large quantity of material could reasonably be within the scope of the infrastructure (mine shaft, ramp and the processed kimberlite containment facility) and is costed in part within the RFS. The following exhibit exposes Renard's Reserve and Resource base:

Exhibit 38 - Renard's Reserve & Resource Base			
Type	Tonnes (M)	Average CPHT *	Total Carats (M)
<b>Probable</b>			
Renard 2	17.6	84.8	14.9
Renard 3	1.7	87.8	1.5
Renard 4	3.7	42.0	1.6
Renard 9	n/a	n/a	n/a
Renard 65	n/a	n/a	n/a
Lynx	n/a	n/a	n/a
Hibou	n/a	n/a	n/a
<b>Total Reserves**</b>	<b>23.1</b>	<b>78.13</b>	<b>18.0</b>
<b>Indicated</b>			
Renard 2	17.6	102.6	18.1
Renard 3	1.8	105.6	1.8
Renard 4	7.3	52.6	3.8
Renard 9	0.0	n/a	n/a
Renard 65	0.0	n/a	n/a
Lynx	0.0	n/a	n/a
Hibou	0.0	n/a	n/a
Total indicated	26.6	89.18	23.8
<b>Inferred</b>			
Renard 2	5.2	117.9	6.1
Renard 3	0.5	117.6	0.6
Renard 4	4.8	43.9	2.1
Renard 9	5.7	47.1	2.7
Renard 65	12.9	28.8	3.7
Lynx	1.8	107.0	1.9
Hibou	0.2	144.0	0.3
Total inferred	31.1	56.10	17.5
<b>Total Resources</b>	<b>57.8</b>	<b>71.35</b>	<b>41.2</b>
<b>Range for Potential Mineral Deposit ***</b>			
Deposit	Tonnes (M)	Average CPHT *	Total Carats (M)
Renard 2	4.01 - 4.59	103 - 188	4.13 - 8.62
Renard 3	0.77 - 1.64	107 - 168	0.82 - 2.76
Renard 4	11.08 - 15.30	38 - 79	4.21 - 12.09
Renard 9	3.86 - 6.33	45 - 50	1.74 - 3.16
Renard 65	29.52 - 41.59	23 - 33	6.79 - 13.73
Lynx	3.09 - 3.20	96 - 120	2.97 - 3.84
Hibou	2.75 - 2.85	104 - 151	2.85 - 4.31
<b>Total</b>	<b>55.07 - 75.50</b>	<b>43 - 64</b>	<b>23.51 - 48.51</b>
* Carats per hundred tons. ** Reserves are Inclusive of the Indicated Resources			
*** Target For Further Exploration (TFFE)			
Source: Company reports; LBS.			



<b>Room to Improve Economics</b>	<p>We believe the ultimate addition of this material to the mine plan could be accretive to the project's valuation and to greatly lengthen the mine life. For now, in accordance with the requirements of 43-101, it is outside the economic scope of the RFS. However, we highlight that Stornoway has allowed the mine design (mine shaft and ramp) as well as the processed kimberlite containment facility to incorporate a larger scale project. The shaft, initially 740m deep, will have hoist capacity of 7,000tpd at 1,400m depth level, providing access to deeper kimberlitic material. Process plant has also allocated room to increase from 6,000tpd to 7,000tpd and accommodate upgrade installations. The Renard 65 pit should be initially opened as a borrow pit and waste water sump but could eventually be part of an enlarged mine plan with both open pit and underground operations. As the base case estimates of NPV of \$672M at a 7% before taxes and mining duties, and \$376M with 14.9% IRR after taxes and mining duties may appear initially weak in the RFS; we highlight that they are based on the initial 11 year reserve-based mine life. The reserves of 18M carats represent 23Mt @ 78 cpht at a weighted average diamond valuation of US\$180/carat and represent, again, only a portion of the potential Renard deposits.</p>
<b>Good Mining Conditions</b>	<p>We believe that both open pit and underground mine scenarios are robust. Underground mining of Renard 2 and 3 to a maximum of 600m depth should be by blast-hole shrink stoppage with waste backfill from surface. Renard 4 should be mined by blast-hole stoping with waste backfill under a crown pillar. We believe this could also be potentially applicable to the R9 and R65 kimberlites.</p>
<b>Permitting Process</b>	<p>We expect no major issues with the permitting process. The Environmental and Social Impact Assessment of the Renard Project, completed and filed on December 28, 2011, should be reviewed by the COMEX and COMEV (Quebec and federal review committees) and public hearings could start during the first half of 2012. Subject to the satisfaction of all regulatory requirements, Stornoway could receive the "Certificates of Authorisation" by the middle to end of year 2012. We believe Stornoway has been very diligent in establishing the environmental ground works early-on and has put enormous effort on social acceptability and sustainable development. The Cree community of Mistissini appear open to the project and Stornoway has established in early 2011 a representative office in Mistissini. The new office provides a forum for exchanging information and liaising with the Crees on environmental, social and economic aspects of the Renard Project as well as on potential for future training, employment and business opportunities.</p>
<b>Route 167 Ext.</b>	<p>An important aspect of the project's timely advancement will be the "Route 167 Extension". The \$330M road development project sponsored by the Quebec Ministry of Transportation ("MTQ"), should allow all-season access to Renard by way of the communities of Chibougamau and Mistissini (see Appendix VIII). Year round road access to the Renard site should lower costs, reduce operating risk, and could allow for the development of lower grade ore for eventual mine life extension. In August 2011, Stornoway agreed to contribute \$44M to the development of the new road, amortized over a ten year period and starting in July 2015 as well as participate on maintenance of the 243km road in the order of \$1.2M per year. The RFS presents a development schedule that anticipates first ore into the plant by July 2015, and the declaration of commercial production by January 1st, 2016 following a plant commissioning and ramp up period. This schedule pre-supposes first vehicle access to the mine site by way of the Route 167 Extension by the middle of 2013. Players are hopeful that the MTQ will break ground on this road shortly as the Quebec Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP) issued a Certificate of Authorisation on December 7, 2011.</p>
<b>Potential Electrical Power</b>	<p>Upcoming discussions centre on bringing electricity to site via Laforge-1 or LG-4. Construction of the power line is the responsibility of Hydro Quebec and studies are on-going. We believe electrical power construction may have a faster time frame and could likely arrive to the site about the same time as the road planned for mid-2013. Pre-stripping activities and the sinking of the shaft would be expected to start in the first half of 2014 with initial production starting from open pits in Q1 or Q2/2015. The presence of electrical power by 2015 would assure a solid ramping up of operations.</p>

## Good Quality Diamond Metrics

**Key upside potential both in quality and quantity.** Between 2006 and 2008, 8,000 tonnes of sample were extracted (from an underground decline on Renard 2 & 3 and surface trenching on Renard 4, Renard 65, Lynx and Hibou) and processed for the recovery of approximately 8,400 carats. On June 13, 2011 Stornoway announced an updated valuation of diamonds recovered from the Renard Diamond Project for use in the financial model of the RFS. WWW International Diamond Consultants Ltd. determined a base case modeled diamond price estimate of US\$182 per carat for the diamond samples from the Renard 2 and 3 kimberlite pipes, an increase of 56% over the previous estimate determined in September 2009. Renard 4 has a modeled diamond price estimate of US\$112 per carat and the Hibou and Lynx dykes respectively US\$118 and US\$119 per carat. The average value of the Renard diamonds in the RFS is approximately US\$180/carat which is above the average realized price of US\$110/carat in Canada. Analysis of the Renard diamond population has shown a coarse size distribution and a high proportion of large white gems. Based on percentage by weight, 99% of the stones are gem/near-gem quality with just 1% industrial quality boart. This combination of attributes gives a high potential for significant "Specials" to be recovered once the mine is fully operational. We believe that these elements could extend to future diamond valuations of the R9 and R65 and that modeled diamond price estimates per carat could improve. We understand that initial size frequency analysis of the Renard 65 samples indicates an overall similarity with the other pipes of the Renard Cluster supporting the acceptance of the same general diamond value for Renard 65. We expect that a bulk sample program on Renard 65 in 2012 should provide guidance.

## Potential Upside Value to Diamonds

**Initial high hurdles may pave way to a quality diamond project.** Unlike commodities such as gold or base metals, diamonds do not have a standard value per unit weight that can be used to calculate value of a deposit. A one carat diamond can be worth anywhere from less than one dollar to tens of thousands of dollars, depending on the shape, colour and quality. A parcel of diamonds must be individually examined to establish an average value. Diamond values also change with the mix of diamonds over time, however, as a whole, diamond values have tended to increase with time. We note that the RFS uses a 2.5% price escalation derived from established supply and demand models in the diamond business. The determination of the Renard diamond population value is onerous and we believe Stornoway has attained the stage that it can contemplate advancing to mine production while eventually accessing the value of the other kimberlites pipes (R65 and R9).

## Tight Diamond Supply

**Our thesis is that the diamond mine supply has challenges in the premise that mine supply is not infinite and that diamonds are genuinely rare, unique, and have a cultural historical significance that should garner value.** We understand that the pipeline between the mining of rough diamonds and the sale of polished diamond jewellery in stores is long and involves many intermediaries providing a value-added spectrum. In Canada, we highlight four mines in production (Ekati, Diavik, Victor and Snap Lake) that made Canada an unknown impossible diamond producer to a recognized quality diamond producer since the late 1990's. In the Northwest Territories, Ekati (BHP) is in production since 1998; Diavik (Rio Tinto and Harry Winston) since 2003 and Snap Lake (De Beers) are the key producers. In Ontario, the Victor deposit (De Beers) is in production since 2008. We believe there is a niche for Canadian polished diamonds that could, if well marketed, find strong demand from the emerging Chinese and Indian markets.

**We also understand that World diamond reserves are being depleted quickly with an estimated no more than 15 years of reserve life left and that there are no new large scale mines in the pipeline.** Projected new production from new known development mining projects is limited and estimated at only 10-12M carats. Development projects are not plentiful and apart from the Renard project in Quebec; we highlight in Canada the Gachoua deposit, NWT of Mountain Province Diamonds (MPV-T) and the Fort à la Corne (FALC-JV project) deposit in Saskatchewan of Shore Gold (SGF-T). In order to replace lost reserves, we believe that the diamond production industry must now look to exploit lower grade resources, deepen existing mines, or develop more and more remote projects requiring hence significant capital investment in a tighter specialized labor market and social acceptability environment.

## Management & Board: Solid and Determined

Technical and  
Management Team  
Growing  
Built to Build

Stornoway has an experienced management and technical team that holds a track record of discovery that could bring the company to the next stage. Stornoway Diamond Corporation is building a highly experienced management and technical team.

- ♦ **Matt Manson – CEO, President and Director.** Mr. Manson has been President since March 2007 following the acquisition of Ashton Mining and Contact Diamond Corporation. He has worked in the diamond exploration industry since the 1990's, seven years as VP Marketing and VP Technical Services and Control at Aber Diamonds (now Harry Winston) during the critical financing, development and initial production of the Diavik Diamond Project. Mr. Manson is a graduate of the University of Edinburgh (BSc Geophysics, 1987) and the University of Toronto (PhD Geology, 1996) and was also a director of Karmin Exploration Inc.
- ♦ **Patrick Godin – COO and Director.** Mr. Godin is a professional mining engineer with over 20 years experience in all aspects of mine development, construction and operation. He was previously the VP of Project Development for G Mining Services at IAMGOLD's Essakane Project in Burkina Faso and acted as VP Operations for the Nunavik Nickel Project of Canadian Royalties in 2008. Mr. Godin has held previously senior positions at Cambior, developing and managing several projects in Quebec and French Guiana. Mr. Godin has bachelor's degree in mining engineering from Université Laval in Quebec City and is also a director of Orbit Garant Drilling Inc. since 2008. Since October 2011 he has been Chairman of the Board of Geomega Resources Inc.
- ♦ **Robin Hopkins – Vice President, Exploration.** Mr. Hopkins has more than 20 years of exploration experience in Canada and southern Africa. He was a member of the Aber team that discovered the Diavik Diamond Project in 1994. Mr. Hopkins served as Vice President of Navigator Exploration Corp.
- ♦ **Dave Skelton, P. Geo. – Vice President, Project Development.** Mr. Skelton has been VP of Project Development at Stornoway since January 1, 2009. He has more than 21 years experience as a geologist including 15 years in diamond exploration and advanced evaluation. Mr. Skelton had managed the Renard Diamond Project from 2005 to 2010.
- ♦ **Zara Boldt – CFO, Vice President – Finance.** Ms. Boldt was appointed VP Finance with the company in May 2007, after serving as Controller between 2004 and 2007. Ms. Boldt is a Certified General Accountant and has previously worked for Sherwood Copper Corp. She is also Corporate Secretary at Strongbow Exploration and a graduate of the University of Puget Sound in Tacoma, Washington State.
- ♦ **Ghislain Poirier – Vice President, Public Affairs.** Mr. Poirier is a geological engineer graduated from Université Laval in 1984 and has more than 23 years of experience in the mining exploration industry. He completed a M.Sc. in economic geology from Université du Québec à Montréal (UQAM) in 1987 and from 1988 to 1991 work for several junior companies. From 1991 to 2005 he was employed by SOQUEM, the Quebec mineral exploration crown corporation and was involved in the discovery of the Renard diamond deposit with JV partner of Ashton Mining of Canada Inc. Before joining Stornoway he acted as Manager Environment and Public Affairs for Ashton. He occupied the same position for Stornoway from 2007 to 2010. In March 2011, he was promoted to VP Public Affairs for Stornoway. He is member of the Ordre des Ingénieurs du Québec (OIQ) and he has been a board member of the Association de l'Exploration Minière du Québec (AEMQ) for 10 years. He served as president of the AEMQ from January 2009 to November 2011. Mr. Poirier sits on the Board of Minalliance.
- ♦ **Hélène Robitaille, Directrice, Relations avec les communautés – Formation & Développement.** Based in Chibougamau, Ms. Robitaille is liaison officer for community relations as was previously with Goldcorp's Eleonore project.

**Board of Directors -  
Experienced**

- ♦ **Anthony Walsh – Chairman.** Mr. Anthony Peter Walsh, MBA, CA served as the Chief Executive Officer and President of Sabina Gold & Silver Corp. (formerly, Sabina Silver Corp) from June 1, 2008 to November 14, 2011. Mr. Walsh has extensive employment experience directly related to the preparation and supervision of financial statements and has been involved in the mining business for over 20 years. He served as President and CEO of Miramar Mining Corporation from 1995 to 2007. Mr. Walsh is a chartered accountant and a graduate of Queen's University.
- ♦ **Ebe Scherkus – Director.** Mr. Eberhard W. Scherkus is the President and Chief Operating Officer and a director of Agnico-Eagle Mines Ltd. He has been the President of Agnico-Eagle Mines Ltd. since December 14, 2005 and its Chief Operating Officer since February 6, 1998. Mr. Scherkus has been with Agnico-Eagle since 1985 and is a graduate of McGill University (B.Sc.), a member of the Association of Professional Engineers of Ontario and past president of the Quebec Mining Association.
- ♦ **Yves Harvey – Director.** Dr. Harvey is a geologist with a combined 21 years of experience at the government exploration agency, SOQUEM. He served as President and Chief Executive Officer of SOQUEM from 1991 to 2006. He is currently executive director at the Quebec City minerals research laboratory, COREM. Dr. Harvey obtained a Ph.D. in economic geology from Université Laval in 1984. He also holds a Master's degree in geological engineering, which he obtained from Ecole Polytechnique, Montreal, in 1975.
- ♦ **Serge Vézina – Director.** Dr. Serge Vézina served as Vice-President of Industrial Engineering and Environment of Cambior Inc. from March 1988 to June 2006. Dr. Vézina has been Director of Stornoway Diamond Corp. since March 2009. He is a consultant and engineer with over 40 years experience in the mining industry. Dr. Vézina is a member of the Order of Engineers of Quebec, a former chairman of the board of the Quebec Mining Association, a former chairman of the board of COREM, and a member of numerous advisory panels and professional bodies within the Quebec Mining Industry. He is currently a professor at McGill University in Montreal and Laval University in Quebec City. Dr Vézina is a director of Osisko Mining Corp. since September 2007.
- ♦ **Michel Blouin, Director.** Mr. Blouin is a partner at Lavery, one of Quebec's leading law firms, with many years of experience specializing in securities law for the mining sector. Mr. Blouin specializes in incorporations, mergers and acquisitions and reorganizations of mining companies and is recognized as one of Canada's best lawyers in Natural Resources Law. Mr. Blouin is the Honorary Consul of Denmark for Quebec, and a Director and Special Secretary-Treasurer of the Montreal Museum of Fine Arts.
- ♦ **John LeBoutillier, Director.** Mr. LeBoutillier is the Chairman of the board of directors of Industrial Alliance Insurance and Financial Services Inc. Between 1983 and 1996 he served as President & CEO of Sidbec-Dosco (now ArcelorMittal Montreal Inc.), and between 1996 and 2000 as President & CEO of the Iron Ore Company of Canada. M. LeBoutillier also serves on the boards of Mazarin Inc. and Semafo Inc., a African gold producer. In 2000, he was a member of the Quebec Commission of Inquiry into Health and Social Services (the Clair Commission) and, in 2001, a member of the Canadian Democracy and Corporate Accountability Commission (the Bennett/Broadbent Commission). Mr. LeBoutillier served as a member of the board of directors of the Societe generale de financement du Quebec between 1996 and 2010.

- ♦ **Monique Mercier, Director.** Ms. Monique Mercier serves as Vice President, General Counsel and Chief Compliance Officer of TELUS Corporation. She has held a number of senior positions in the fields of securities and corporate law, human resources and corporate governance in the information technology, health and telecom sectors since 1989, including with BCE Inc., Bell Canada International Inc. and Emergis Inc. Amongst many industry and corporate board appointments, Mme Mercier has served as a member of the board of directors of the Société générale de financement du Québec (2006-2010) and is a member of the Executive Committee of the Association of Canadian General Counsel.
- ♦ **Peter Nixon – Director.** Mr. Nixon has over 30 years in research and institutional equity sales focused on the mining industry. Mr. Nixon helped found Goepel Shields & Partners in 1989 and assisted in providing investment advice and capital funding for Canadian natural resource companies. Mr. Nixon served as President of Dundee Securities (USA) Ltd. from 1998 to 2000. Mr. Nixon received Bachelor of Arts Degree from McGill University in 1968.

### Valuation: Sum of the Parts

#### Value in a Quality Portfolio of Projects

Our valuation of Stornoway is based on a sum of all parts of Stornoway's portfolio of projects in Canada. We have derived a DCF analysis of the Renard project using what we believe are upside parameters in regards to the ultimate size of the mineable material. We have also derived value on Stornoways portfolio of projects as they represent a robust pipeline that can derive positive news flow.

#### Renard Diamond Project

The 100% owned Renard Diamond Project, Stornoway's flagship asset, is well on track to becoming Quebec's first diamond mine. The Renard Diamond Project has just completed a feasibility study that shows a project with what we believe has important upside. In an era of steadily growing diamond demand and decreasing supply, we believe Renard could be one of the best undeveloped diamond deposits in North America. We believe that Stornoway could be well positioned to eventually supply Quebec-made diamonds that could be marketed in that sense and develop a niche market. The Renard project is being technically de-risked, set on the right course for permitting and key milestones should continue to be reached in the course of 2012.

#### Large and Growing Resource

We highlight that there is a substantial inferred resource component (31 Mt, representing 17M carats) as well as potential material that could eventually fall within the scope of the mine infrastructure contained within the RFS. Considering that all pipes remain open at depth, impact would be increased production rate and extended mine life, with underground mine development at Renard 2, 3, 4 and 9 to a maximum of 1,400m depth and an open pit at Renard 65 kimberlite. We highlight that they some initial indications of continued flaring to depth and increased grades.



### Bigger Resource Base

We have assumed that the scale of the established and potential resources allows for eventual mine production of nearly 100Mt at an average grade of 49 cpht for a resource base of over 49Mcts. We feel that the inclusion of potential Inferred mineral resources as well as Potential Mineral Deposits (or Target for further exploration (TFE) that NI 43-101 allows to express as a range) is warranted considering the vertical extensions to the kimberlite pipes. We have used the median of the Potential Mineral Deposit range added to the Inferred Resources while allowing for a 0.85 discount factor for mine recovery and dilution as approximately used in the mineral reserve estimate in the RFS. We have thus determined what we term as the EPMM (Estimated Potential Mineable Material) on the Renard clusters (R2, R3, R4, R9 and R65). This is additional to the current probable mineral reserves of 18M carats.

Exhibit 39 - Estimated Potential Mineable Material (EPMM)			
Deposit	Tonnes (M)	Average CPHT *	Total Carats (M)
<b>Inferred Resources (with dilution &amp; recovery factor)</b>			
R2 UG	4.51	103.33	4.65
R3 UG	0.47	103.07	0.48
R4 UG	4.12	38.47	1.58
R9 UG	4.94	41.28	2.04
R65 OP	11.20	25.24	2.82
<b>Total</b>	<b>25.23</b>	<b>45.87</b>	<b>11.58</b>
<b>Median PMD (with dilution &amp; recovery factor; adjusted R2 &amp; R3 grades)</b>			
R2 UG	3.72	95.64	3.56
R3 UG	1.05	90.38	0.95
R4 UG	11.42	51.27	5.84
R9 UG	4.41	41.63	1.83
R65 UG	30.79	24.54	7.50
<b>Total</b>	<b>51.39</b>	<b>38.28</b>	<b>19.67</b>
<b>EPMM</b>			
R2 UG	8.23	99.48	8.21
R3 UG	1.51	96.72	1.43
R4 UG	15.54	44.87	7.42
R9 UG	9.35	41.45	3.86
R65 OP/UG	41.99	24.89	10.32
<b>Total</b>	<b>76.62</b>	<b>41.00</b>	<b>31.25</b>
<b>Mineral Reserves** and EPMM</b>			
<b>Total</b>	<b>99.68</b>	<b>49.41</b>	<b>49.25</b>
* Carats per hundred tons. ** As shown in Exhibit 33. Source: LBS.			

### Mine Plan Scenario

The total 99.68 Mt @ 49.41 cpht is the material that is used in our modelled 30 year mine plan that combines open pit mining and underground mining. The modelled mine plan uses the feasibility mine plan and extends by incorporating open pit mining of the R65 deposit and underground mining of the R2, R3, R4, R9 and R65 deposits.

## CAPEX

Our capital cost estimates are based on the feasibility study and encompassing more extensive costs for mine shaft deepening, increased processing capacity, as getting electrical power to the Renard mine site. Our estimated CAPEX is \$1,250 million and permits to mine the derived EPMM material. Exhibit 40 provides the breakdown of our estimated CAPEX. We have provided for an increase in thru-put for the DMS diamond processing plant to 7,000tpd (\$65M) and well as \$50M deepening of the 7,000tpd shaft to 1,400m depth in year 2027. We have also costed an amount of \$101M for an approximate 165km 161kV powerline from the Laforge 1 power station.

## OPEX

We have estimated operating costs (OPEX) in the order of \$50.42/t. Specifically, we have estimated open pit mining costs at \$0.27/t and the underground mining costs a \$21/t, slightly below the RFS as the addition of other stopes should provide flexibility. We have estimated plant processing costs at \$14/t. We believe our total estimated operating costs of \$50.42/t in-line with the RFS costs of \$54.71/t as the supply of electrical power could decrease operating costs by order of \$6/t. Again, Exhibit 40 details our key assumptions and results.

**Exhibit 40 - Assumptions for Renard Project Valuation**

Direct Capital Costs	Unit	LBS	Deposit Parameters	Unit	LBS
Site development	\$M	20	Probable reserves	Mt	23.05
Mining (open pit)		80	EPMM	Mt	76.62
Mining (underground)		260	Contained Diamonds	M carats	31.25
Processing		280	Total Mined Material	Mt	69.72
Infrastructure		125	Potential Diamonds	M	49.00
Road		57			
Power-line / utilities		101	Mined open pit *	Mt	8.75
Tailings management		20	Grade		0.69
Closure / reclamation		15	Mined underground **	Mt	60.97
Other		138	Grade		0.60
Total direct costs		1,096	Start Date		2016
Indirect Costs	Unit	LBS	Mining Parameters	Unit	LBS
Sustaining Capital	\$M	60	Mine life	years	30
Contingency		94	Mined carats	M	41.9
Salvage			Tonnes processed	Mt	68.47
Total indirect costs		154	Recovered grade	cpht	0.61
Total capital costs	\$M	1,250	Strip ratio		5.50
Cost Parameters	Unit	LBS	Revenue Parameters	Unit	LBS
Initial Capex	\$M	881	DIAQUEM Royalty		2.0%
LOM Capex	\$M	1,250	Marketing Costs		2.7%
OPEX	\$ / t	50.42	LOM Diamond Price	US\$ / carat	277.84
LOM Opex	\$ / carat	80	Price Escalation		2.5%
			Exchange Rate	USD/CAD	1.00
Results	Unit	LBS	Results	Unit	LBS
Avg. annual production	M carats	1.42	Before-tax cash flow	\$M	5,656
Gross revenue	\$M	11,359	After-tax cash flow	\$M	4,096
Total OPEX	\$M	3,319	NPV @ 8%	\$M	807

\* R3, R3, R65. \*\* R2, R3, R4, R9, R65.  
Source: LBS.

## Financial Analysis

Our financial analysis of the Renard Project is based on a considerable increase to the potential material that can be mined with the RFS planned mining infrastructure. We have used the RFS price and price escalation (2.5%) and have derived an average price of \$US278/carats for life of mine (LOM). This is based on R2, R3 and R9 at \$US182 base case price, R4 at \$US164 base case price and R65 at \$US150 base case price.

Our modeled 30 year diamond production schedule has diamond production peaking at 1.8M carats/annum, and averaging 1.4M carats/annum life of mine at an estimated operating cost averaging \$80.27/carats LOM. A simplified model of our DCF analysis is presented in Exhibit 41.

The after tax Internal Rate of Return (IRR) of the Renard Project is estimated at 18%, with a Net Present Value (NPV) of \$807M at an 8% discount rate. The pre-tax IRR is estimated at 22% and the NPV at \$1,250M at a discount rate of 8%. The economic analysis is based on a mine life of 30 years, estimated capital costs of \$1,250M and calculations assume parity between the Canadian and the US. dollars. We have assumed a potential financing of 200M shares @ \$3 that brings total share count at approximately 350M. We have also assumed a \$600M debt at 7% and the total after tax net cash flow is in order of \$4,095M. The Net Present Value (NPV) at 10% discount rate amounts to \$524M and at 7% discount rate at \$992M. Though our assumption of potential financing of 200M shares @ \$3 may seem aggressive, we highlight that Stornoway has a considerable window of opportunity as mine construction is not slated before 2014. We derive a project NAV of \$337M at Stornoways current fully diluted share count of 146M. This value is derived from the 8% NPV of \$807M over the post financing share count of 350M suggesting a \$2.31 per post financing share value.

Éric Lemieux, MSc, P. Geo.  
Mining Analyst  
819 472-8037  
lemieux@lb-securities.ca

## Sensitivity Analysis

Our financial analysis of the Renard Project is based on a considerable increase to the potential material that can be mined with the RFS planned mining infrastructure. We have used the RFS price and price escalation (2.5%) and have derived an average price of \$US266/carat for LOM. We note that the project is highly sensitive to price escalation and with a 0% price escalation (hence average price of US\$172/carat) the 8% NPV falls to \$85M. The following exhibit highlights the sensitivity analysis to changes to CAPEX (\$1,000M and \$1,450M), diamond price escalation (0% to 3.0%) and 10% increase and decrease to operating costs (base-case \$50.42 per tonne). The sensitivity analysis demonstrates that the Renard Project is highly sensitive to changes in price and has a lower sensitivity to fluctuations in operating costs and capital expenditures.

**Exhibit 42 - Renard's NAV Sensitivity Analysis**

### Discount Rates

Parameters	5.0%		7.0%		8.0%		10.0%		15.0%	
	NPV (M)	p/share	NPV (M)	p/share	NPV (M)	p/share	NPV (M)	p/share	NPV (M)	p/share
<u>Diamond price escalation</u>										
0.0%	\$334	\$2.29	\$154	\$1.05	\$85	\$0.58	-\$22	-\$0.15	-\$178	-\$1.22
1.0%	\$736	\$5.04	\$450	\$3.08	\$341	\$2.34	\$173	\$1.18	-\$69	-\$0.47
2.0%	\$1,213	\$8.31	\$796	\$5.45	\$639	\$4.38	\$398	\$2.73	\$54	\$0.37
2.5% (base case)	\$1,484	\$10.16	\$992	\$6.79	<b>\$807</b>	<b>\$5.53</b>	\$524	\$3.59	\$122	\$0.84
3.0%	\$2,105	\$14.42	\$1,436	\$9.84	\$1,186	\$8.12	\$806	\$5.52	\$270	\$1.85
<u>Operating costs</u>										
\$50.42 / t (base case)	\$1,484	\$10.16	\$992	\$6.79	<b>\$807</b>	<b>\$5.53</b>	\$524	\$3.59	\$122	\$0.84
10% > base	\$1,371	\$9.39	\$905	\$6.20	\$731	\$5.01	\$464	\$3.18	\$85	\$0.58
10% < base	\$1,598	\$10.95	\$1,079	\$7.39	\$884	\$6.05	\$585	\$4.01	\$159	\$1.09
<u>Capital expenditures</u>										
\$1,400M	\$1,352	\$9.26	\$866	\$5.93	\$685	\$4.69	\$407	\$2.79	\$17	\$0.12
\$1,250M (base case)	\$1,484	\$10.16	\$992	\$6.79	<b>\$807</b>	<b>\$5.53</b>	\$524	\$3.59	\$122	\$0.84
\$1,000M	\$1,709	\$11.71	\$1,208	\$8.27	\$1,019	\$6.98	\$727	\$4.98	\$306	\$2.10

Source: LBS.

## Potential to Expand

At peak production, Renard could potentially supply in excess of \$500M a year of rough diamonds to a market that has supply constraints due to diminishing reserves, raising capital costs, social acceptability challenges and the ultimate fact that natural diamonds are rare. Renard could represent approximately 3% of world supply in 2010 production terms and be marketed as unique Quebec made diamonds. We also highlight that our scenario has potential room to expand as the deeper portions of the kimberlite pipes as well as other kimberlite pipes (R10 and etc) have not been factored in. With the presence of a road to mine site, potential cheap and clean electrical power, a good community relationship with the local Cree population and support from the Quebec government, we believe that the Renard project is well positioned to expand and grow.



## Key Positives

We highlight these favorable key points in regards to Renard:

- ◆ **Permitting and social acceptability process in progress;** the Cree community looks to be open and favorable to this project.
- ◆ **Feasibility study completed;** this is an important milestone in de-risking the project which should serve as basis to move forward on developing the Renard project. We believe the feasibility study was quite conservative in some of the parameters providing upside that should become more apparent as time goes by.
- ◆ **Accessibility to improve;** The Route 167 Ext has received the Certificat of Authorization and hence construction should progress. With road access to site by 2014, we believe the project should have a key advantage.

## Exploration Potential

We have valued the portfolio of Stornoways portfolio of properties by determining mineral potential value for projects with resources or PMD (Potential Mineral Deposit). We have also determined exploration potential for each project based on our geological assessment. This assessment does permit to recognize the upside of exploration projects.

For the advance Renard project, we have used 5% of the NI-43-101 reserves & resources valuation price and 1% of the median Potential Mineral Deposit (PMD) value. We have thus derived a \$297M value for the Renard project adding a \$15M exploration potential value.

Our methodology permits to put an estimate value on the other advance properties. We have determined that the Aviat and Qilalugaq have an approximate \$47M and \$39.3M value respectively based largely on the median PMD (or exploration target) estimate. We have assigned an approximate \$1.0/carats to the median contained diamonds of 32.2M and 24.3M carats on Aviat and Qilalugaq. We have also added the exploration potential that we have estimated at \$20M and \$15M respectively (see Exhibit 43).

Exhibit 43 - Stornoway's Mineral Potential Value						
	NI 43-101 Resources & Reserves (Carats)	Valuation Price (US\$/carat)	Value (US\$/carat)	Potential Exploration Target* (Carats)	Value (US\$/carat)	Value
<b>Renard</b>						
R2	21 076 732	182	9,10	6 255 045	1,82	\$203 182 443
R3	2 146 992	182	9,10	1 660 313	1,82	\$22 559 396
R4	3 650 284	112	5,60	7 715 273	1,12	\$29 082 696
R9	2 684 700			2 418 938	0,50	\$1 209 469
R65	3 725 280			9 955 120	0,50	\$4 977 560
Lynx Dyke	1 923 860	119	5,95	3 395 520	1,19	\$15 487 636
Hibou Dyke	256 320	118	5,90	3 568 725	1,18	\$5 723 384
Exploration potential						\$15 000 000
						<b>\$297 222 583</b>
<b>AEON</b>						
Exploration potential	n/a	n/a	n/a	n/a	n/a	\$12 000 000
<b>LG-4 Consorem (25%)</b>						
Exploration potential	n/a	n/a	n/a	n/a	n/a	\$2 500 000
<b>Aviat (90%)</b>						
ESC	n/a	n/a	n/a	32 000 000	1,00	\$28 980 000
Exploration potential						\$18 000 000
						<b>\$46 980 000</b>
<b>Qilalugaq</b>						
Q1-4	n/a	n/a	n/a	24 300 000	1,00	\$24 300 000
Exploration potential						\$15 000 000
						<b>\$39 300 000</b>
<b>Hammer (75%)</b>						
Exploration potential	n/a	n/a	n/a	n/a	n/a	\$1 875 000
<b>Pikoo</b>						
Exploration potential	n/a	n/a	n/a	n/a	n/a	\$18 500 000
<b>Temiscaming</b>						
Exploration potential	n/a	n/a	n/a	n/a	n/a	\$5 000 000
* Median PMD (or TFFE)						<b>Total Value = \$423 377 583</b>
Source: LBS.						

### Take-Over Premium

We have estimated a \$15M value for the potential premium that a major diamond producer could add as the Renard project is de-risked. This premium is based on the fact that the project is located in a safe jurisdiction, eventually road accessible and should be de-risked as its inherent long-term value is recognized. We believe that Anglo-American could potentially be interested to acquire the Renard project as it is located within scope of some of their exploration activities in Northern Quebec.

### Net Asset Value

We have modelled a 8% DCF analysis of the mining of 42M carats at the Renard kimberlite cluster that has a project NAV of \$337M after tax and financing. Our model hinges greatly on upsizing the Renard mine plan and a long life mine. We have averaged the \$337M 8%DCF with the appraised mineral potential value of \$297M. We thus value the Renard project at \$317M or \$2.15 per F/D share.

Adding the exploration potential of the portfolio of properties, take-over premium and the exploration potential goodwill of \$10M we hence derive a total NAV for Stornoway at \$493M or \$3.38 per share (FD) (see Exhibit 44).

### Exhibit 44 - Stornoway's NAV Summary

Project	Value (M)	Project	Value (M)
Renard Project	\$317.0	Oilalugaq Project (100%)	\$39.3
Aeon (100%)	\$12.0	Hammer (75%)	\$1.9
LG-4 Consorem (25%)	\$2.5	Pikoo Project (100%)	\$18.5
Aviat Project (90%)	\$47.0	Timiskaming Project (100%)	\$5.0
Exploration potential goodwill	\$10.0	Total NAV	\$493.2
Cash	\$25.0	Shares outstanding (FD)	146.0
Take-over premium	\$15.0	<b>Total NAV per share (FD)</b>	<b>\$3.38</b>

Source: LBS.

We highlight these favorable key points in regards Stornoway:

- ◆ Pipeline of projects that can provide upside to discovery and generate positive news flow.
- ◆ Recognized management and technical team that have support at the local and provincial level.

### Peer Comparison

Comparable exploration and development companies trade at an average of 5.07 per carats. We believe the nearest peers to Stornoway are Mountain Province Diamonds (MPV-T) and Shore Gold Inc. (SGF-T), Canadian development projects. All these projects are being de-risked (feasibility studies completed), are located in constructive jurisdictions and are potentially large scale operations that could attract interest.

Exhibit 45 - Stornoway's Peer Comparison Table

Company	Ticker	Price	Mkt. Cap. (M)	EV (M)	S/O (M)	HQ Location	Main Projects	Flagship Project Reserves		
								Tonnes (M)	CPT *	Contained Carats (M)
Stornoway Diamond Corp.	SWY-T	\$1.08	\$128	\$107	119	BC	Renard (QC)	23.1	0.78	18.0
Shear Diamonds Ltd.	SRM-V	\$0.36	\$17	\$16	46	AB	Jericho, Churchill and North Slave (Nunavut)	n/a	n/a	n/a
Mountain Province Diamonds	MPV-T	\$4.85	\$389	\$367	80	ON	Kennady Lake (NWT) (aka Gahcho Kue)	31.3	1.57	49.0
Peregrine Diamonds Ltd.	PGD-T	\$0.74	\$77	\$65	104	BC	Chidliak, Oilaq and Nanuq (Nunavut)	n/a	n/a	n/a
Metalex Ventures Ltd.	MTX-V	\$0.45	\$30	\$12	66	BC	Kyle Lake, Ring of Fire (Ont)	n/a	n/a	n/a
Shore Gold Inc.	SGF-T	\$0.41	\$92	\$74	225	SK	Star, Orion; Fort a la Corne, (Sask)	278.9	0.12	34.4
KWG Resources Inc.	KWG-V	\$0.08	\$47	\$41	633	QC	Ring of Fire (Ont)	n/a	n/a	n/a
Harry Winston Diamond Corp.	HW-T	\$10.89	\$924	\$1,168	85	ON	Diavik	28.0	0.31	88.0
BHP	BHP-A	AUS\$36.0	AUS\$181,299	AUS\$193,653	3,224	Australia	Ekati	78.0	0.11	85.0
De Beers	n/a	n/a	n/a	n/a	n/a	South Africa	Snap Lake	18.0	1.20	27.0
De Beers	n/a	n/a	n/a	n/a	n/a	South Africa	Victor Lake	28.0	0.31	31.0

Company	Ticker	Diamond Price	Production (M carats/y)	Process (Mt/y)	Flagship Project Resources			Total Reserves & Resources (M carats)	Average CPT	Mkt Cap / Carats
					Tonnes (M)	CPHT *	Contained Carats (M)			
Stornoway Diamond Corp.	SWY-T	\$180	1.7	2.2	31.1	56.0	17.5	35.5	0.66	3.61
Shear Diamonds Ltd.	SRM-V	n/a	n/a	1.2	3.5	0.9	1.9	1.9	0.55	8.78
Mountain Province Diamonds	MPV-T	\$185	4.5	n/a	6.0	173.0	10.3	59.3	1.59	6.57
Peregrine Diamonds Ltd.	PGD-T	\$51	n/a	n/a	20.0	94.0	18.0	18.0 **	0.94	4.29
Metalex Ventures Ltd.	MTX-V	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Shore Gold Inc.	SGF-T	\$210	n/a	14.3	80.3	11.3	9.1	43.5	0.12	2.12
KWG Resources Inc.	KWG-V	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Harry Winston Diamond Corp.	HW-T	\$120	6.7	n/a	19.7	3.0	59.1	n/a	n/a	n/a
BHP	BHP-A	\$200	2.4	1.1	n/a	n/a	n/a	n/a	n/a	n/a
De Beers	n/a	\$140	1.4	1.1	n/a	n/a	n/a	n/a	n/a	n/a
De Beers	n/a	\$320	0.6	2.7	n/a	n/a	n/a	n/a	n/a	n/a
										<b>Average</b>
										<b>5.07</b>

\* Carats per hundred tonne.  
\*\* Potential mineral deposit.  
Note: T - TSX; V - TSXV; A - Australia. All pricing as of January 16, 2012.  
Source: Bloomberg; Capital IQ; Company reports, LBS.

## Recommendation: Buy

Target of \$3.40, Total  
Return of 215%

We are initiating coverage of Stornoway Diamond Corp. with a Buy rating and a one-year target price of \$3.40, implying a 215% total return from current levels. Our sum of all parts NAV includes an 8% DCF analysis of the Renard project using an upside resource base. We have also given value to Stornoway's portfolio of properties using the in-situ metrics and the exploration potential. We estimate Stornoway's NAV at \$493M or \$3.38 per FD share.

## Near-Term Catalysts

Development And  
Discovery

We highlight the following near-term catalysts for Stornoway's share price:

- ◆ **Exploration results on pipeline of projects.** Drilling and bulk sampling at the company's portfolio of properties planned in 2012 on the Pikoo, Aeon and Hammer projects could, we believe, provide positive news flow.
- ◆ **Continued support by the local Cree community and governments.** De-risking of the Renard project is expected with on-going community consultations and recognition of a sustainable development quality project. Ground breaking on construction of the Route 167 Extension should set in motion better access to the Renard project.
- ◆ **Completion of the Renard Environmental and Social Impact Assessment.** Certificates of Authorization for mine development could be expected by mid to late 2012.

**On-going development works on Renard.** Selective works such as bulk sample results for the Renard 65 open pit should be completed by year end 2012 leading way to the completion of an updated Bankable Feasibility Study and potential resource expansion.

## Risks

Investing in mining companies carries risks associated with commodity prices, currency fluctuations and operational performance.

Specific risks for Stornoway include the following:

- 1) **Project Financing Risks:** Stornoway is in a pre-development stage on the Renard project, with forecast production not until mid-2015. Financing the \$900M project is arising as a critical risk. In our model we assume a funding scenario with a 50:50 debt to equity ratio (~\$600 million of debt and ~\$600 million of equity financing). Until the metrics of financing are finalized, the degree of dilution is unknown and project development conditional on securing funds.
- 2) **Political and Social Risks:** Though Renard is situated in a relatively low-risk mining jurisdiction with a long history political stability, Quebec has lost much ground in ranking as a favorable jurisdiction due to uncertainty pertaining to mining royalty regime and land tenure. Changes to the tax and royalty regime could materially impact future earnings. As well social risks related to the First Nations could arise and work advancements could be blocked by local opposition.
- 3) **Project Execution Risks:** Permits and amendments to various approvals are needed for mining to occur and for the building of related infrastructure. Licensing may take longer than expected and impact the development schedule.

## Virginia Mines Inc. (VGQ-T – \$9.00)<sup>1</sup>

### Company Profile

Virginia Mines is among the most active mining exploration companies in Quebec. It has a strong focus on the vast unexplored regions of northern Quebec and a particularly large land position in the James Bay area. Virginia discovered the Roberto gold deposit in 2004, where Goldcorp (Les Mines Opinaca Ltée) is defining and developing a gold deposit with more than 9.4M oz. Au (Measured, Indicated and Inferred resources), which is slated for production by 2015. We highlight that Virginia holds a sliding scale royalty stream on gold produced from the future Eleonore mine.



Source: BigCharts.com

Ticker	VGQ-T	Shares O/S (M)	31.5
Rating	Top Pick	Market Cap (M)	\$283.6
Risk	High	Float O/S (M)	29.6
Price	\$9.00	Float Value (M)	\$266.6
1-Yr Target	\$17.00	Avg Daily Volume (K)	29.4
Dividend	\$0.00	Enterprise Value (M)	\$240.4
Yield (%)	n/a	Control Blocks:	
1-Yr ROR	89%	Mgmt. & Dir.	6%
52 Wk High-Low	\$9.80-\$6.71	Net Debt/Cap	n/a
Valuation	NAV DCF 3%	BVPS	\$2.70
Year End	Feb. 28	Next Reporting	Mar-12

Expenditures (M) - Years ending Dec. 31						
	2012	2013	2014	2015	2016	2017
Capex	n/a	n/a	n/a	n/a	n/a	n/a
Exploration	\$20.0	Funded by partners		\$9.0		

Potential Resource	Tonnes	Grade	Grade	Grade	Grade
Base	(Mt)	(% Cu)	(% Zn)	(% Pb)	(Au g/t)
Coulon	14.23	1.32	3.84	0.25	0.20

Source: Company reports; Bloomberg; LBS.

1. All pricing as of January 16, 2012.

## Top Pick – Target Price: \$17.00

We are re-initiating coverage on Virginia Mines Inc. with a Top Pick rating and a one-year target price of \$17.00, implying a return of 89%.

We highlight the following:

- ◆ **Truly top explorer.** One of the most active mining exploration companies in Quebec, Virginia is the discoverer of world-class Eleonore deposit and has a very sizeable portfolio of quality exploration projects. With significant land holdings covering key geological environments in the near and far north areas of northern Quebec, We believe Virginia is poised to make new discoveries.
- ◆ **Strong management.** Mr. André Gaumond, CEO, has built a track record of success through perseverance and focus. We believe he is the mining financier of the decade in Quebec. Virginia also has a high level exploration team with ample experience and good work ethics that can generate discoveries through strategic, balanced and systematic exploration. Management has always established good communication with the First Nations communities of the north and is hence appreciated.
- ◆ **Tight capital structure.** We believe Virginia's capital structure is noteworthy and highlights management's talent and excellent focus on preserving a tight capital structure to provide huge leverage to discovery. With a long-term strategy to remain financially sound, Virginia has \$35M in working capital. More importantly, Virginia owns a royalty payout stream on the growing future Eleonore Mine.
- ◆ **Capacity to attract quality partners.** Management has continuously attracted quality JV partners such as Anglo-American, Quadra-FNX, IAMGold and Goldcorp.
- ◆ **Compelling net asset value.** Virginia has an attractive valuation based on our geological assessment of the portfolio of properties and project generation capability, as well as on the value of the Eleonore royalty. We estimate that the Eleonore production royalty combined with the exploration potential of Virginia to be worth \$480M, which translates to \$14.46 per share. Adding Virginia's healthy balance sheet and expertise, we derive a NAV of \$565M or \$17.02 per FD share.





## Company Profile: Proving Excellent Exploration Potential

### Land is Everything

Virginia has concentrated its exploration activities exclusively on Quebec's remote territories which are endowed with tremendous mineral potential. The company has understood the importance of establishing a long-term presence in a territory and developing an expertise. It has accumulated land position as a first mover and Virginia ranks among the most important explorers in Eastern Canada, with a significant annual exploration budget of over \$15M (with partners) and a growing portfolio of projects (covering over 5,000km<sup>2</sup>). Two thirds of Virginia's projects portfolio are essentially dedicated to gold, while the remainder are allocated to base metals.

**Stong pipe-line of projects:** focused on Northern Quebec where political and social risks are relatively low, Virginia has assembled what we view as a top-quality portfolio of exploration projects (see Exhibit 46). Key gold projects in the James Bay area are in the Eastmain-Opinaca sector (Eleonore-regional, Assini-Anatacau-Wabamsik-Opinaca, Sarcelle), the Canispiscaw sector (Lac Pau, Ashuanipi), the La-Grande sector (La Grande Sud, Poste Lemoyne-Extension, FCI, Pénélope) and the LG-4 sector (Nichicun, Trieste, Noëlla, Escalé, Corvet Est). In addition, Virginia is advancing at its pace on the Coulon base-metal project (Zn, Cu, Ag) and has secured strategic partnerships up north for the Gayot nickel-copper project with Quadra-FNX (QUX-T) (now KGHM) and the Baie Payne nickel project with Anglo-American (AAA-L) in the Ungava. We believe that Virginia has acquired strategic positions with time, focus and expertise.

Exhibit 46 - Virginia's Land Holdings in Quebec



Source: Company reports.

**Expertise Leads to  
Strong Partnerships**

**Excellent reputation in the mining industry.** With enviable expertise, Virginia's team has indeed been recognized as being one of the best mining exploration teams in Canada. Virginia has earned several awards in Quebec and Canada that underline its expertise and contribution to the geoscientific knowledge of northern Quebec. The company has established strategic alliances with many consultants and universities that participate and advance the development of quality projects.

**We believe Virginia's success is based on perseverance, focus and project generation.** We believe that Virginia continues to follow an exploration strategy and apply a financial structure that guarantees a longevity to quality exploration activities and, hence, discovery. A reputable project generator, we believe Virginia has a strong team depth to generate and acquire new properties that assures a quality project pipeline.

**We note that the company has developed numerous partnerships through the years, which have enabled it to minimize the risks associated with exploration.** With new partnerships with Quadra FNX, IAMGold and Anglo-American, Virginia is set for project advancement and has established very sound financial position. Partnerships have provided adequate financing for many projects and contributed to Virginia's excellent financial situation and capital structure (less than 34M shares).

**Set to Make more  
Discoveries**

**With expertise, focus and good land positioning, we believe Virginia remains *la référence* in the James Bay area.** The company has a sizeable land package in the James Bay area assembled in the last 20 years and remains one of the best positioned players in this emerging mining camp. Additionally, Virginia has properties in Northern Quebec that remain tantalizing targets and could potentially be well positioned with developments in regards to the Plan Nord. With new partnerships with the likes of Quadra FNX, IAMGold, Anglo-American, Virginia is set for more discoveries and project advancement. We highlight Virginia's most notable accomplishment to date: the discovery of the Eleonore deposit and its subsequent friendly acquisition by Goldcorp for more than \$500M. This deposit is proving to be a true world-class deposit. We believe Virginia is well positioned to benefit with the 2.2% to 3.5% net smelter royalty (NSR) revenue stream. **With over 15 years in the James Bay and Northern Quebec areas, Virginia has developed the expertise to make more discoveries.** Exhibit 47 summarizes Virginia's portfolio of projects.

**For a detailed description of Virginia's projects and land holdings, see Appendix IX.**

**Exhibit 47 - Virginia's Portfolio of Properties**

Project	Commodity	Interest	Partner	Acreage *	Stage	Status	Drilling
<b>Opinaca-Eastmain</b>							
Anatacau	Au	50%	IMG-T	10,952	Adv. Exploration	Active	Yes
Wabamisk	Au	100%		43,888	Adv. Exploration	Active	Yes
Lac H	Au	100%		n/a	Exploration	Active	No
Assini	Au	100%		686	Exploration	Active	No
Komo Wabamisk	Au	100%		n/a	Exploration	Active	No
Opinaca	Au	50%	DAN-V	n/a	Exploration	Active	Yes
Sarcelle	Au	100%		31,052	Exploration	Active	Yes
Eleonore regional	Au	100%		44,135	Exploration	Active	Yes
Auclair	Au	100%		15,740	Exploration	n/a	No
Other	Au	100%		4,528	Early Exploration	n/a	No
<b>LG-2 / LG-3 Area</b>							
Poste Lemoyne Ext.	Au	100%		30,965	Adv. Exploration	Active	Yes
LG-3.5	Au	50%	BMK-V	1,320	Exploration	n/a	No
La Grande North	Au, Ag, Cu	100%	SHG-V	1,583	Exploration	Active	No
La Grande South	Au, Ag, Cu	100%		9,635	Adv. Exploration	Active	Yes
Other	Au	n/a		358	Early Exploration	n/a	No
<b>LG-4 Area</b>							
Nichicun	Au	100%		17,799	Exploration	Active	Yes
Escale	Au, Ag, Mo	100%		6,498	Exploration	Active	No
Noella	Au	100%		9,228	Exploration	Active	Yes
Corvet East	Au	50%	G-T	29,106	Exploration	Active	No
Trieste	Au	100%		23,370	Exploration	Active	Yes
Penelope	Au	100%		17,862	Exploration	n/a	Yes
FCI	Au	100%		21,105	Exploration	n/a	No
LG-4 Diamonds	Diamonds	25%	Consortium**	11,790	Compilation	Active	No
Other	Au	100%		3,448	Early Exploration	n/a	No
Coulon	Zn, Cu, Ag	100%		32,307	Adv. Exploration	Active	Yes
<b>Caniapiscau</b>							
Ashuanipi	Au, Cu, Ag, Zn	100%	AAL-L	23,884	Exploration	Active	Yes
Lac Pau	Au, Cu	100%	IMG-T	34,862	Exploration	Active	Yes
<b>Ungava</b>							
Baie Payne	Ni	100%	AAL-L	18,890	Exploration	Active	Yes
Lac Gayot	Ni, Cu	100%	QUX-T	21,789	Exploration	Active	Yes
Duquet	Au	33%	SOQUEM	1,304	Exploration	n/a	No
Other	Au, Pt, Pd	n/a		11,670	Early Exploration	n/a	No

Over 31 properties with combined acreage of > 479,754

\* Hectares.

\*\* Aurizon Mines (ARZ-T, 25%), Stornoway Diamond (SWY-T, 25%) and SOQUEM (25%).

Note: T - TSX; V - TSXV; L - LSE.

Source: Company reports; LBS.

## Eleonore Royalty

**Eleonore Royalty –  
Very Sweet**

Virginia holds a 2.2%–3.5% production royalty on Goldcorp's Eleonore gold mine. The Eleonore royalty is a sliding scale royalty based on the price of gold and total ounces produced. The royalty can be summarized as follows:

Exhibit 48 - Royalty Scheme for Eleonore Mine			
Cummulative Production (Oz. M)	Gold Price		
	< \$350 / Oz.	\$350-\$450 / Oz.	> \$500 / Oz.
0 - 3	1.80%	2.00%	2.20%
3 - 4	2.03%	2.25%	2.48%
4 - 5	2.25%	2.50%	2.75%
5 - 6	2.48%	2.75%	3.03%
6 - 7	2.70%	3.00%	3.30%
7 - 8	2.93%	3.25%	3.50%
8 - 9	3.15%	3.50%	3.50%

Source: Company reports.

**Potentially Strong  
Cash Flows**

The Eleonore production royalty should provide Virginia with an attractive cash flow stream. As the project is scheduled for production as early as 2014, we highlight that the current reserve and resource base, estimated as of December 2010 at 7.7M oz. gold, is certainly set to grow. The estimates disclosed in December 2010 are shown in Exhibit 49.

Exhibit 49 - Eleonore Reserve & Resource Base			
Type	Tonnes (M)	Grade (g/t)	Contained Gold (Oz.)
Proven	n/a	n/a	n/a
Probable	12.5	7.56	3,033,431
Total P&P	12.5	7.56	3,033,431
Measured	n/a	n/a	n/a
Indicated	1.4	10.95	478,796
Total M&I	1.4	10.95	478,796
Inferred	12.3	10.60	4,174,838
<b>Total</b>	<b>26.1</b>	<b>9.16</b>	<b>7,687,065</b>

Source: Company reports.

**Growing Royalty Value**

Resources keep growing at the Eleonore project. 2007 estimates suggested total resources (Inferred and Indicated) of 2.8M oz.; in 2008-2009 total resources were 5.3M oz. and in February 2010 Goldcorp reported new resources totaling 9.4M oz. Measured and Indicated resources stood at 8.22Mt @ 11.92 g/t Au, implying 3.15M oz. (previously 2.3M oz.) and Inferred resources stood at 15.03 Mt @ 12.93 g/t Au, implying 6.25M oz. (previously 3M oz.). This increase in resources at the Eleonore project was a substantial 77% (from the December 2008 estimate). Furthermore, on February 2011, initial gold reserves were officially declared by Goldcorp in the order of 3M oz. Based on ongoing works, we expect these reserves to materially increase and perhaps even attain 4.5M oz. proven and probable reserves. The following exhibit shows our estimate for the potential reserve and resources base range at Eleonore:



Exhibit 50 - Potential Range for Eleonore Reserves & Resources (~ Feb. 2012)

Type	Tonnes (M)	Grade (g/t)	Contained Au (M oz.)
Proven	n/a	n/a	n/a
Probable	12.75 - 15.75	7.90 - 8.80	3.2 - 4.5
Total P&P	12.75 - 15.75	7.90 - 8.80	3.2 - 4.5
Measured	0.75 - 1.40	10.95 - 11.40	0.3 - 0.5
Indicated	1.50 - 3.50	10.95 - 11.40	0.5 - 1.3
Total M&I	2.25 - 4.90	10.95 - 11.40	0.8 - 1.8
Inferred	11.75 - 15.50	10.70 - 11.60	4.0 - 5.8
<b>Total</b>	<b>26.75 - 36.15</b>	<b>9.40 - 10.40</b>	<b>8.1 - 12.0</b>

Source: LBS.

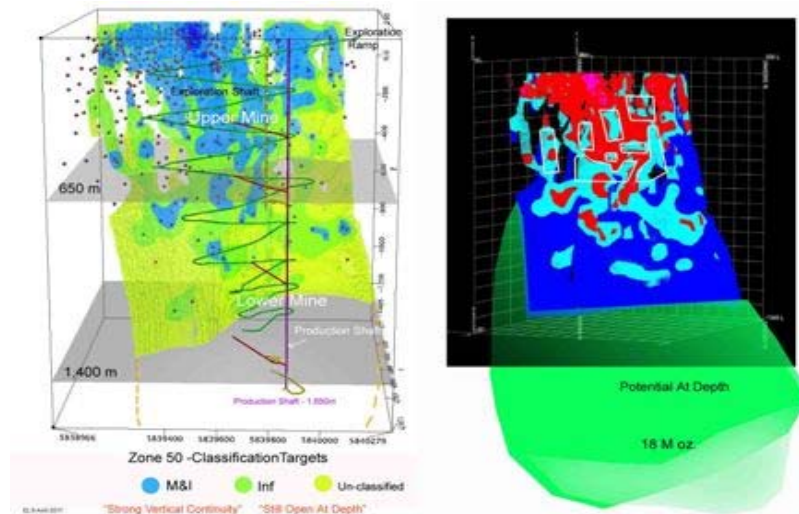
#### Eleonore Advancing

On February 2011, Goldcorp announced positive study results for Eleonore and the approval by its Board of Directors of full-scale development of the project. We highlight the following: "average annual gold production of approximately 600,000oz. over an approximate 15-year mine life" (an increase of over 80% from previous production estimate). We also underline that Goldcorp will have completed over 45,000m of drilling in the course of 2011 at Eleonore.

#### Eleonore Could Potentially Reach 18M oz.

We believe that the potential range for the Eleonore mine development target is in order of 8.5 to 15M oz. of Au and may potentially reach 18M oz. This bold statement is based on the fact that the deposit still remains open at depth and that these types of deposits in the Superior Province usually have considerable vertical continuity and extension (see Exhibit 51). We believe that a 15M oz. gold target is very plausible.

Exhibit 51 - Longitudinal Views and Potential Expansion of Eleonore Deposit



Source: Goldcorp, LBS.



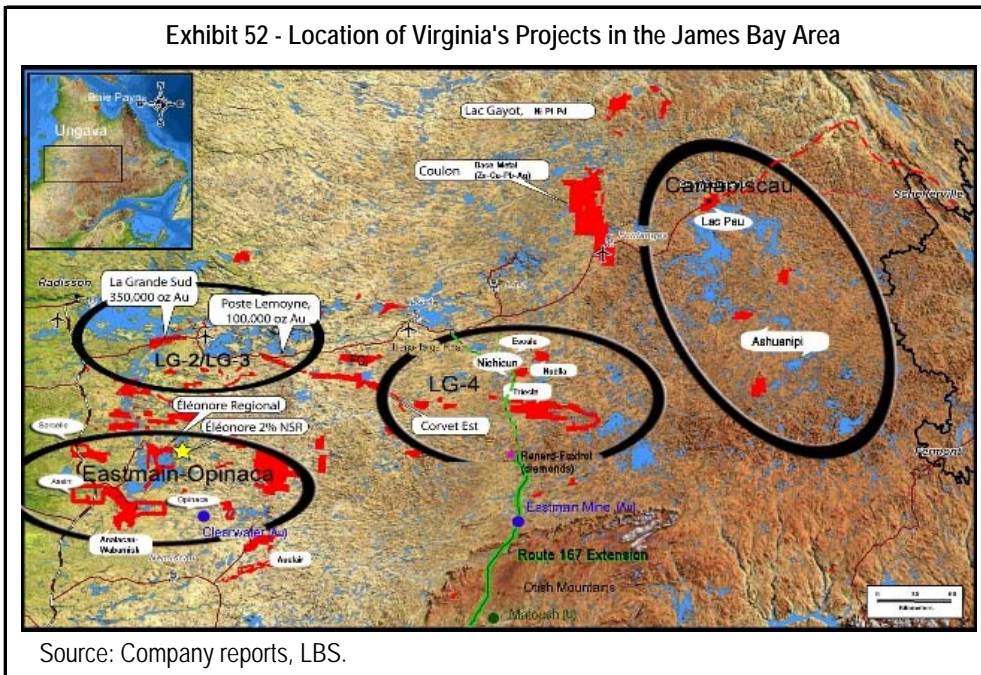
## Royalty Growing in Interest

Finally, we believe Virginia's Eleonore 2.2%–3.5% production royalty could garner substantial interest from gold royalty companies as the project advances towards production. Indeed, royalty companies could manifest interest to acquire this future revenue stream. The main attraction for a royalty holder is that it generally has no responsibility to contribute with funds to a project for any future purpose, including operating and capital costs. Thus, a royalty essentially represents a fully carried asset with zero future cost. We highlight that royalty holders such as Franco-Nevada (FNV-T) and Royal Gold (RGL-T) often pay a premium for NSR royalty streams that are incorporated into their royalty portfolio. Our ongoing analysis suggests that royalty companies may even pay a premium ranging from 5% to 15% for the Eleonore production royalty.

## Strong Presence in the James Bay

### Key Projects in James Bay

Virginia's portfolio of projects in the James Bay covers four core sectors that we believe have good potential for discovery. Virginia has been the pioneer in certain sectors that in the span of things remain accessible. We believe Virginia's strong presence in certain sectors is testament to its expertise, strong project compilation and generation capacity and in-line with the motto that land is everything. See Exhibit 52 for the location of these core sectors.



For a detailed description of Virginia's projects and land holdings, see Appendix IX.



## Management and Board: Proven and Experienced

### Solid, Accomplished

We believe that Virginia's management has immense expertise, discipline and dynamism that make it an esteemed project generator and explorer that should produce more discoveries. The management and technical teams are highly experienced with a long track-record of exploration success. Management has innovative and focused thinking that has gained recognition and respect. Notably, respect to the environment and local communities have earned management rewards such as the PDAC e3 Environmental Excellence in Exploration Award (Fonds Restor-Action Nunavik). In addition, Virginia has recently retained a Sustainable Development officer that highlights its commitment to act as an exemplary corporate citizen.

We highlight the following:

- ♦ **André Gaumond, P. Eng. President, Chief Executive Officer and Director** – A geological engineer with a master's degree in geological economics, Mr. Gaumond has worked as a geologist for several organizations, including Noranda, SOQUEM and the government of Quebec. From 1987 to 1990, he was a mining analyst for Pemberton Securities and Midland Walwyn, among others. Mr. Gaumond reorganized Virginia Gold Mines in 1992 and became President of the company. He was awarded the Quebec Prospector of the Year in 1996-97 for the company's work in James Bay and the *prix Ressource* from the Quebec Order of Geologists in 2001. In 2004, Virginia was again awarded the title of Quebec Prospector of the Year in recognition of the Coulon and Eleonore projects. This was the first time that this prestigious title had been bestowed twice on the same exploration team. André received the title of Quebec Entrepreneur of the Year in 2005 for his achievement on the Eleonore project, and was named "Mining Man of the Year" by *The Northern Miner*. In 2006, he was given the prestigious Canadian Prospector of the Year award. In November 2011 he was awarded the Hector-Authier 2011 award in recognition of his significant contribution to the development of mining entrepreneurship in Quebec and his dynamic participation in the socio-economic development on the James Bay territories and Northern Quebec. He sits on the Board of the Prospectors and Developers Association of Canada (PDAC). A most dynamic person that we believe has built credibility and success by earning it through hard work.
- ♦ **Paul Archer, P. Eng. VP Exploration** – Mr. Archer is a geological engineer with a Master's degree in Earth Sciences from Université du Québec à Chicoutimi. Paul has over 25 years of experience in mining exploration, in particular gold and base metals in Archean terrain. Paul has worked for many mining companies, among them Shell Minerals, Noranda, Northgate, Westminer Canada and SOQUEM. He joined Virginia's team in 1996. He was elected President of the Quebec Prospector's Association in 1996 and 1997. Paul has a solid reputation as a good explorationist.
- ♦ **Vital Pearson, P. Eng., Senior Research Geologist; Mathieu Savard, P. Geo, Senior Project Geologist; Isabelle Roy, P. Geo. Senior Project Geologist; François Huot, P. Geo. Senior Project Geologist and Jean-François Ouellette P. Geo., Chief Consultant** are part of the reputable technical staff of Virginia and bring enormous experience in different geological settings and in remote area logistics.
- ♦ **André Lemire, Chairman of the Board (Independent)** – Mr. Lemire has been a Director of Virginia since June 1, 1996. He became a Director and Chairman of the Board of New Virginia upon its incorporation on November 30, 2005. Mr. Lemire has a degree in Economics from the University of Ottawa. From 1972 to 1990, he held various executive positions with the brokerage firm Levesque Beaubien Geoffrion Inc. From February 1990 to January 1995, he was President and Director of Operations for Marleau, Lemire Securities Inc.

- ♦ **Robin Villeneuve, Chief Financial Officer** – Mr. Villeneuve has been the CFO of the company since June 16, 2008. He obtained a Bachelor's Degree in Business Administration - major in Accounting, from Laval University in Quebec City. In the last 13 years, Mr. Villeneuve held positions with various levels of responsibility at AbitibiBowater, acting successively as Financial Accounting Manager and Control and Manufacturing Accounts Manager. Mr. Villeneuve brings solid financial expertise and is a licensed Chartered Accountant.
- ♦ **Amélie Laliberté, Investor Relations** – Ms. Laliberté holds a degree in Communications with a major in Public Relations from the University of Laval in Quebec City and is with Virginia since 2002. She is a member of the Canadian Public Relations Society and of the Société des relationnistes du Québec

## Valuation: Royalty and Properties

### Compelling Valuation

Our valuation of Virginia is based on the value of the Eleonore royalty and on conservative multiples of exploration potential based on a portfolio of properties (over 40 projects) providing significant leverage to discovery in a favorable gold and base metal price environment. We believe that the Virginia team has, through comprehensive exploration and generative programs, the ability to make discoveries. Coupled with the strong track record established by Virginia, our confidence in the ability to optimize exploration success is high.

### Potential to Develop

Our review of Virginia's project portfolio, based on our assessment of its geological prospectivity suggests a value of \$144M. Virginia remains an exploration company with very good potential to develop a base metal project and gold projects in an emerging mining camp. Presently, it has no mineral reserves as defined by NI 43-101, but it does have a mineral resource base of nearly 500,000oz. in the Inferred category (combination of 350,000 oz. at La Grande Sud and 95,000oz. at Poste Lemoyne). We believe that the real value lies in the blue-sky potential offered by the company's portfolio of properties. As a focused explorer with a sizeable land claim status in diverse geological environments, we believe Virginia has assembled a good portfolio of properties based on sound analysis. We consider the potential for discovery is above-average.

### Coulon – Potential to Grow

The Coulon project, in the context of rising base metals prices, but more importantly in tandem with the ongoing development in the James Bay area, could be valued at a premium. The Coulon deposits are currently subeconomic but the potential of the property is still wide open and the mineralization system may provide a sizeable VMS deposit of more than 30Mt. Exploration potential is still open at depth and laterally. Foreseeing an exploration target range of between 15 to 20Mt with grade between 3%-6% Zn and 1%-2% Cu with Ag credits does not appear unreasonable at this time. Furthermore, the recent addition of Lens 223 indicates the potential to increase tonnage. We have roughly estimated that the lenses at the Coulon project could potentially total approximately 14.2Mt at similar grades, given that Lens 223 has added an additional 0.5Mt and the Spirit lens has increased potentially 0.1Mt. We have used a resource multiple on the expanded Coulon resource estimate (14.2Mt) at 3% and 1.5% of the prevailing commodity prices for the indicated and inferred resources, respectively. We derive an estimate for the value of Coulon at \$73.3M which includes \$20M of exploration potential (see Exhibit 53).

Exhibit 53 - Expanded Coulon Resource Base & Value						
	Tonnes (M)	Cu	Zn	Pb	Au (g/t)	Ag (g/t)
Indicated						
Lens 44	3.45	1.3%	3.5%	0.4%	0.26	35.1
Lens 16-17	0.23	0.9%	5.4%	0.6%	0.13	68.80
Total Indicated	3.68	1.27%	3.61%	0.40%	0.25	37.16
Inferred						
Lens 8	5.38	1.2%	3.7%	0.3%	0.21	37.00
Lens 9-25	3.27	1.7%	4.2%	0.1%	0.15	33.70
Lens 44	0.31	1.4%	3.3%	0.3%	0.21	29.10
Lens 16-17 (Lens 223)	0.50	0.5%	5.6%	0.6%	0.09	53.20
Lens 43	0.56	1.6%	2.8%	0.1%	0.14	18.50
Lens Spirit	0.33	0.8%	7.9%	0.1%	0.01	32.20
Lens 201	0.21	1.0%	3.5%	0.0%	0.19	19.20
Total Inferred	10.56	1.33%	3.92%	0.19%	0.18	34.48
<b>Total Resources</b>	<b>14.23</b>	<b>1.32%</b>	<b>3.84%</b>	<b>0.25%</b>	<b>0.20</b>	<b>35.20</b>
<b>Commodity price deck</b>						
Price per unit		\$3/lb.	\$0.9/lb.	\$0.9/lb.	\$1700/oz.	\$18/oz.
Value (M) of indicated resources (3%)			\$21.8			
Value (M) of inferred resources (1.5%)			\$31.5			
Exploration potential (M)			\$20.0			
<b>Total</b>			<b>\$73.3</b>			
Source: LBS.						

#### Opinaca/Eastmain - Controlling Land Position

The value of Virginia's properties in the Opinaca/Eastmain area can be exposed by highlighting that the area is emerging as a well-endowed gold play and that Virginia holds a dominant land position. We have determined \$22.75M value for the Opinaca/Eastmain area projects with the Eleonore Regional and Anatacau-Wabamisk Ext. being the key projects.

#### La Grande - Potential Feed for Eleonore

The value of the company's properties in the La Grande sector can be exposed by highlighting that these properties might be ideally located to provide feed for Goldcorp's Eleonore eventual mill. We have determined \$12.5M value for the LG2/LG3 area projects. We note that the current resource estimations for the La Grande Sud and Poste Lemoyne projects total approximately 450,000oz. of gold. At an expected value of US\$25/oz. Au (for Inferred resources), this provides a value of nearly \$12M.

#### LG/4 - Controlling Land Position

The value of the LG/4 area is based on what we consider an emerging area play in the east James Bay region. We have determined \$10M value for the LG-4 area projects with Nichicun, FCI and Corvet-Est providing the bulk of the value at this time.

#### Nunavik - District Scale Properties

The value of properties in the Nunavik area is based on what we consider an emerging area play in the northern Quebec region. We have determined \$8M value for the overall projects that Virginia holds in northern Quebec with Baie Payne, Lac Gayot projects being the main stays. We highlight that Virginia was a pioneer in exploring northern Quebec and holds key land positions.

## Sliding Scale Production Royalty

The Eleonore production royalty should eventually provide Virginia with an attractive cash flow stream. In light of Goldcorp's recent disclosure regarding the advancement of the Eleonore project, we have derived the value of the royalty taking into account production by early 2015 with a steady increase in production to 700,000oz. per year (2020) based on a potential 15M oz. gold deposit.

We believe that the Eleonore production royalty has the potential to generate a NAV of \$336M using a 3% DCF (\$10.12 per fully diluted share). This reflects a scenario with 15M oz. of recoverable gold at an average production rate of 650,000oz. Au per year (with peak of 700,000 oz Au per year). We have modeled the NPV scenario taking into account the advanced royalty payments of US\$1.2M that began in April 2009 and their reimbursement, as well as gradual production starting in 2015 (see Exhibit 54). Annual cash flows would attain a maximum of \$24.5M and the average value of the royalty of LOM would be approximately 3.11%.

Exhibit 54 - Simplified DCF Model for Eleonore Royalty										
<i>Assumptions: &gt;650,000 oz./year, 15.0 million oz. recoverable.</i>										
	2011 (A)	2012	2013	2014	2015	2016	2017	2018	2019	2020
Au Oz Produced	-	-	-	-	275,000	350,000	375,000	450,000	650,000	700,000
Cumulative Au Oz Produced	-	-	-	-	275,000	625,000	1,000,000	1,450,000	2,100,000	2,800,000
Advanced Royalty Payments	\$1,200,000	\$1,200,000	\$500,000	-	-	-	-	-	-	-
Cumulative Au Oz Produced Royalty (sliding scale)	-	-	-	-	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Gold Price (\$US)	1,565	1,850	1,900	1,750	1,550	1,450	1,350	1,250	1,150	1,100
Royalty	-	-	-	-	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Total Royalty	-	-	-	-	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
Attributable Value Au Produced	-	-	-	-	\$9,377,500	\$11,165,000	\$11,137,500	\$12,375,000	\$16,445,000	\$16,940,000
Advance Royalty	\$1,200,000	\$1,200,000	\$500,000	-	-	-	-	-	-	-
Advance Royalty Repayment	-	-	-	-	\$(1,600,000)	\$(1,600,000)	\$(1,800,000)	-	-	-
Royalty Net Cash Flows *	\$1,200,000	\$1,200,000	\$500,000	-	\$7,777,500	\$9,565,000	\$9,337,500	\$12,375,000	\$16,445,000	\$16,940,000
	2021-2022	2023-2024	2025	2026	2027-2028	2029	2030-2037	2038	TOTAL	
Au Oz Produced	700,000	700,000	700,000	700,000	700,000	700,000	700,000	300,000	652,174	
Cumulative Au Oz Produced	3,500,000	4,900,000	6,300,000	7,000,000	7,700,000	9,100,000	-	15,000,000	15,000,000	
Advanced Royalty Payments	-	-	-	-	-	-	-	-	\$2,900,000	
Cumulative Au Oz Produced Royalty (sliding scale)	> 3M	> 4M	> 5M	> 6M	> 7M	> 8M	-	-	-	
Gold Price (\$US)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,077	
Royalty	0.23%	0.25%	0.28%	0.30%	0.33%	0.35%	0.35%	0.35%	-	
Total Royalty	2.48%	2.75%	3.03%	3.30%	3.50%	3.50%	3.50%	3.50%	3.11%	
Attributable Value Au Produced	\$17,325,000	\$19,250,000	\$21,175,000	\$23,100,000	\$24,500,000	\$24,500,000	\$24,500,000	\$10,500,000	\$474,865,000	
Advance Royalty	-	-	-	-	-	-	-	-	\$2,900,000	
Advance Royalty Repayment	-	-	-	-	-	-	-	-	\$(5,000,000)	
Royalty Net Cash Flows *	\$17,325,000	\$19,250,000	\$21,175,000	\$23,100,000	\$24,500,000	\$24,500,000	\$24,500,000	\$10,500,000	\$472,765,000	
									NPV @ 3%	\$336,012,223

\* Before taxes.

Source: LBS.

## Discount Rate Sensitivity

Our use of a 3% discount rate is justified by the fact that the Eleonore project is being de-risked by Goldcorp (construction commenced) and that royalty payment streams can even obtain a premium. We have modeled, among other parameters, a 10M oz. as well as 18M oz. deposit at the LBS price scenario and a constant very long-term gold price of US\$1,000 per oz. We highlight that our modeled 15M oz. deposit at 700,000 oz./year implies an NPV of \$336M at 3% discount rate which we believe is appropriate considering that Goldcorp is now in full construction phase. The following exhibit summarizes our sensitivity analysis with respect to the discount rate.

**Exhibit 55 - Eleonore Production Royalty - Discount Rate Sensitivity**

Production (Oz. / year)	Total Gold Prod. (M Oz.)	Implied LOM *	Discount Rates									
			10.0%		7.5%		5.0%		3.0%		0.0%	
			NPV (M)	p/share	NPV (M)	p/share	NPV (M)	p/share	NPV (M)	p/share	NPV (M)	p/share
700,000	18.0	25.7	\$151	\$4.54	\$208	\$6.27	\$293	\$8.85	\$393	\$11.85	\$626	\$18.86
650,000	15.0	23.1	\$137	\$4.14	\$185	\$5.59	\$256	\$7.70	<b>\$336</b>	<b>\$10.12</b>	\$520	\$15.66
600,000	12.0	20.0	\$120	\$3.62	\$159	\$4.78	\$214	\$6.44	\$276	\$8.32	\$417	\$12.55
450,000	10.0	22.2	\$99	\$2.99	\$130	\$3.92	\$173	\$5.24	\$222	\$6.70	\$330	\$9.95
400,000	7.5	18.8	\$63	\$1.90	\$86	\$2.55	\$116	\$3.48	\$151	\$4.54	\$230	\$6.94
375,000	6.5	17.3	\$53	\$1.60	\$71	\$2.14	\$97	\$2.91	\$125	\$3.77	\$191	\$5.75
375,000	5.3	14.1	\$46	\$1.39	\$60	\$1.81	\$80	\$2.41	\$102	\$3.08	\$151	\$4.55

\* Life of mine.

Assumptions: Production starting in 2015; USD/CAD 1.10; Au price range (LOM) 1,115 - 1,066 US\$/Oz.

Source: LBS.

### A Sweet Royalty

The value of the royalty is highly leveraged to the price of gold and deposit size. We highlight that at current gold prices, the value of the royalty with our 15M oz. scenario is over \$500M. The royalty stream should attain the maximum 3.5% NSR above the 7M oz produced range. We believe that the Eleonore project has potential to host between 10M and 20M oz Au. hence any upside in the deposit size is fantastic leverage to the royalty value as maximum royalty would be attained for the long-term. The following exhibit summarizes our sensitivity analysis with respect to the price of gold (ranging from 1,000 US\$/oz. to 2,000 US\$/oz. at a fixed 3% discount rate):

**Exhibit 56 - Eleonore Production Royalty - Gold Price Sensitivity**

Production (Oz. / year)	Total Gold Prod. (M Oz.)	Implied LOM *	Gold Prices (US\$/Oz.)									
			\$1,000		\$1,200		\$1,400		\$1,600		\$1,800	
			NPV (M)	p/share	NPV (M)	p/share	NPV (M)	p/share	NPV (M)	p/share	NPV (M)	p/share
700,000	18.0	25.7	\$389	\$11.72	\$467	\$14.08	\$545	\$16.43	<b>\$624</b>	<b>\$18.78</b>	\$702	\$21.14
650,000	15.0	23.1	\$321	\$9.68	\$386	\$11.63	\$451	\$13.57	\$515	\$15.32	\$579	\$14.47
600,000	12.0	20.0	\$260	\$7.82	\$312	\$9.40	\$364	\$10.97	<b>\$416</b>	<b>\$12.55</b>	\$468	\$14.12
450,000	10.0	22.2	\$209	\$6.30	\$251	\$7.57	\$294	\$8.85	\$336	\$10.12	\$378	\$11.39
400,000	7.5	18.8	\$138	\$4.17	\$166	\$5.01	\$194	\$5.86	\$222	\$6.70	\$250	\$7.54
375,000	6.5	17.3	\$88	\$2.71	\$99	\$3.06	\$110	\$3.40	\$143	\$4.43	\$154	\$4.78
375,000	5.3	14.1	\$69	\$2.14	\$78	\$2.42	\$87	\$2.69	\$113	\$3.51	\$123	\$3.78

\* Life of mine.

Assumptions: Production starting in 2015; USD/CAD 1.10; discount rate 3.0%.

Source: LBS.

We highlight that, at current gold prices (around 1,615US\$/oz.), a modeled 12M oz. deposit at 600,000 oz./year implies an NPV of \$468M or \$14.12 per FD share, while an 18M oz. deposit at 700,000 oz./year implies an NPV of \$702M or \$21.14 per FD share. Accordingly we conclude that the royalty has great leverage to the price of gold and deposit size.

### Other Minor Royalties

We have also assigned a value to Virginia's minor royalties. What is remarkable is how "long-shot" royalty positions may gain value with time. We have derived values for the different royalties (see Exhibit 57) based on our geological assessment. We highlight that the Duncan (iron) and Eldor (REE) projects have recently gained value due to advancements in project works and demand for these commodities.



Exhibit 57 - Virginia's Minor Royalties				
Project	Commodity	NSR *	Company	Value (M)
Stabell (Siscoe East)	Au	2.0%	Alexandria Minerals (AZX-V)	\$0.4
Dubuisson	Au	2.0%	Northern Star Mining (receivership)	\$0.1
Malartic	Au	2.0%	Northern Star Mining (receivership)	\$0.1
Apple	U	2.0%	Strateco Resources (RSC-T)	\$0.1
Lac Dufault	Base metals	2.0%	Breakwater Resources (BWR-T)	\$0.1
Sagar	U, Au	1.5%	Energizer Resources (EGZ-V)	\$0.1
Uranium North	U	1.0%	Rukwa Uranium Ltd.	\$0.1
Duncan	Iron ore	\$0.40 / ore tonne	Augyva Mining Resources (AUV-V)	\$7.0
Tantale Erlandson	Nb, Ta, REE	1.0%	Commerce Resources (CCE-V)	\$0.9
Dieppe	Au	\$1M if > 1M Oz.	Agnico-Eagle Mines (AEM-T)	\$0.1
<b>Total</b>				<b>\$9.0</b>

\* Net smelter royalty.  
Note: T - TSX; V - TSXV.  
Source: Company reports.

### Cash Value

**Virginia's cash position is in the order of \$35M and is set to grow.** Indeed, the negative impacts of continued share financing leading to constant share dilution and loss of attractiveness is not the case with Virginia. The company is very well financed and has a low or non-existent burn rate through JV partner payments and the future Eleonore royalty stream. The current cash position stands at over \$1.00 per share.

### Total Net Asset Value

**We determine Virginia's NAV by assembling all the parts of its extensive portfolio of projects and royalties.** We have estimated Virginia's NAV at \$565M or \$17.02 per diluted share (see Exhibit 58).

Exhibit 58 - Virginia's NAV Summary			
Project	Value (M)	Project	Value (M)
Eleonore royalty @ 3.0%	\$336.0	LG-4 area	\$10.0
Coulon	\$73.0	Caniapiscou area	\$8.0
Eastmain / Opinaca area	\$23.0	Ungava area	\$8.0
La Grande area	\$13.0	Other royalties	\$9.0
Exploration potential goodwill	\$50.0	Total NAV	\$565.0
Cash	\$35.0	Shares outstanding (FD)	33.2
Take-over premium	n/a	<b>Total NAV per share</b>	<b>\$17.02</b>

Source: LBS.

### Recommendation: Top Pick

**Target of \$17.00, Total  
Return of 89%**

**We believe the Eleonore royalty and various partnerships provide Virginia with the capability to generate exploration results and create shareholder value.** We derive our valuation mainly on the basis of our estimate of Virginia's portfolio of properties, the Eleonore production royalty, the cash position as well as the exploration potential goodwill that we continue to rate at \$50M due to Virginia's excellent technical and management team. We believe the "Virginia model" provides significant leverage to quality discovery and share capital preservation. In a rising gold price and base metal commodity cycle, this is a bonus.

## Near-Term Catalysts

### Development And Discovery

We highlight the following near-term catalysts for Virginia's share price:

- ◆ **Full construction on the Eleonore project by Goldcorp should establish a world-class gold mine.** De-risking of the project, on-going development work, increasing total resources and reserves should enhance the value of Virginia's royalty and its portfolio of nearby properties.
- ◆ **New projects and partnerships.** Virginia, with its growing recognized expertise, is in position to attract potential new partners. We expect new partnerships. Virginia is also very good at project generation and we would expect the highlighting of new projects that should solidify Virginia's already robust pipeline of projects.
- ◆ **Key properties evolve as Virginia has a strong pipeline of quality projects.** Drilling at the company's portfolio of properties is scheduled to continue in 2012 and should provide a steady news flow. We expect results from the active winter programs on Lac Pau, Gayot, La Grande Sud, Nichicun, Poste Lemoyne and Anatacau-Wabamisk Ext.
- ◆ **New exploration works on Coulon project may define a sizeable base metal deposit with a target of 15Mt to 20Mt.** Indeed, 2011 drilling has provided evidence of expanded base metal zones and potential to increase the value of the project is considered excellent. An over 10,000m 2012 winter drill program is planned.

## Company Risks

Risks to our price target on Virginia shares include :

- 1) **Third-party Project Execution Risks:** Virginia's royalty portfolio value is tributary to the evolution of projects by certain partners. Specifically, Virginia is exposed to potential operational risks associated with the Eleonore project; delays or postponement could have impact on Virginia's royalty stream payments.
- 2) **Exploration Risk:** Our valuation of Virginia depends in part on the company's exploration success. Even once a discovery is made, a large amount of capital is required to fund the project's development into operation. However, given the experienced management team and Virginia's track record, we believe the company will be able to move through these types of hurdles
- 3) **Political and Social Risks:** Though Virginia's portfolio of properties is located in a relatively low-risk mining jurisdiction with a long history political stability, Quebec has lost much ground in ranking as a favorable jurisdiction due to uncertainty pertaining to mining royalty regime and land tenure. Social risks related to the First Nations could arise and work advancements could be blocked by local opposition. As well changes to the tax and royalty regime could materially impact future earnings. Again we view these risks as low.

## Appendix I – General Risks

Mineral exploration and mining remain an inherently risky business with the most prevalent risks related to metal prices, quality of mining assets and the political and social environment.

### Metal Prices

**Future profitability and the viability of mine development depend upon the world market price of metals.** The prices of precious metals are influenced by factors such as industrial and retail supply and demand, inflation rates, exchange rates, changes in global economies, confidence in the global monetary system, forward sales by producers and speculators, as well as by other global or regional political, social or economic events. Metal prices may fluctuate widely and are affected by numerous factors beyond any company's control.

### Regulatory and Social Risks

**Mining is subject to numerous governmental and environmental regulations, as well as social constraints.** Exploration, development and future production may be constrained by mining, heritage and environmental legislation, industrial accidents, industrial disputes, cost overruns and land claims (aboriginal rights). In addition, permitting processes are complex and can be very lengthy.

### Exploration and Development Risks

**Gold exploration and mine development involves a high degree of risk and uncertainty and no assurance can be given that explorers will be successful in developing an eventual commercial precious metals operation.** Mineral resource companies rely on security to title of mineral and mining rights, the ability to obtain necessary permits and must comply with the laws, taxes and conditions, which are subject to change without notice. The delineation and evaluation of mineral deposits is dependent on quality control, the accuracy of analytical data, the interpretation of geology and estimation of tonnage and grade, as well as on metallurgical recoveries, hydrological and geotechnical conditions. All these elements have diverse levels of risk pertinent to each project.

### Financing Risks

**Funds for mineral exploration and development projects may need to be raised in various occasions.** As companies are unable to determine in advance whether their properties contain economically recoverable reserves and they typically have no sources of revenue, they rely on the issuance of shares and/or debt to advance their development programs and construction of mining operations. We note that fund raising activities may considerably dilute the company's share structure.

### Operating Risks

**Mining is inherently a risky business,** from transportation to remote sites to operating at depths. Mineral exploration, development and production have operational risks associated with the whole spectrum going from acquisition of physical geological data (rock samples, drill core) to the extraction of ore material (rock stability, mine and tailings operations).



## Appendix II – Comparable Companies

Exhibit 59 - Peer Comparison Table

Company	Ticker	Price	Mkt. Cap. (M)	EV (M)	HQ Location	Reserves (000' Oz.)	Resources (000' Oz.)			EV / Res. (\$/oz.)
							M&I	Inferred	Total	
Adventure Gold Inc.	AGE-V	\$0.36	\$22	\$20	QC	n/a	n/a	22	22	n/a
Alexis Minerals Corp.	AMC-T	\$0.05	\$27	\$31	ON	n/a	174	558	732	42.6
Auriga Gold Corp.	AIA-V	\$0.34	\$15	\$13	ON	517	1,596	697	2,293	5.5
Aurizon Mines Ltd.	ARZ-T	\$5.20	\$848	\$669	BC	1,457	4,559	3,075	7,634	87.6
Azimut Exploration Inc.	AZM-V	\$0.90	\$33	\$30	QC	n/a	n/a	n/a	n/a	n/a
Balmoral Resources Ltd.	BAR-V	\$0.98	\$65	\$56	BC	n/a	n/a	n/a	n/a	n/a
Bear Lake Gold Ltd.	BLG-V	\$0.09	\$12	\$8	QC	n/a	44	917	961	8.0
Blue Note Mining (X-Ore)	BNT-V	\$0.07	\$10	\$9	QC	185	238	n/a	238	37.0
Brigus Gold Corp	BRD-T	\$1.25	\$252	\$285	NS	1,926	2,058	304	2,361	120.8
Claude Resources, Inc.	CRJ-T	\$1.48	\$243	\$221	SK	208	1,962	1,206	3,168	69.7
Detour Gold Corp.	DGC-T	\$27.90	\$2,831	\$2,292	ON	14,900	17,670	3,430	21,100	108.6
Eastmain Resources Inc.	ER-T	\$1.13	\$110	\$94	ON	n/a	581	1,020	1,601	58.7
Gold Canyon Resources	GCU-V	\$1.87	\$190	\$189	BC	n/a	46	197	243	777.6
Kirkland Lake Gold Inc.	KGI-T	\$17.25	\$1,206	\$1,167	ON	1,464	1,329	1,043	2,372	492.1
Lake Shore Gold Corp.	LSG-T	\$1.42	\$568	\$556	ON	812	1,144	1,802	2,947	188.7
Maudore Minerals Ltd.	MAO-V	\$5.25	\$140	\$134	QC	n/a	n/a	1,213	1,213	110.2
Midland Exploration Inc.	MD-V	\$1.36	\$35	\$31	QC	n/a	n/a	n/a	n/a	n/a
Murgor Resources Inc.	MGR-V	\$0.08	\$10	\$8	ON	n/a	281	209	491	17.2
Niogold	NOX-V	\$0.34	\$33	\$22	BC	n/a	598	361	959	22.8
NovaGold Resources Inc.	NG-T	\$9.20	\$2,208	\$2,579	BC	39,040	7,270	7,370	14,640	176.2
Osisko Mining Corp.	OSK-T	\$11.43	\$4,406	\$4,568	QC	10,710	11,800	7,550	19,350	236.1
PC Gold Inc.	PKL-T	\$0.42	\$28	\$21	BC	n/a	n/a	1,262	1,262	16.7
Premier Gold Mines Ltd.	PG-T	\$5.17	\$659	\$646	ON	n/a	2,868	1,748	4,616	140.0
Probe Mines Limited	PRB-V	\$2.46	\$155	\$134	ON	n/a	305	3,755	4,060	33.0
Prodigy Gold Inc.	PDG-V	\$0.85	\$202	\$174	BC	n/a	1,604	525	2,129	81.7
Queenston Mining Inc.	QMI-T	\$5.22	\$432	\$344	ON	n/a	1,220	1,643	2,863	120.1
Rainy River Resources Ltd.	RR-T	\$8.15	\$684	\$559	BC	n/a	3,418	3,175	6,593	84.8
Richmont Mines Inc.	RIC-T	\$11.65	\$385	\$331	QC	230	362	321	683	484.0
Romarco Minerals Inc.	R-T	\$1.20	\$701	\$643	ON	2,000	3,100	1,100	4,200	153.1
Rubicon Minerals Corp.	RMX-T	\$3.99	\$949	\$863	BC	n/a	477	2,317	2,794	308.8
Sabina Gold & Silver Corp.	SBB-T	\$4.02	\$645	\$526	ON	n/a	1,609	1,303	2,912	180.5
San Gold Corp.	SGR-T	\$1.81	\$566	\$538	MB	767	812	1,815	2,627	204.9
Seabridge Gold, Inc.	SEA-T	\$19.40	\$842	\$800	ON	38,500	62,527	25,245	87,772	9.1
St Andrew Goldfields Ltd.	SAS-T	\$0.47	\$173	\$181	ON	666	2,838	1,107	3,945	46.0
Trelawney Mining	TRR-V	\$3.25	\$563	\$482	ON	n/a	n/a	468	468	1029.4
Virginia Mines Inc.	VGQ-T	\$9.00	\$284	\$240	QC	n/a	59	402	461	521.3
Wesdome Gold Mines	WDO-T	\$1.59	\$162	\$157	ON	319	629	210	839	187.3
Xmet	XME-V	\$0.10	\$6	\$5	ON	n/a	n/a	727	727	6.9
Average:										181.4

Note: T - TSX; V - TSXV. All pricing as of January 16, 2012.

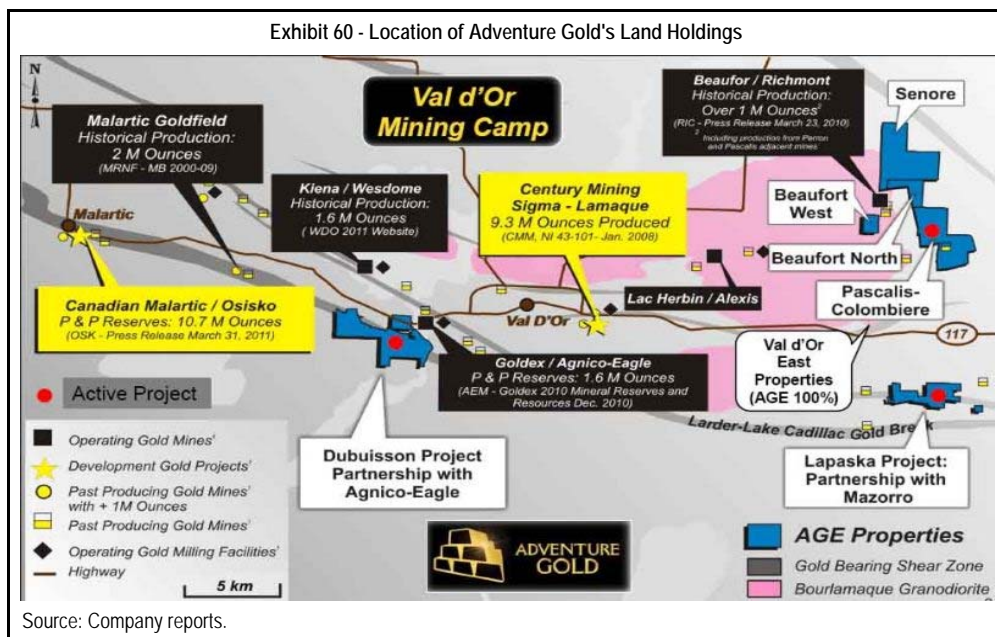
Source: Bloomberg; Capital IQ; company reports; LBS.



## Appendix III – Adventure Gold: Focused Gold Portfolio

### Val d'Or Area

Adventure Gold has assembled six properties in the Val d'Or area that have potential to become stand-alone projects of merit. Adventure's land positioning through observation of claims status and geological compilation has assembled an interesting portfolio of projects in the Val d'Or area (Exhibit 60).



### Val d'Or East Projects

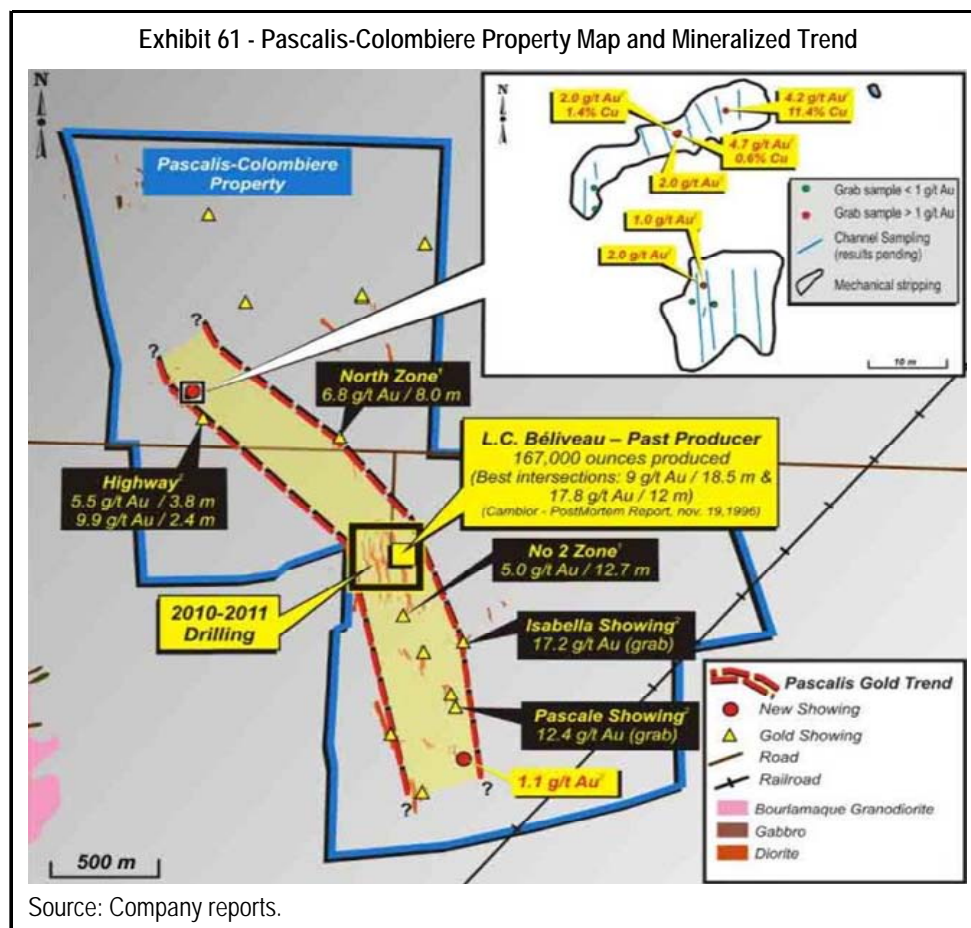
#### Pascal-Colombière (Au)

We believe the Pascal-Colombière project is a well-positioned gold property along the outskirts of Val d'Or with potential for gold discovery and development, both on sub-surface and at depth. The 100%-owned Pascal-Colombière (PC) property consists of 33 mining claims covering 637ha and is located in the eastern portion of the highly productive Val-d'Or-Malartic gold district, which has produced more than 25M oz. Au. to date. The PC property has been the site of gold production from 1989 to 1993 when Cambior Inc. (now IAMGOLD) mined the New Pascal gold deposit (Lucien C. Béliveau Mine). A total of 1.8 Mt of ore was extracted at a grade of 3.2 g/t Au (total of 167,000oz. Au) from the surface, down to 300m depth. The PC property is located to the southeast of the producing Beaufort Gold Mine, owned by Richmond Mines (RIC-T).

#### Active Drilling Defining Mineralized Trend

We believe there is sizeable exploration potential at the Pascal-Colombière property. Drilling results of a recent phase-2 drilling program continue to be reported and suggest a growing mineralized trend is emerging. The 2011 summer drilling program (16 holes totaling 5,144m) follows a phase-1 (9 holes for 2,790m) that aimed at defining gold targets in the vicinity and below the past producing L-C Béliveau Mine. Recent drilling has focused on the drilling of the Béliveau West Area (BWA) between the surface and 350m depth, targeting parallel zones as well as ENE structures near to the west of the old mining infrastructure of the L-C Béliveau Mine. A mineralized trend is emerging from the southern Pascale prospect to the north of the Highway Zone (see Exhibit 61).





### PC Has Multiple Potential Extensions

The geological setting of the PC property appears to be very favorable for the identification of new high-grade gold bearing veins and structures or bulk-style ore shoots. Past exploration work did not entirely test the numerous gold occurrences located in the North, South and West extensions of the former L-C Béliveau Mine associated with the main dyke, other parallel dykes, or the extension of ENE-trending shear zones. Recent drill results of phase 2 with 2.7 g/t Au over 65m, 1.5 g/t Au over 85m and 1.2 g/t Au over 26m (respectively in holes PC 11, 30, 32 and 31) suggest that the ENE vein stacking system is very much gold bearing with thickness ratios above 30. We believe that the project is located in a favorable environment for lode-gold and disseminated deposits and could host a very well located multi-ounce gold deposit. 3D modeling is being completed and resource estimates including Zone 2, L-C Béliveau (under -300m level), North and Highway could be completed for mid 2012.

### Deep Targets

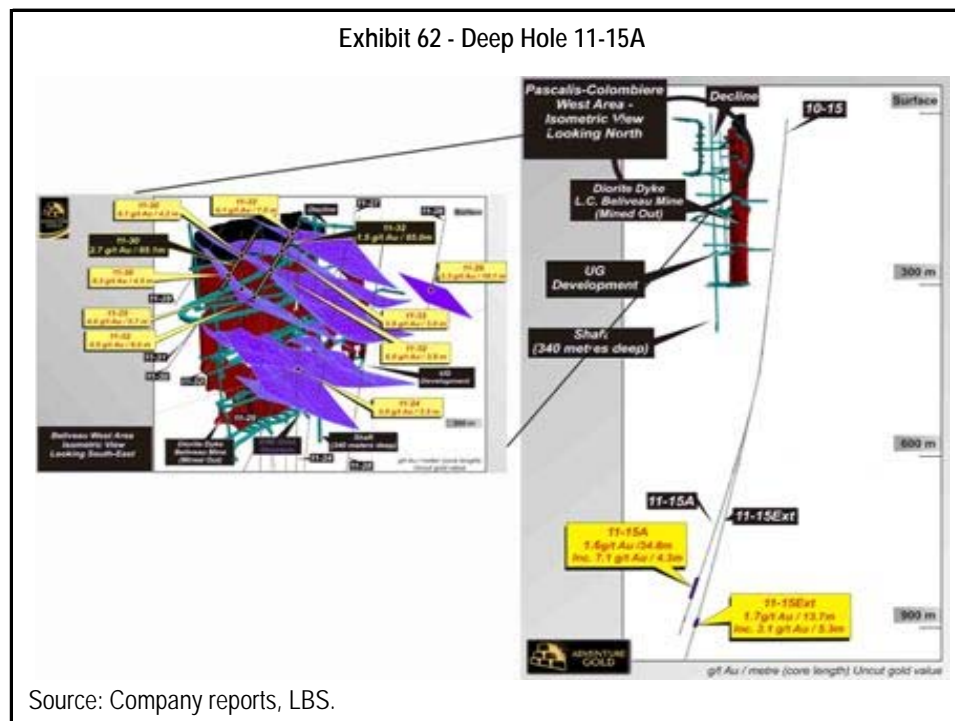
Deeper extensions of the L-C Béliveau Mine are being demonstrated. We believe there is considerable potential at depth following the down plunge of L-C Béliveau Mine, as attested by hole PC-11-15A that intersected 7.1 g/t Au over 4.3m (included in a section grading 1.6 g/t Au over 34.8m) at 750m depth. Other results from deep holes PC-11- 17, 19 and 20 and holes PC-11-15A and 22 that were drilled to test targets below and west of the past-producing L-C Béliveau Mine confirmed the east-northeast (ENE)-trending gold structures up to 550m depth with 4.1 g/t Au over 5.8m, 4.7 g/t Au over 3m, 4.3 g/t Au over 3m and 3.1 g/t Au over 6.8m (Holes PC-11-19 & 20 Ext.) as well as the Béliveau West gold system(BWA) at depth with intercepts of 4.5 g/t Au over 9.3m and 5.2 g/t Au over 3.7m at 423m depth along the hole (Holes PC-11-17Ext & PC-11-22).





## Upcoming Resource Estimate

We expect a 43-101 resource estimate calculation to be completed by mid-year 2012 and see a potential target of 450,000oz. We understand that SGS Geostat, a consulting firm based in Blainville, Quebec, has already started the NI 43-101 compliant gold resource estimate and awaits final drill program completion of a planned 10,000m phase 3.

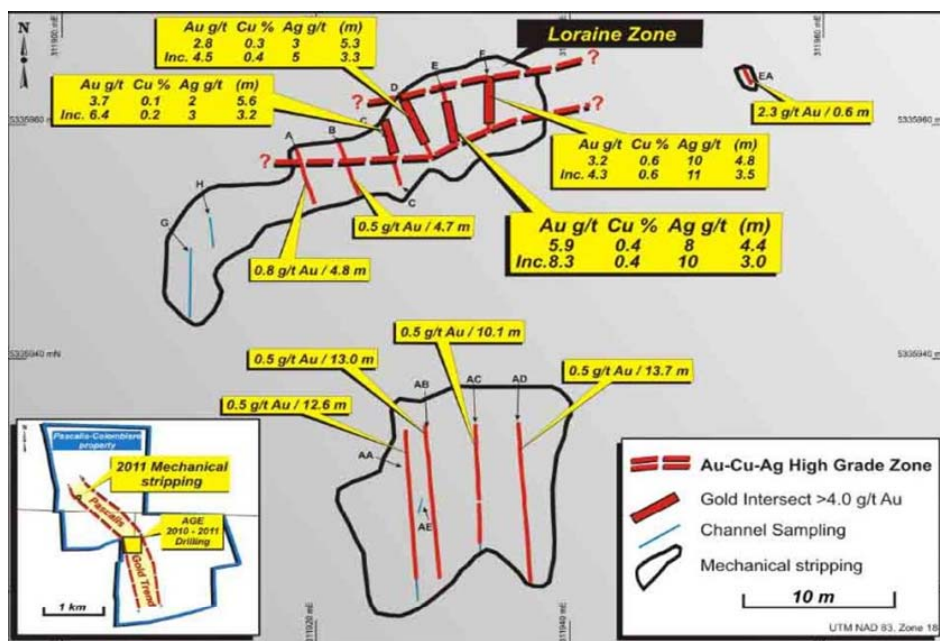


## New Zones to the North

**New mineralized zone to the north of the Highway gold zone.** Six holes totaling 2,010m were completed in 2009 in the Highway sector in the northern portion of the property. Increasing understanding of the mineralized systems led Adventure to revisit and expand surface works on the Highway zone. Recent trenching works to the north have indicated that a gold system remains potentially both open at depth and laterally. Two mechanical stripped areas show interesting surface gold mineralization. High-grade gold-copper-silver grab samples returned up to 4.7 g/t Au, 11.5% Cu and 112 g/t Ag. Subsequently, 14 channels were completed across the two stripping areas leading to the collection of 124 channel samples. The Loraine zone, located 150m northwest of the Highway zone, has returned the following: 5.9 g/t Au, 0.4% Cu and 8.0 g/t Ag over 4.4m; 3.7 g/t Au, 0.1% Cu and 1.6 g/t Ag over 5.6m; 3.2 g/t Au, 0.6% Cu and 9.9 g/t Ag over 4.8m; and 2.8 g/t Au, 0.3% Cu and 3.4 g/t Ag over 5.3m (see Exhibits 63 and 64).



Exhibit 63 - Loraine Zone Location



Source: Company reports.

Exhibit 64 - Loraine Zone (looking east)



Source: LBS.



**Beaufor West, North & Senore Properties (Au) – Surrounding a Producing Mine**

The Beaufor West, North and Senore projects are located north of the PC property covering potential extensions of the producing Beaufor Mine. The properties are adjacent to the producing Beaufor Gold Mine, owned by Richmond Mines (RIC-T), which has produced over 1M oz. Au from the active Beaufor operations and former Perron and Pascalis mines 35km northeast of Val d'Or, Quebec. The Beaufor West and North properties (100% interest) were drilled in 2008 by Adventure Gold (3,000m) targeting potential extensions gold-bearing hydrothermal systems of the Beaufor, Perron and Pascalis mines. Gold-bearing structures were encountered on the Beaufor West project, approximately 300m from the underground developments. They yielded values up to of 7.5 g/t Au over 1m and 9.6 g/t Au over 0.5m and may represent the southwestern lateral extension of the upper part of the Beaufor mine. We believe the extension of the Beaufor mine at depth represents a high quality target on this strategic property. Drilling on the Beaufor North project intercepted a new gold structure 1km. north of the Beaufor Mine (35.8 g/t over 0.5m and 6.6 g/t over 0.9m). This structure may be an extension of the Resenor gold zone of the Senore property for which Adventure has an option to acquire 100% interest since 2008. The Senore property hosts the Resenor gold deposit with a historical resource of 181,000t @ 8.6 g/t Au and a 150m deep shaft. Two other mineralized parallel zones within 800m to the north suggest an area fertile for gold mineralization.

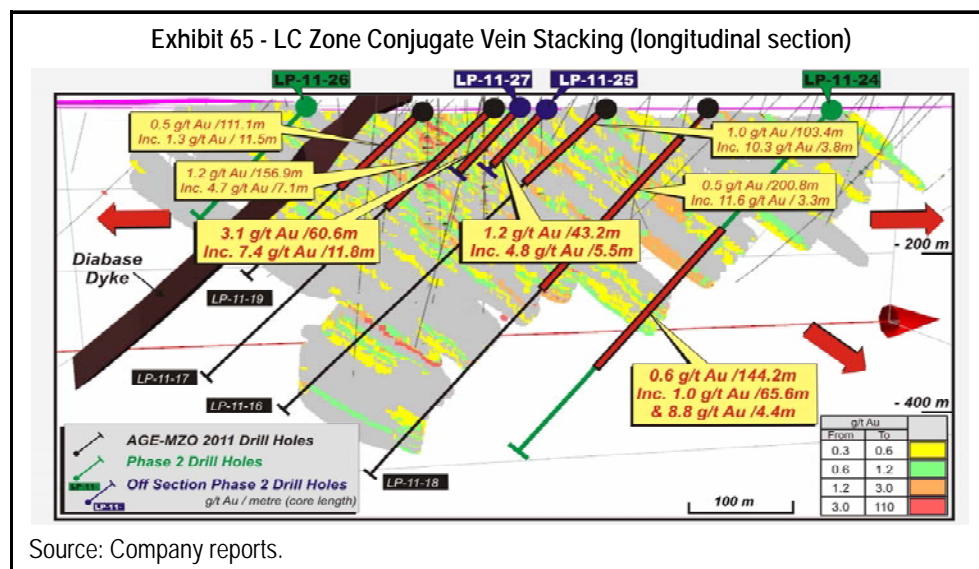
**Lapaska (Au) – Potential Bulk Tonnage Target**

**Bulk tonnage potential at Lapaska being assessed.** The Lapaska property is located in Louvicourt Township 20km east of Val d'Or and covers an area of 333ha within the prolific Cadillac Larder Lake Gold Break. The property is favourably located between the past producing Sigma II open pit gold mine, 5km to the east (161,300 oz. @ 2.7 g/t Au), and the Simkar gold deposit to the west (NI 43-101 inferred resource of 105,000 oz. @ 5.3 g/t Au). The Lapaska property contains three significant gold-bearing zones: the Lapaska Central (LC) zone is host to a 22,197oz. Au. inferred resource (220,000t @ 3.14 g/t Au at a cut-off grade of 2 g/t) that has potential to grow. Other significant gold-bearing zones are the West and Lourmet zones.

In December 2010, Adventure Gold and Mazorro Resources Inc. (MZO-V) signed a letter of agreement, pursuant to which Mazorro has an option to earn up to 70% interest in the Lapaska Gold property by spending a total of \$7.7M in exploration. To acquire an initial 50% interest, Mazorro is required to provide total cash payments of \$250,000, issue 3M common shares and commit to conduct exploration of \$1.7M over a period of three years.

**LC Zone May Be Repeated**

**A 4,000m drilling program is in progress on Lapaska to extend the LC Zone east-west and define the north-south extension in the west part of the deposit.** Gold mineralization in the LC Zone is associated with a network of quartz-carbonate-tourmaline-pyrite veins and veinlets dipping to the east, largely hosted in a magnetic silicified felsic volcanic unit (massive dacitic lava). A bulk tonnage gold system at the LC Zone is emerging and has a strike length of over 500m and remains open in several directions. Between 1935 and 1996, several mining companies, including Lapaska Mines and Placer Dome, completed exploration programs on the property that included stripping, drilling and geophysical surveying. A 75m-deep well and exploration drift were also constructed in 1947. Between 1948 and 1989, more than 18,700m of drilling were completed on the property which identified three gold-bearing zones. In 2008, Adventure Gold carried out two drilling programs for a combined total of 5,248m and developed a geological model based on oriented core. Indeed we believe Adventure's core orientation measurements suggest the presence of two vein systems: an N-trending millimetric tension vein system dipping east at low angle and a second system that is ENE-trending south-east dipping. The stacking of veins from the conjugated system spaced every 0.5 to 2m form a mineralized envelope 40m to 50m wide. LC Zones remain open along dip and in the plunge axis (see Exhibit 65). Interest in the project is also to delineate other conjugate vein systems to the northwest of the property.



### Dubuisson Project

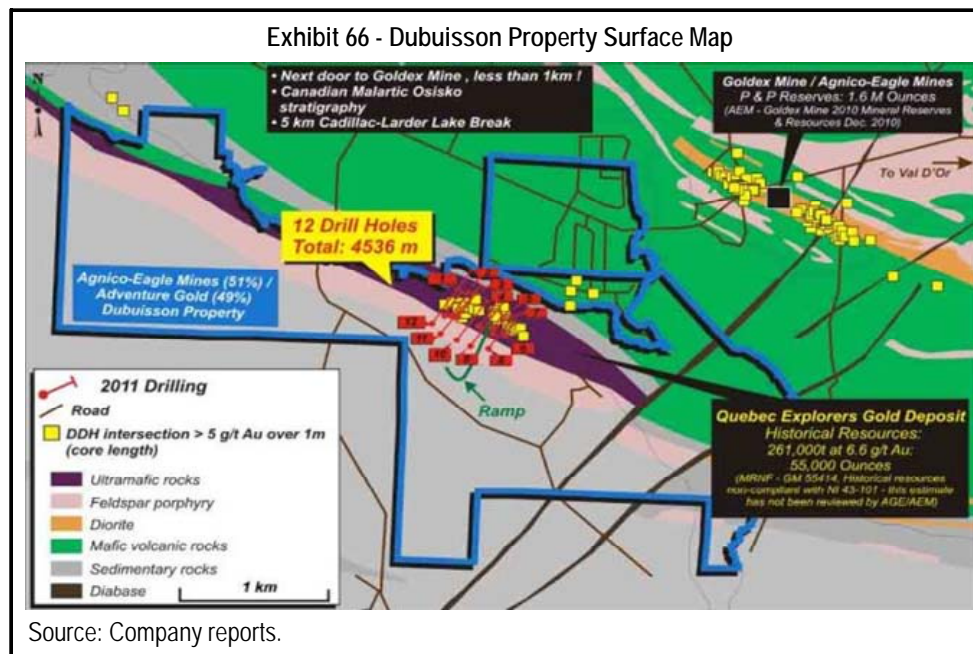
#### Dubuisson (Au) – Well Located Project

We believe the Dubuisson property is a strategically located property along the Cadillac Fault to the west of the outskirts of Val d'Or and 2km away from the Goldex site. On the Dubuisson property, Adventure holds a 49% interest on a project that could fit into Agnico-Eagles development plans for the area. The property consists of 39 contiguous claims covering a surface area of 870ha and is located approximately 7km west of the city of Val d'Or adjacent to the recently suspended Goldex Mine (Proven & Probable Reserves: 1.6M oz. Au at 1.8 g/t Au) of Agnico-Eagle Mines. Since the 1940's, several companies have completed exploration programs on this property which included nearly 48,000m of drilling as well as the construction of an access ramp and mining development in the ore deposit in the 1980's. During 2008 and 2009, Adventure Gold compiled results from all prior work and established an exploration program to further advance the Quebec Explorers Gold Deposit (QEX) which is host to historical resources in the order of 261,000t @ 6.6 g/t Au).

#### Possible Strategic Land Position for Agnico-Eagle

**Strategic partnership with Agnico-Eagle brings opportunities.** In July 2010, Adventure concluded a partnership with Agnico-Eagle Mines Ltd. in regards to optioning off a 51% interest to Agnico in consideration of a cash payment of \$100,000 and the issuance of 15,000 shares of Agnico. Agnico may acquire an additional interest of up to 14% by spending up to \$4M in exploration work on the property over a five-year period. Agnico may also acquire an additional 5% interest by completing a Bankable Feasibility Study, which brings Agnico up to 70% and Adventure down to 30% interest on the Dubuisson property. Agnico is the operator for all exploration works. The Dubuisson property covers a 5km segment of the prolific Cadillac-Larder Lake Fault and encompasses a gold system that locally exceeds 20m thickness and can be traced for more than 800m along strike. As the heart of the property is located 2km southwest of the Goldex Mine (see Exhibit 66), we believe any defined mineralized zone at depth could be of interest.

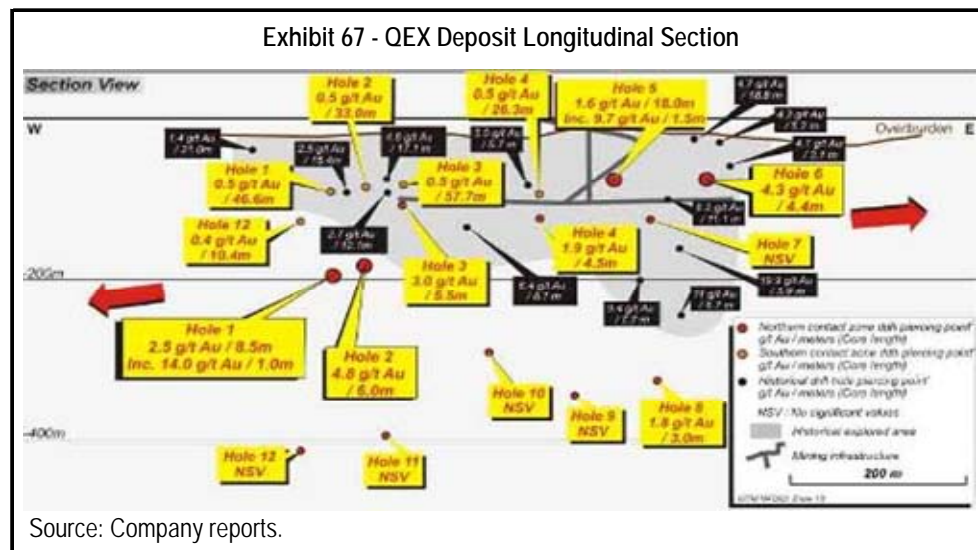




### Recent Results Suggest More Works Are Required

Recent results of the 4,536m diamond drill program have highlighted new areas for more exploration. Agnico and Adventure reported new gold-bearing drill intersections along the extension of the QEX gold deposit on the Dubuisson property. 12 drill holes were drilled during the 2011 summer program. Significant gold intercepts were 14g/t Au over 1m within an envelope of 0.5 g/t Au over 46.6m; 4.8 g/t Au over 6m within an envelope of 0.5 g/t Au over 33m; 3g/t Au over 5.5m within an envelope of 0.5 g/t Au over 57.7m as well as 4.3 g/t Au over 4.4m. This recent work has resulted in the identification of new gold intercepts along the west down-plunge extension of the QEX gold deposit from surface to 200m depth and adds potentially new exploration target areas westwards on Dubuisson property. The drill program also confirmed the variability in grade and thickness of the mineralized envelopes and suggested a possible change in dip of the structures at depth.

Drill holes usually intersected two gold intervals representing the northern and southern borders of the feldspar porphyries and diorite dykes crosscutting deformed ultramafic rocks with albite-silica-sericite-carbonate alterations. Gold intercepts suggest a westward plunging rake to the mineralized system. To the north of the QEX deposit trend, the discovery of a quartz-tourmaline vein with hematite-albite alteration grading 1.3 g/t Au over 1.5m within a granodiorite dyke opens a new potential exploration zone, which is perhaps similar to the Goldex gold system. We believe that Agnico-Eagle will continue to explore these mineralized trends. Pending successful intercepts, we believe Agnico may even be tempted to start an exploration drift to test the deeper parts of the Dubuisson property from the Goldex Mine.



### Casa Berardi-Cameron Projects

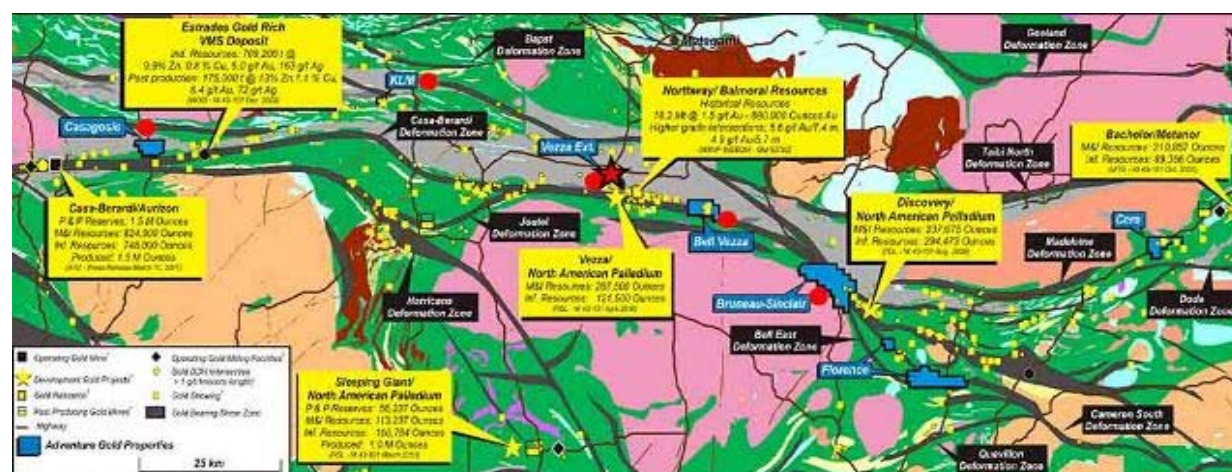
#### Casa Berardi - Cameron Area

Since 2009, Adventure Gold has been acquiring land position along the Casa-Berardi-Cameron structural break. Adventure has acquired 100% interests via relatively inexpensive map designation and land staking the Casagodic, KLM, Bell-Vezza, Sinclair-Bruneau, Florence gold properties located 30 to 45 km southeast of Matagami and 95 to 125 km north of La Sarre, Quebec. All these properties, which may include significant gold intersections or ready to drill targets, are located along the Casa-Berardi-Cameron Tectonic Gold Zone, an underexplored major gold structure of the Abitibi.

These properties, totaling nearly 15,000ha (327 mining claims) lie in strategic locations (see Exhibit 68) between the Casa Berardi Gold Mine owned by Aurizon Mines (proven and probable reserves of 1.4M oz. at 5.8 g/t Au, M&I resources of 824,000oz. at 5.7 g/t Au and inferred resources of 748,000oz. at 5.8 g/t Au) to the west, and the Discovery Gold Deposit owned by North American Palladium (M&I resources of 237,075 oz. at 6.3 g/t Au and inferred resources of 294,473oz. at 5.9 g/t Au).



Exhibit 68 - Location and Geology of Casa-Berardi-Cameron Break



Source: Company reports.

### Casagasic (Au)

The Casagasic property covers 5km of the Casa-Berardi-Cameron Structural Break and is adjacent to the Casa Berardi - Lake Shore Gold East Option property owned by Aurizon Mines. Lake Shore Gold announced an important discovery in October 2008 where a drill hole intersected 8.6 g/t Au over 10.4m including 13 g/t Au over 6.5m. The property contains a similar geological environment that straddles the contact between the Turgeon mafic volcanic rocks and the Taibi sediments and has seen very little historical works. Historical drill holes have intersected sericite, silica and carbonate schists and basal till gold anomalies suggest a property fertile for gold mineralization. We see this property gaining value with time as it is well located along the Casa-Berardi-Cameron fault zone.

### Bell Veza (Au)

In August 2009, Adventure Gold acquired a 100% interest in the Bell-Vezza property, located 45km south-east of Matagami. The property is located 5km away from the Northway-Noyon (N2) and Vezza properties owned by Balmoral Resources and North American Palladium. These properties contain, respectively, historical resources of 880,000oz. @ 1.5 g/t Au and M&I resources of 287,500oz. @ 5.9 g/t Au and inferred resources of 121,500oz. @ 5.0 g/t Au. The property has had very little exploration work conducted and a historical drill hole intersected 1.7 g/t Au over 1.5m in semi-massive bands of pyrite in altered and very sheared sediments and andesites with injected quartz-ankerite veins. The geological environment is very similar to the Vezza and Northway-Noyon deposits.

### Sinclair-Bruneau (Au)

The property contains several deformation zones associated with the Casa Berardi-Cameron fault over a length of 8km, characterized by pyritized and carbonatised zones. Coupled with the presence of alkaline intrusions, the sector has potential similarities with the Duparquet and Kirkland Lake mining camps, as well as the nearby Discovery gold system of North American Palladium with over 0.5M oz. Au. Gold bearing mineralization is located within the contact of sheared andesite with quartz porphyry units and gabbro dykes. Historical drilling work intersected gold bearing mineralization close to surface returning 2.8 g/t Au over 4.6m and 2.4 g/t Au over 2.7m.



## Detour Area Projects

### On the Fringes of Detour Trend

Adventure Gold has assembled an important land package within the Sunday/Detour Lake deformation zone (DSDZ) area. The six properties cover segments of the Sunday/Detour Lake deformation zone, which stretches through northwestern Quebec and northeastern Ontario. Adventure Gold's (100%), Casgrain, Massicotte, Sicotte, Martigny, Manthet, and Nantel projects are early stage gold exploration properties located along the Quebec side of the Sunday/Detour Lake trend in the Haricana-Turgeon Belt. This trend is host to the 14.9 M oz. gold reserve Detour Lake deposit on the Ontario side of the border. Detour Gold (DGC-T), is building a world-class mine that highlights the area's changed endowment potential. Adventure has acquired this important land position that totals over 14,000ha by sound geological compilation. Since 2009, Adventure has been assembling its portfolio of properties by staking and map designation covering over 25km of Sunday/Detour Lake deformation zone and its subsidiary faults such as the Massicotte-Grasset deformation zone (See Exhibit 69).

We believe the properties have a high potential for discovery. Previous exploration has been sporadic and confronted by extensive overburden depth and difficult access. The Massicotte, Casgrain and Nantel properties are located along the Massicotte-Grasset deformation zone (or lower Detour Deformation zone), while the Manthet and Martigny are along the Sunday/Detour Lake deformation zone.

Exhibit 69- Location and Geology of Detour Area



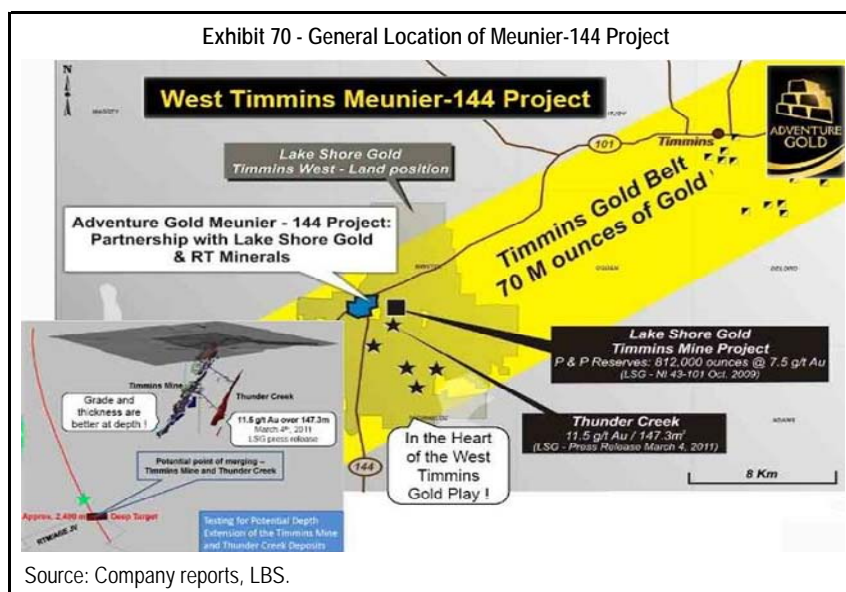
Source: Company reports.



## Meunier-144 Project

Meunier-144 –  
Potentially in the Heart  
of the West Timmins  
Camp

The Meunier-144 property is in the western portion of the highly productive Timmins mining camp, within potential extensions of the West Timmins Mine. The property is well-located in a mining camp that has produced over 70M oz. Au over the past 100 years and is contiguous to the western boundary of Lake Shore's West Timmins Mine property that hosts a probable reserve of 812,000 oz. of gold and where Lake Shore is currently developing a potential large scale mining operation (see Exhibit 70). The Meunier-144 property may cover, at great depths, the extensions of the West Timmins Mine and the Rusk Zone of the Thunder Creek deposit where drill intersections of up to 11.5 g/t Au over 147.3m have been reported. Lake Shore disclosed recently a potential 1.9km down plunge extension of Timmins Mine Gold mineralization system where hole M-10-05b intersected ultramafic and footwall style gold mineralization at 2,380m below surface. The Meunier-144 property covers a sequence of volcanic rocks located on the north side of the West Timmins sedimentary basin and along the west extension of the Bristol fault from the Timmins Mine.



Source: Company reports, LBS.

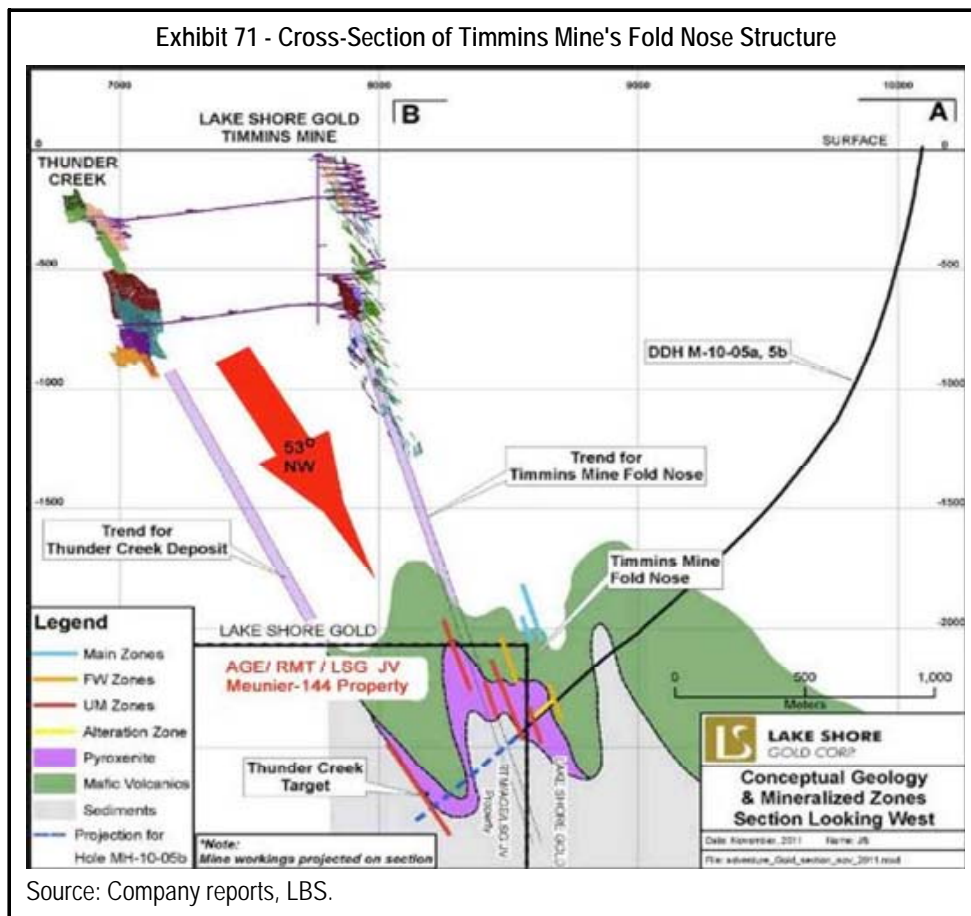
Deep Potential Target  
is Being Approached

The target for exploration on the Meunier-144 property is the downplunge extension of gold zones, located at the West Timmins Mine and Thunder Creek deposits. The Lake Shore Timmins Mine ore body has demonstrated vertical persistence, as it can be traced down-plunge for a distance of approximately 1,500m from surface and remains open at depth. The deepest sections of the Timmins Mine are showing increased complexities and fold structures; however, the overall geometry of the structure has remained consistent and continues to depth towards and potentially onto the Meunier-144 property (see Exhibit 71). The Timmins Mine Fold Nose, a folded mineralized structure which hosts mineralized zones, with a 53 degree plunge would be in the heart of the Meunier-144 property. Adventure Gold (75% interest) with partners RT Minerals Corp. and Lake Shore Gold (respectively 12.5% and 12.5% interest) are currently drilling a deep hole (2,400m vertical depth). The initial deep drill hole is approximately 2,990m and ongoing with Navi drilling. The initial deep hole was collared on Lake Shore's Timmins Mine property in August 2010 and recent initial results suggest that the intended rock package has been successfully intersected. This deep hole is still in progress and should enable a series of shallower wedge to obtain further details on shape and extent of major geological structures as well as potential mineralization.





Exhibit 71 - Cross-Section of Timmins Mine's Fold Nose Structure



Source: Company reports, LBS.



## Appendix IV – Azimut Exploration: Polymetallic Projects in the North

### Nunavik Area Projects

#### Nunavik Area - Potential for World- Class Discoveries

We believe Nunavik is a largely under-explored region with immense geological potential for a variety of commodities. It comprises the northern third of the province of Quebec above the 55th parallel, covering an area of 507,000km<sup>2</sup>. It is the homeland of the Inuit of Quebec, and in their language, Nunavik means “place to live”. Azimut has focused on Nunavik’s potential for large-scale copper, gold, silver, cobalt and rare earth element (REE) deposits since 2009 and, since 2006, for large-tonnage uranium deposits. Key deposit types sought by the company are giant Iron Oxide Copper Gold (IOCG), gold-copper porphyry, sediment-hosted gold, and intrusion-hosted uranium deposits and areas have been targeted following Azimut’s extensive mineral potential modeling and project generation capacity using multi-element lake-bottom sediment geochemistry, geophysics, geology and remote sensing data with proprietary analysis. Azimut’s 100% owned Nunavik portfolio of polymetallic projects totals 24 properties and is composed of 4 copper, gold, silver, cobalt, tungsten and rare earth element (REE) properties (notably Rex, Rex Sud, NCG and Diana); 12 uranium properties and 8 gold properties (see Exhibit 72). Azimut controls a 330km-long exploration domain for large-scale polymetallic deposits (copper, gold, tungsten, rare earths) with the combined coverage of its extensive Rex, Rex Sud and NCG projects totaling 13,132 claims. Historical exploration by other companies has been rather limited and sporadic, owing to the remoteness of the area.

Exhibit 72 - Azimut's Projects in Nunavik



Source: Company reports; LBS.

#### REX (Cu-Au-REE) - Thinking Big

The Rex project is a portfolio of seven claim blocks covering potential Copper-Gold-REE in Northern Quebec. The 100% owned Rex property is located approximately 130km east of Hudson Bay and the community of Puvirnituq in Nunavik, northern Quebec. The property covers a largely outcropping area (100km long and 50km wide or more) and comprises 5,708 claims in seven claim blocks over a surface area of 2,431km<sup>2</sup>. The Rex property is the most northern of Azimut's strategic land holdings, with Rex Sud and NCG being other sizable land positions to the south.



The Rex property was identified by Azimut's systematic mineral potential modeling for gold, copper and rare earth elements (REE) using geochemical database (lake bottom sediments). The property is largely unexplored and represents a very strong geochemical footprint for these metals, especially in the case of REE, with one of the most extensive such footprints for REE at the scale of Quebec and Labrador according to Azimut's management. We believe the area could potentially be host to important large scale deposits as the Rex property has a district-scale footprint for IOCG deposits. The IOCG deposit-type encompasses a wide spectrum of ore bodies, often polymetallic and of significant size, which may notably produce iron, copper, gold, uranium, silver, cobalt and REE. The best known IOCG example is the huge Olympic Dam in Western Australia, one of the largest known deposits in the world. The area could also host considerable potential for additional discoveries, such as copper-gold mineralization in shear zones and volcanogenic massive sulphides typical of Archean greenstone belts.

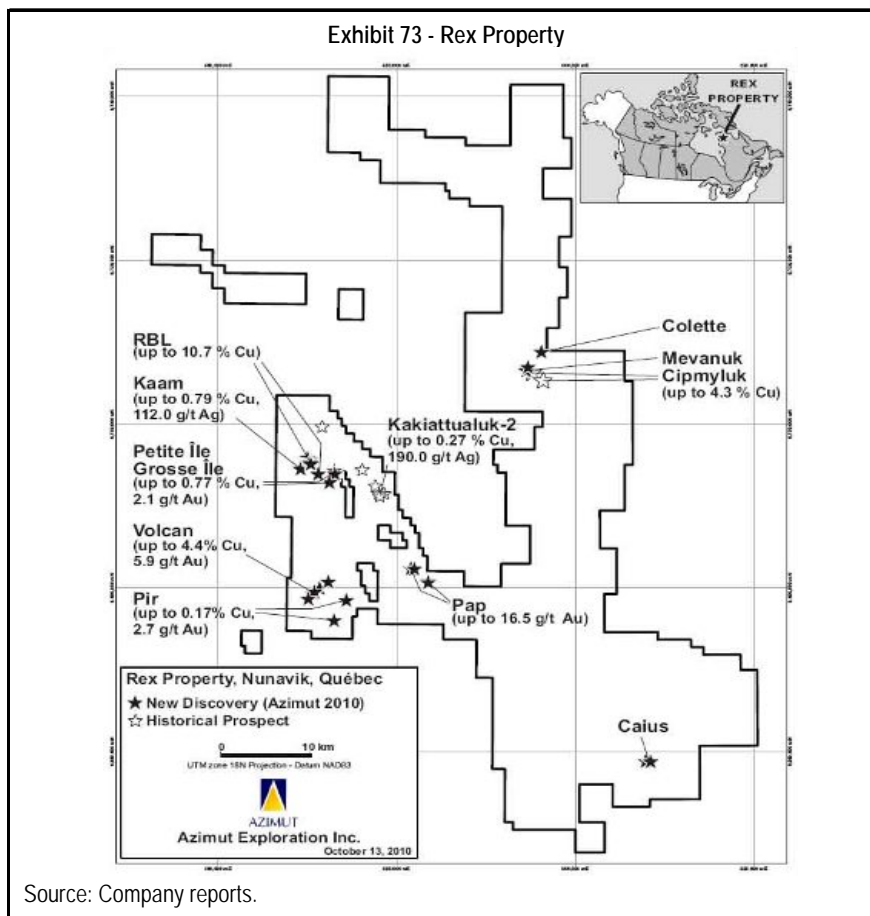
#### Intriguing Initial Results

**A growing regional-scale mineralization footprint.** Results received at the end of 2010 included copper grades up to 11.3% Cu for 101 grab samples from the RBL Zone, measuring 3km long by 50m to 200m wide. Other major copper targets (the CM and Kaam zones) and copper-gold-silver targets (the Volcan, Pir and Pap prospects) yielded significant grades for copper (up to 4.4% Cu), gold (up to 580 g/t Au), silver (up to 196g/t Ag) and cobalt (up to 0.19% Co) from selected samples. The RBL and CM zones, each of multi-kilometer extent, are related to large breccia systems, spatially associated with regional-scale structures. These features may indicate significant depth to the systems and potentially fertile for major IOCG-type mineralization. We believe zones show excellent potential for extensions based on their strong magnetic signatures and geochemical footprints in lake-bottom sediments. Furthermore, we believe these two zones, being spaced 27km apart, demonstrate a potential regional scale footprint of mineralization on the Rex property.

#### Awaiting Results - New Target Areas

**Initiating extensive exploration works.** In early 2011, Azimut announced the definition of five new target areas based on the results of airborne geophysics (15,969 line-km) and lake-bottom sediment geochemistry (2,006 samples). These new target areas show strong geochemical anomalies in lake-bottom sediments, notably for copper, rare earth elements and cobalt. Anomalous values for gold, arsenic, antimony, molybdenum, uranium and lead were also present at some targets. The size of the new targets range from 7 to 20km long and 3 to 7km wide. Four of the target areas overlie regional-scale magnetic boundaries. Following an initial \$1.8M in exploration program in 2010, Azimut continued with a major program in 2011, which included percussion drilling (29 holes totaling 2,136m) on the RBL and CM (Cipmyluk-Mevanuk) zones (see Exhibit 73), 49 line-km of IP survey and 122km of ground magnetics, as well as property-wide prospecting (1,116 rock grab samples) and 614 in-fill lake-bottom sediment samples. We believe these works should give an early indication as to the extent of the large-scale surface potential mineralization both at a mineral occurrence scale and at property scale.



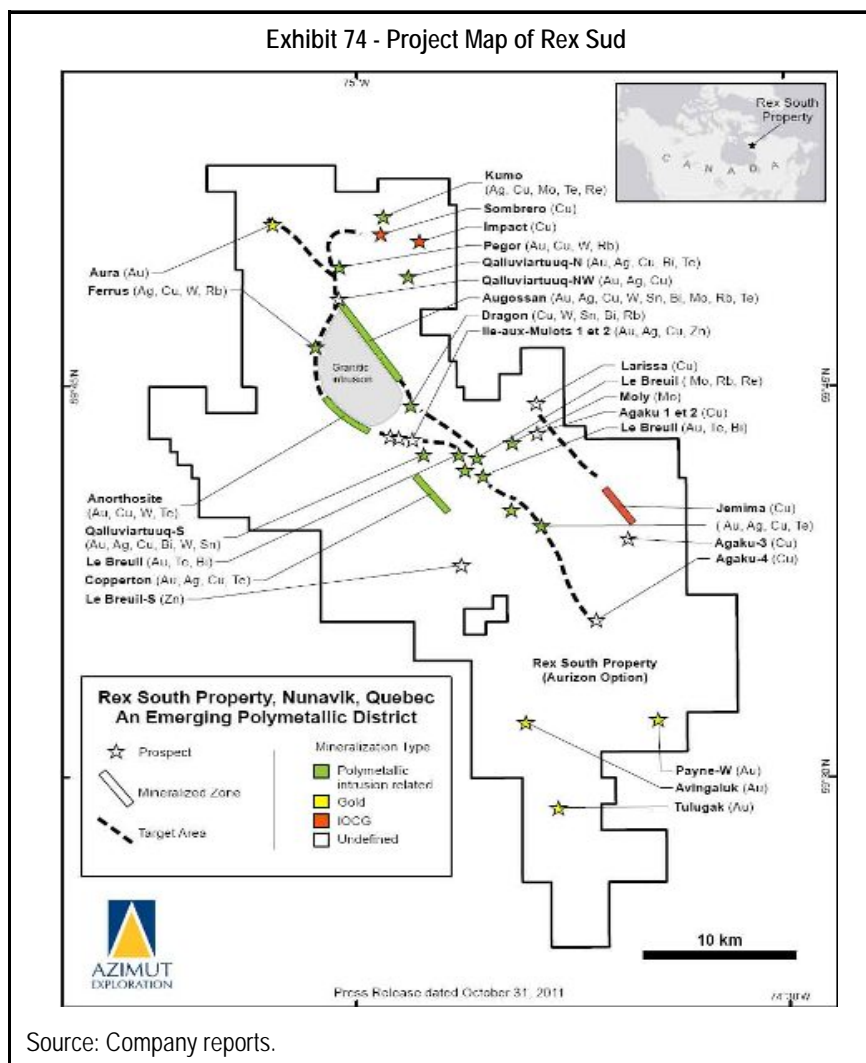


### Rex Sud (Au-Cu-W)

An emerging polymetallic property partnered with a major. The Rex Sud project is located approximately 145km east of the Hudson Bay and the community of Puvirnituk in Nunavik, northern Quebec. The 100% owned Rex Sud property, optioned to Aurizon Mines is more than 45km long in a north-south direction and comprises 2,138 claims. The property located south of the Rex property is locus of copper, gold, silver, tungsten mineralization. In May 2010, Azimut announced the signing of an agreement permitting Aurizon to acquire an initial 50% interest in the project by performing \$5M in exploration work over a five-year period, and an additional 15% interest upon delivery of a bankable feasibility study.

### Fertile Polymetallic System

District-scale polymetallic footprints on the Rex Sud property are emerging. The Rex Sud property is emerging as a new mineral district with strong potential for a number of gold, strategic and base metal deposits along a 30km trend. The Augossan Zone and the Le Breuil Trend form together a 5 x 30km ovoid-shaped target area characterized by geochemical anomalies in lake-bottom sediments (notably for copper and REE, as well as superimposed anomalies of molybdenum, tungsten, gold, barium, zinc and lead), coupled with extensive magnetic anomalies and growing surface mineralization (Anorthosite – Copperton Zones). Exploration works in 2010 and 2011 (\$1.6M in 2010 and \$5.4M in 2011) have highlighted over 30 new or growing prospects with values up to 23.3 g/t Au, 90 g/t Ag, 2.56% Cu and tungsten up to 4.62% W in grab samples. With significant values in bismuth (up to 0.13% Bi), molybdenum (up to 0.35% Mo) and rubidium (up to 0.18% Rb), we believe the property is suggesting a polymetallic fertile system for gold, copper, tungsten, silver as well as rare earth elements, cobalt, molybdenum, arsenic and antimony.



### Increasing Exploration Works

Drilled in summer 2011, the Augossan Zone might emerge as a major gold-silver-copper-tungsten mineralized zone. Extensive works have been completed, such as a 53.9 line-km of induced polarization (IP) survey and 149.5km of ground magnetics covering two copper-gold-tungsten mineralized zones (Augossan and Anorthosite). Other works include 257 in-fill lake-bottom sediment samples, 2,530 rock grab samples collected during property-wide summer 2011 prospecting, as well as 145m of channel sampling (16 channels and 149 samples). More importantly, 53 drill holes totaling 4,934m at the Augossan and Anorthosite zones (4,467m of conventional percussion drilling and 467m of reverse circulation drilling) were completed in summer 2011. The 10-km Augossan Zone occurs in an area of significant outcrop exposure and has been recognized over widths of 50 to 300m. Drilling works, over 3,171 drill samples have been sent for analysis, should give indication of extensions laterally and at depth. Completed regional exploration programs in 2010 and in 2011 have highlighted property-wide mineralized systems. Recently, results have been received (1,159 of the 2,530 rock samples collected by prospecting), leading to the discovery of new zones such as the Copperton Zone (a 3km-long mineralized system that is very similar in nature to the Anorthosite Zone located 5km to the NW) where grab sample assays suggest up to 7.9 g/t Au, 82.7 g/t Ag, 9.28% Cu.



### Porphyry and IOCG Target Types Offer Size

Rex Sud is located in the Archean Minto Subprovince, an underexplored belt that we believe could emerge as a new mineral district hosting porphyry and IOCG deposits. These types of deposits could be of considerable economic importance and include many examples of world-class mines. The mineralized areas on the Rex Sud property – the Augossan, Copperton and Le Breuil trends, and the Larissa, Kumo, Aura, Ferrus and Moly prospects – are considered porphyry-type targets associated with granitic intrusions and dykes and their surrounding host rocks. The Aura zone to the NW has tourmaline silicification suggesting an interesting environment for gold mineralization with widths 200 to 300m. The Sombrero and Impact prospects and the Jemima trend are emerging IOCG systems characterized by intensive hematite and potassic alteration and copper mineralization (up to 2.86% Cu at Jemima). The identification of porphyry-type and IOCG mineralization may be viewed as an exploration breakthrough for this large region of Northern Quebec. We believe that initial works suggest that an important mineralized system may be emerging. We understand that some areas have indications of greisens, which are highly-altered granitic rock hosting disseminated minerals, such as fluorite and accessory phases such as topaz. Greisens are formed by endoskarn alteration of granite during the cooling stages of rather shallow emplacement with highly gas and water-rich phases, which suggests that the area has been locus of a prolonged crustal event, perhaps late archean to protozoic and hence conducive to polymetallic mineralization.

Exhibit 75 - Rex Sud Project (view looking south)



Source: LBS.

### NCG (Cu, Au), Extending to the South

Nunavik Copper Gold ("NCG") is a recent key addition to the company's Nunavik land portfolio. The 100% owned NCG project consists of 5,416 claims in 22 claim blocks. The NCG land position again covers a trend defined by strong copper anomalies in lake-bottom sediments with other geochemical anomalies in rare earth elements, cobalt, molybdenum, arsenic and antimony. Field works in the summer 2011 amounted to extensive in-fill lake-bottom sediment samples (2,584 samples) covering all claim blocks, 746 rock grab samples collected during property-wide reconnaissance prospecting. Works have defined prospect with arsenopyrite (Nico and Le Fortin prospects).



## Uranium Properties

Azimut initially targeted Northern Quebec for its uranium potential. In particular, the Ungava Bay region of Nunavik was seen as emerging as a new uranium district. Azimut considers this area to be highly prospective for large-tonnage uranium deposits related to intrusive rocks in high-grade metamorphic environments (anatectic granites related to potential deep-seated structures). Azimut holds 11 uranium properties (North Rae, Daniel Lake, Kangiq, South Rae, North Minto, Central Minto, South Minto, Kativik, Hudson Bay, South Bienville and Vernot Lake). The exploration model is large-tonnage, disseminated uranium mineralization in intrusions and surrounding rocks. A well-known example of this type is Rössing in Namibia, one of the world's largest uranium mines. Proximal secondary concentrations along late to post-intrusive brittle or ductile-brittle faults are also considered. Initial results from these properties appear to validate the initial modeling, however more works such as drilling are needed.

## James Bay Area

## Established Presence

Azimut has built a strategic position for gold in the James Bay region with a portfolio of six properties. The Wabamisk project (Goldcorp 51%), Eleonore South (Azimut-Goldcorp-Eastmain JV), Opinaca A and Opinaca B (Azimut-Everton JV, optioned by Aurizon), and Opinaca are projects that Azimut assembled beginning in November 2003, based on targeting results from its regional-scale gold potential modeling. These projects total 1,800 claims over a 100,000ha surface area (see Exhibit 76).

Exhibit 76 - Azimut's Properties in James Bay Area



Source: Company reports; LBS.

## Wabamisk (Au) – Advancing with a Strategic Area Player

We believe the Wabamisk property, in partnership with Goldcorp, hosts numerous gold prospects in a geologic setting comparable to Goldcorp's Eleonore gold deposit and the Eau Claire deposit, located 70km and 10km to the north, respectively. The Wabamisk project controls a 57km-long strike length of favourable rock package. As of October 2011, the property is held 51% by Goldcorp and 49% by Azimut, with Goldcorp having the right to earn an additional 19% interest in the property upon delivery of a bankable feasibility study. Goldcorp has spent \$4M on the property and conducted drilling programs that have highlighted mineralized zones such as the GH Prospect and Dome-ML prospects. These mineralized zones are associated with diorite intrusions with respectively metasedimentary and mafic volcanic rocks units.





The Wabamisk property covers an extensive and complex contact between two Archean subprovinces, the volcano-plutonic La Grande Subprovince and the metasedimentary Opinaca Subprovince. This volcano-sedimentary contact is largely overprinted by an east-west regional deformation corridor.

The GH Prospect area forms a target zone 3.5km long, outlined by a strong antimony (Sb) and arsenic (As) soil anomaly and coincident with IP geophysical anomalies. Drilling (6 holes totalling 1,504m) intersected up to 0.7 g/t Au, 0.39% Sb and 0.20% As over 19m (hole W-10-01), delineating a 600m-long altered and mineralized diorite porphyry. The alteration and mineralization footprint indicates a strong exploration potential both laterally and at depth (300m south of the diorite) with mineralization within metasedimentary rocks with arsenopyrite and pyrrhotite disseminations assayed 0.5 g/t Au and 0.24% As over 17.8m.

The Dome-ML Prospect area is a 1.7km-long zone which includes several historical high-grade grab-sample gold values (up to 80.7 g/t Au) related to diorite intrusion with sheared and altered mafic volcanic units. There is also potential for volcanogenic massive sulphide mineralization (copper-zinc-silver) in the eastern half of the property. A new exploration program is currently planned by Goldcorp and will start late in 2011.

#### Eleonore South (Au) – Keeping Tabs

**The Eleonore South project is three-party agreement with Goldcorp and Eastmain near the Eleonore discovery.** A 14km-long gold-in-soil anomaly occurs on the south boundary of Goldcorp's Eleonore property and a total of 47 holes (10,406m) in three phases have been completed to date, delineating kilometre-long staked horizon containing anomalous Au-As-Sb mineralization. The project consists of 282 map designated claims totaling 14,700ha. In April 2006, Azimut, Eastmain Resources and Goldcorp (Les Mines Opinaca) formed a joint venture by combining the property known as the Azimut C Block with 65km<sup>2</sup> of the Eleonore property. In September 2010, Azimut announced that a \$1.6M diamond drilling program was underway on the Eleonore South property but that it was electing not to participate. Goldcorp and Eastmain funded the 3,300m drilling program and, consequently, Azimut's interest has been reduced to 27%.

**The JT Target is hosted by altered, sulphide-bearing sedimentary rocks that are comparable to the mineralized sedimentary rocks of Goldcorp's Eleonore gold deposit** (12km to the northwest). Since 2006, major exploration programs that include prospecting, geophysical work, trenching and drilling have been completed. Three drill phases have been completed: Phase 1 in 2008 (16 holes totaling 3,250m), Phase 2 in 2009 (14 holes totaling 3,697m) and Phase 3 in 2010 (17 holes totaling 3,459m). Drilling has focused on the sediment-hosted gold targets in the JT Target area and has intersected gold-bearing sedimentary rocks over wide intervals along a 1km-long corridor. The most significant results have been 1.4 g/t Au over 10m, 1.5 g/t Au over 5.7m. The JT Target area is open to the north and at depth. Drilling to date suggests a large, gold-enriched halo, which is comparable in nature with the geochemical halo around Goldcorp's Roberto (Eleonore) gold deposit. We believe the local geological context and the suggested Roberto-style mineralization could indicate a compelling exploration target and Azimut should assess its participation in light of its portfolio of properties.

#### Opinaca A – B (Au) – Attracting Other Players

**Azimut's Opinaca project comprises four claim blocks forming the A and B properties, totalling 649 mining claims in a 33,800ha area to the east of the Opinaca Reservoir.** The southern limit of the Opinaca A property is only 4km from the Eleonore deposit where Goldcorp is developing a world-class mine. In April 2010, Azimut confirmed that its partner, Everton Resources Inc, had earned its 50% interest in the Opinaca Project (A and B properties). In September 2010, Azimut announced the signing of a letter of Intent with Aurizon Mines and Everton whereby Aurizon can acquire up to a 60% undivided ownership interest in the Opinaca property by incurring \$6M in exploration work over a four-year period, and an additional 15% interest upon delivery of a bankable feasibility study. Aurizon has initiated a \$1M exploration program consisting of surface sampling, geophysical surveys and 2,000m of drilling in 2011.



## Appendix V – Balmoral Resources: Detour Area Projects Advancing Diligently

### *Fenelon Project*

#### Emerging District?

The Fenelon gold project is comprised of 238 mining claims covering approximately 9,516ha and is located along the eastern segment of the Sunday/Detour Lake Deformation Zone, north of the Casa Berardi region. The project is located 65km east of the Detour Lake Gold Deposit and 73km WNW from the town Matagami, 200km north of Val d'Or in northwestern Quebec. Currently known only for a small high-grade deposit, the emergence of substantial gold just west in Ontario has put the spotlight on the whole Sunday/Detour Lake Deformation Zone that remains poorly explored. Balmoral is the operator of the Fenelon project and has embarked in an initial drilling campaign to confirm the mineralized system and perhaps the emergence of a true gold district.

#### Great Geology

The property covers approximately 10km of the east-west trending Sunday/Detour Lake Deformation Zone (DSDZ). Advanced works realized by Cyprus and Taurus in the 1990s and early 2000s (approximately \$25M spent) led to the delineation of the Discovery Zone (approximately 75,000 oz. Au). A resource estimate in 2004 had indicated resources of 74,927t @ 19.61 g/t Au (30,217oz. Au) and inferred resources standing at 27,245t @ 12.79 g/t Au (11,204oz. Au). These works included construction of an underground access ramp from a test pit and two underground working levels, initial test milling, commercial-scale metallurgical tests and environmental studies. The high-grade Discovery Zone is located along a northwest trending splay roughly 2km north of the Sunday/Detour Lake Deformation Zone. The Fenelon deposit (Discovery zone) is an Archean-lode gold zone associated with shearing and silicification represented by sulphide bearing quartz veins within gabbro intrusive or dyke (or pyroxenite body) and is located north of the regional Sunday/Detour Lake Deformation Zone. The high-grade gold mineralization is contained within a series of structurally controlled shear and approximately 5% to 10% is comprised of pyrrhotite, chalcopyrite and pyrite.

Exhibit 77 - Fenelon Pit (Discovery Zone)



Source: LBS.





### Good Access

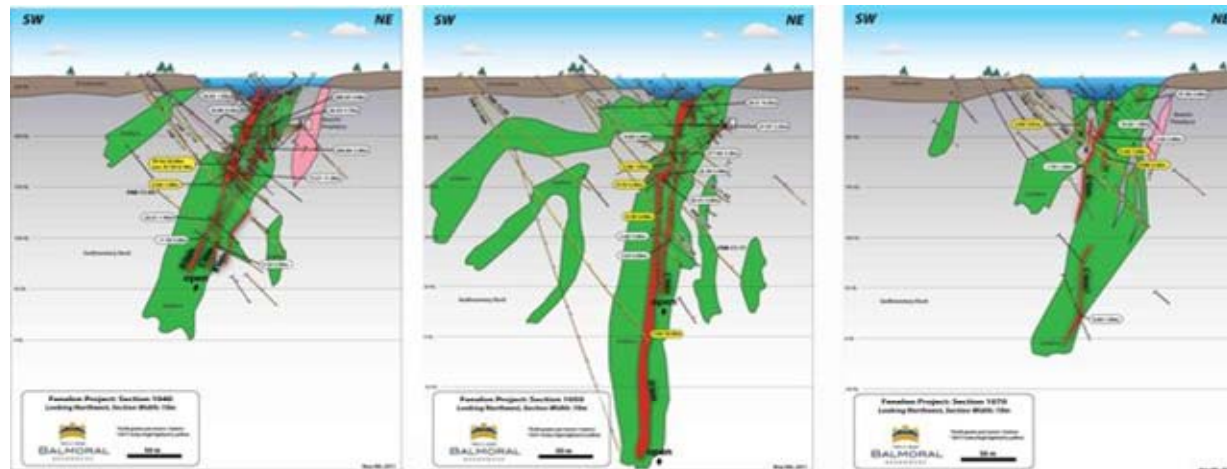
An all-weather road provides access to the project. The Fenelon camp, which is located 7km to the southeast of the Fenelon deposit, serves as base for the Martinière, Grasset and Fenelon projects along the Detour-Sunday Lake deformation zone. The camp can be accessed by a 1 hour and 20 minute helicopter ride from the Val d'Or airport. It is also accessible by road via highway 109 from Amos to Radisson (James Bay region), paved road towards old Selbaie mine site and another 25km via a logging road property of the Tembec forest company. The camp can be accessed and used all year round, houses up to 30 people and has a telecommunications system.

### Project Set for Discovery

The Fenelon deposit is essentially a small high-grade gold system open for expansion below 200m vertical depth. Balmoral completed a 8,200m (43 holes) phase 1 drilling program during winter 2011 that confirmed depth extensions to 250m vertical depth. Drilling confirmed high-grade gold mineralization (average grade above 32 g/t Au) associated with the Discovery Zone for a minimum of 300m along strike, across widths of 75m and to vertical depths of 150m. The high-grade gold mineralization within the Discovery Zone occurs in silicified, sub-parallel, east-southeast-trending, near-vertical shear zones which range in thickness from 10cm to 10m hosted within an mafic intrusion which cuts sedimentary and felsic intrusive rocks (see Exhibit 78). Gold occurs dominantly as free grains associated with pyrrhotite, chalcopyrite and pyrite and is generally nuggety.

Initial test milling of the ores from the Fenelon project in 2001 indicated that the gold mineralization is amenable to conventional recovery techniques returning recovery rates of greater than 97%. In 2004, the quantity of recovered gold indicated a grade higher than the head mill grade. With better understanding of the mineralized systems, we believe the Fenelon property offers potential both at the deposit scale and the property scale.

Exhibit 78 - Cross-Section of Fenelon Discovery Zone



Source: Company reports, LBS.

## Martinière Project

### Quality Land Package

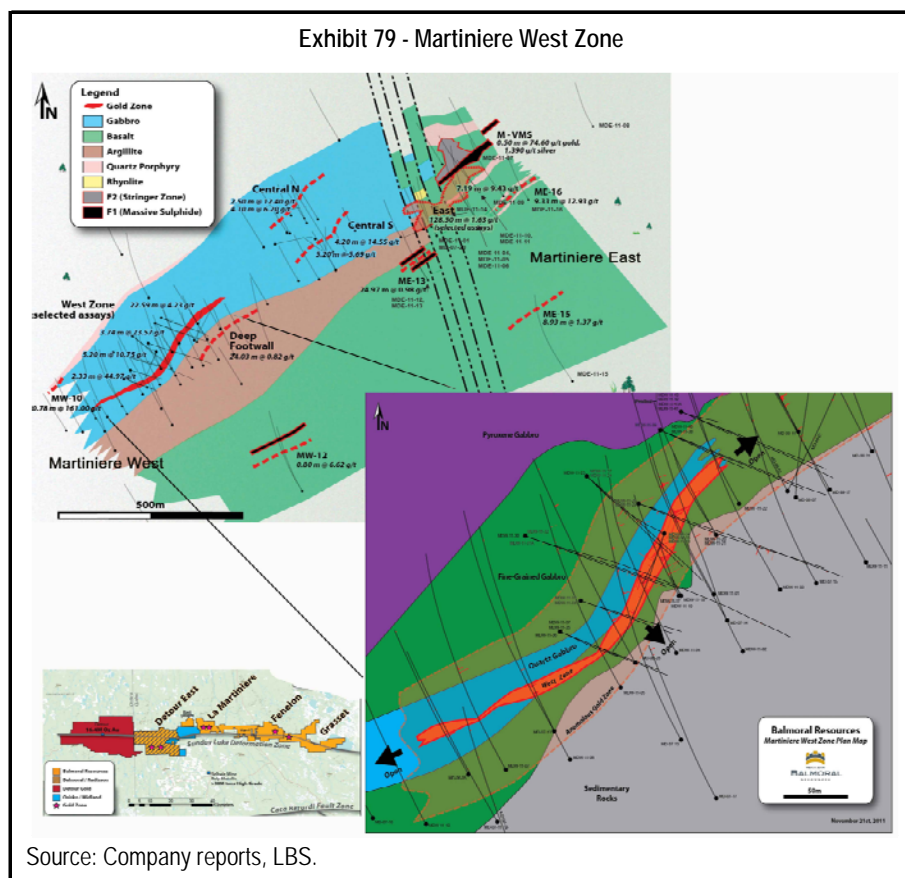
We believe the La Martinière Gold Project (100% option) is an emerging gold play with different mineralized settings. The project is located along the eastern segment of the Sunday/Detour Lake Deformation Zone, 45km east of the Detour Lake Gold Deposit and approximately 20km west of the Fenelon project. The La Martinière project is composed of 331 mining claims covering approximately 9,825ha. The region is underlain by sedimentary and mafic to felsic volcanic rocks with coeval intrusions, all of Archean age.

### Conductive Geology

The La Martinière property is almost entirely covered by glacial overburden, which ranges in thickness from 10m to 60m. This prohibitive overburden has limited exploration efforts. Drilling and interpretation of existing geophysical data indicates that the southern portion of the property is largely underlain by sedimentary rocks, consisting of argillite, siltstone, graphitic argillite and related massive pyrite mineralization. These are intercalated with horizons of strongly carbonate and sericite altered mafic to intermediate flows and tuffs. The area is also underlain by an extensive gabbro-pyroxenite sill complex, which is located at the contact between sedimentary rocks to the south and a sequence of intermediate to mafic tuffs to the north. This setting is similar to that observed at Detour Lake.

### Diverse Emerging Gold Zones

The La Martinière project hosts three known zones of gold mineralization aligned in a NE-SW trend of 1.5km (see Exhibit 79), all of which were discovered by geophysics and drilling through the extensive glacial cover (average 30m). These zones are the Martinière West Zone ("MWZ"), The Martinière Central Zone ("MCZ") and the Martinière East Zone ("MEZ").



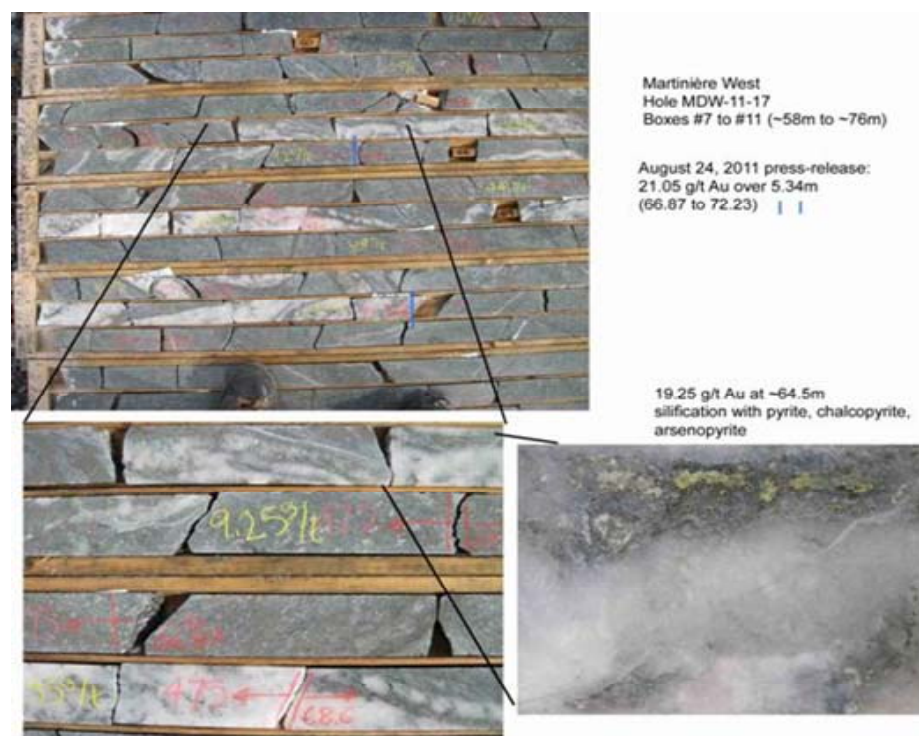
Source: Company reports, LBS.



## MWZ – an Emerging Gold Zone

We believe that Martiniere West is an expanding, near-surface zone of high-grade gold mineralization in a setting with similarities to the high-grade portion of the former producing Detour Gold Mine and Balmoral's Fenelon project. Recent drilling (43 holes) has intersected high-grade gold mineralization over widths of 1m to 21m that remains open along strike and plunge. The emerging gold zones remain open in all directions and have been the focus of ongoing expansion drilling. One of the targets emerging at the MWZ consists of sub-parallel gold mineralized shear-vein zones within a leucoxene quartz gabbro. These gold bearing shear zones are characterized by strong silicification as well as carbonate and sericite alteration. Recent drilling continues to define the sub-parallel gold mineralized shear-vein zones. A mineralized envelope has been traced for up to 400m along strike length and to a maximum vertical depth of 130m and remains open. Highlights from drilling of the MWZ include intercepts of 5.91 g/t Au over 6.45m, 7.16 g/t Au over 3m, 5.57 g/t Au over 3.09m and recently 8.14 g/t Au over 21.47m (true width approx. 6m; hole MDW-11-17) and suggests an emerging NE/SW trend with variable steep dip. The presence of arsenopyrite "clouds" is noted in the core (see Exhibit 80).

Exhibit 80 - Martiniere West Drill Core



Source: LBS.



## MEZ – Gold VMS Potential

We believe Martiniere East Zone is a potential VMS gold-enriched target zone. Initial drilling completed in the spring of 2011 has indicated the presence of a broad zone of anomalous gold mineralization, associated in part with an extensive pyrite stockwork system of potential VMS origin. Ongoing drill testing has confirmed the discovery of massive pyrite zones in this area of the property that are gold bearing. VMS deposits commonly occur in clusters and the discovery of a VMS mineralized system on the Martiniere Property is interesting. This is in the same region that hosts the prolific Matagami base metal camp to the east and the large Selbaie deposit (53Mt @ 1.0% Cu, 1.9% Zn, 41 g/t Ag, and 0.6 g/t Au) to the south and offers a palatable target to explore. Recent drill holes (MDE-11-09, -10, -11 and -16), collared 43 to 145m along strike northeast from previously reported Martiniere East drill holes (MDE-11-04, -05 and -06), have intersected a 4 to 13.65m thick horizon of massive pyrite with minor associated base metal sulphides that have assayed up to 12.93 g/t Au over 9.33m (hole MDE-11-16) and 76.4 g/t Au, 1390 g/t Ag, 1850ppm W and 0.72% Cu (hole MDE-11-09). We believe this drilling may have confirmed the discovery of fertile VMS systems on the Martiniere Property where a massive sulphide body overlays an extensive semi-massive pyrite-rich feeder/stockwork zone (Exhibit 81). The distal facies sulphide system remains open in all directions and the extensive pyrite-rich feeder/stockwork zone with strong chlorite alteration and post mineral deformation/alteration is associated with broad zones, 29 to 140m wide. These remain tantalizing drill targets and could develop into gold rich shoots reminiscent of the Laronde deposit.

Exhibit 81 - Core from Martiniere East Project



Source: LBS.

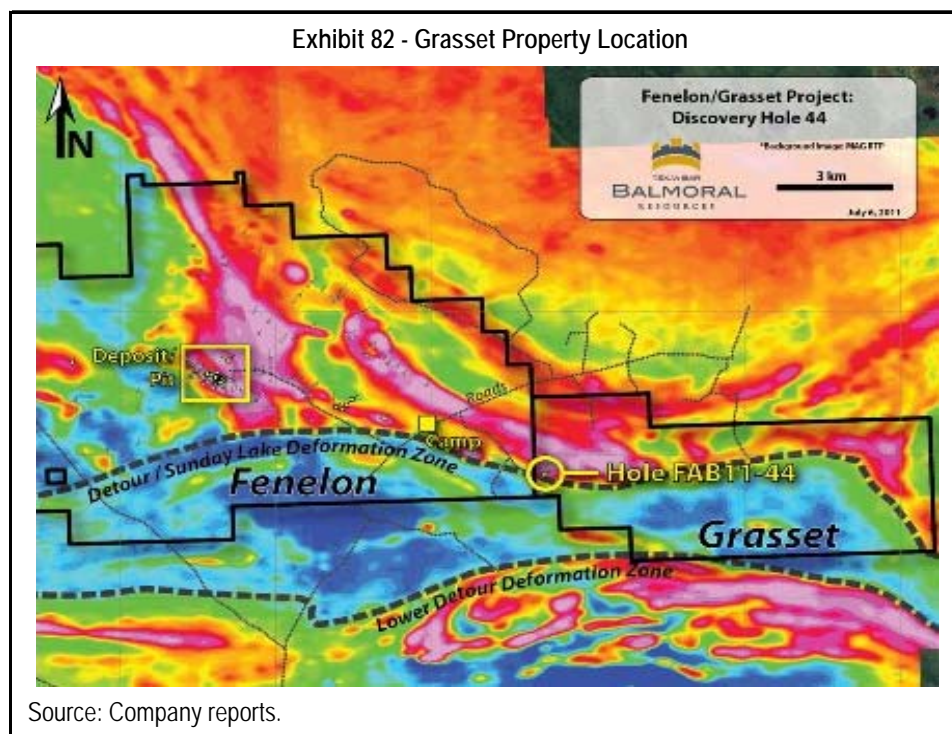




## Grasset Project

### Unexplored Classic Target

The Grasset project is located within 10km of the Fenelon camp site within a geological environment that mirrors the world class Timmins mines. The Grasset property, located to the southeast of the Fenelon land position, has been recently staked to cover potentially fertile extensions of splays from the Sunday/Detour Lake Deformation Zone. Balmoral disclosed in July 2011 gold grade intercepts of 6.15 g/t gold over 4.4m and 4.18 g/t gold over 5m within a broader zone of gold mineralization which returned 1.66 g/t gold over 33m (Hole GR-11-01, previously hole FAB-11-44) in a setting that is analogous to several of the large gold deposits in the Timmins and Kirkland Lake gold camps. The mafic intrusion hosted gold-bearing quartz-carbonate vein system occurs close to the contact with polymictic conglomerate units (see Exhibit 82).



### Active Drill Program

Balmoral recently completed a four-hole (1,000 m) program on the Grasset property. We believe that drilling should resume by January 2012 (10-15 holes) in order to fully test this fault system's splay.

## Detour East Project

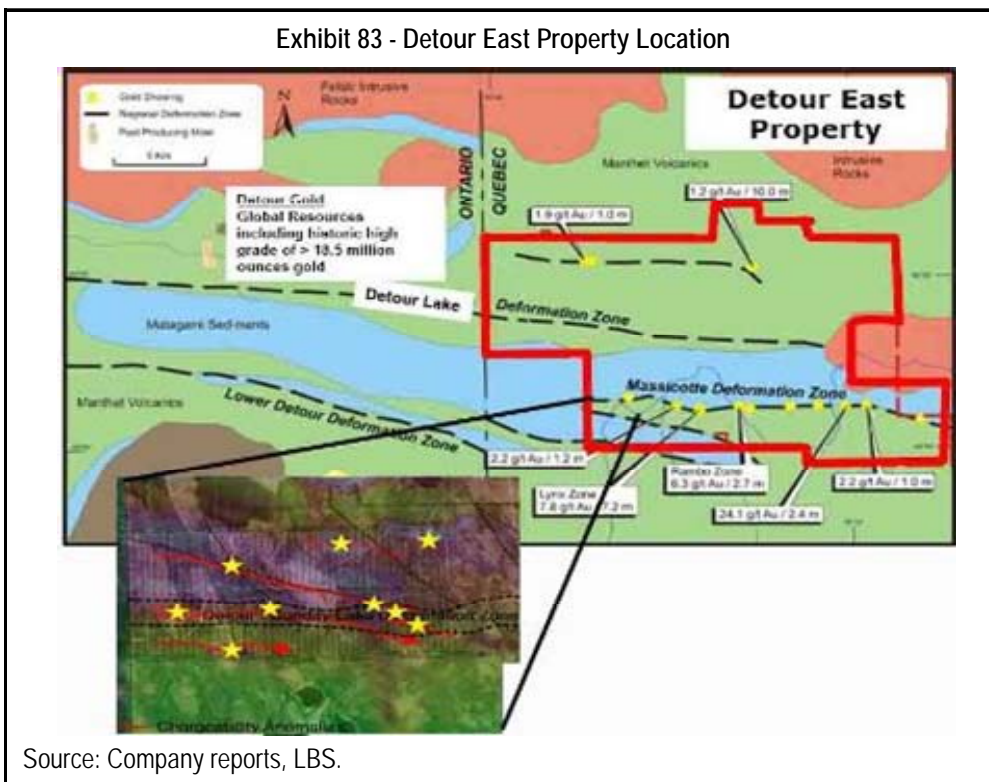
### Well Located

The Detour East project is favorably located to the east of the giant Detour Gold deposit, near the Quebec/Ontario border. Balmoral has an option to acquire up to a 60% interest in the Detour East (Massicotte) project in Quebec, pursuant to an option and JV agreement dated November 3, 2010 with Radisson Mining Resources (RDS-V). Radisson holds a 100% interest in 97% of the Detour East Project and a 61% interest in the remaining 3% of the project area. Balmoral can acquire an initial 51% interest in the project by making a \$150,000 cash payment, issuing 100,000 shares and incurring \$1.8M in exploration by November 2013. Furthermore, Balmoral can acquire the additional 9% interest by either (i) delivering to Radisson a NI 43-101 compliant report demonstrating the existence of 500,000oz. Au equivalent ounces in the M&I resource categories; or (ii) incurring an additional \$1.5M in exploration expenditures.



The Detour East Property covers a 20km-long stretch of the Sunday/Detour Lake deformation zone and the subsidiary Massicotte splay. Balmoral has completed a 5-hole diamond drill program that targeted I.P. geophysical and geological targets along splays of the Massicotte deformation zone and in settings similar to the Detour Gold deposit and the Martiniere West, Fenelon and Grasset gold discoveries located along the trend to the east.

Exhibit 83 - Detour East Property Location

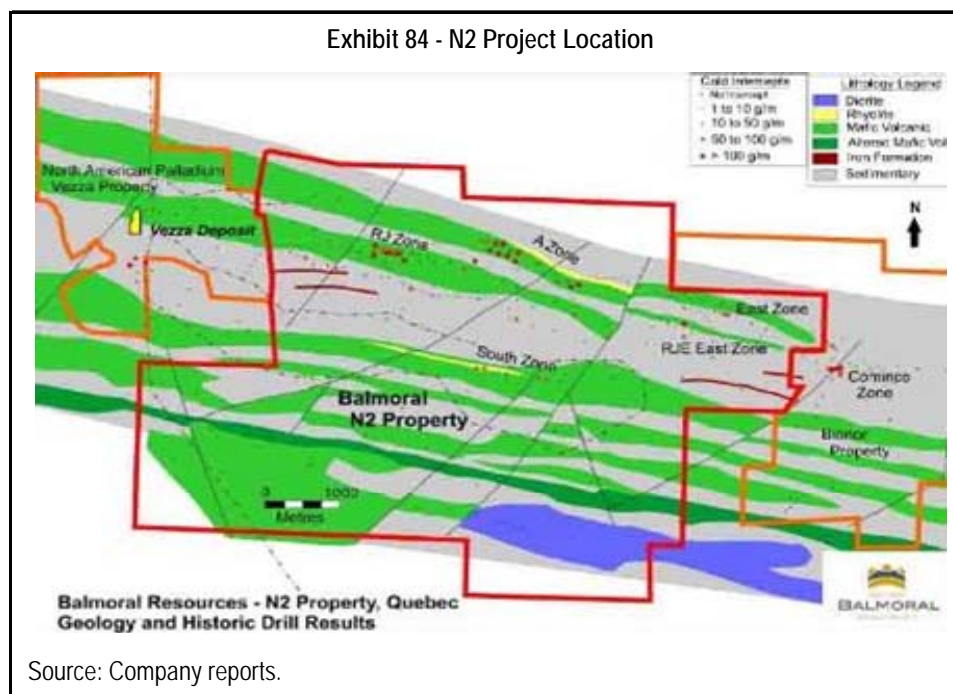


## N2 Project

### N2 Property – Along The Casa-Berardi- Cameron Fault System

We believe N2 is a well-located gold property. The 100% owned Northway-Noyon (N2) property is located 30km south-east of Matagami. The project consists of two contiguous claim blocks: the 113-claim, 1600ha Northway block and a contiguous 114 claim, 2,000ha Noyon block, which is in the eastern extension of North American Palladium's 460,000oz. Vezza deposit on the Casa Berardi Break (M&I resources of 287,500oz. @ 5.9 g/t Au and inferred resources of 121,500oz. @ 5.0 g/t Au). The Vezza mine headframe is located less than 500m away from the eastern boundary of the N2 project, which hosts five known zones of gold mineralization which contain an aggregate historic geological resource of 18.2Mt @ 1.48 g/t gold (775,000 oz. Au). All known zones are open to depth in an environment indicative of the presence of a large gold-bearing system, typically of the most productive regions of the Abitibi. We believe the project is strategically located along the gold-bearing Casa Berardi Deformation Zone with 2km of the conductive structure and stratigraphy.





### Northshore Project

#### Northshore Property – Hemlo Area

The Northshore property is a recently farmed-out gold property. It is located immediately south of the town of Schreiber, Ontario and is road-accessible from the Trans-Canada highway. The property consists of five mining claims (approximately 322ha) situated in the Township of Priske, Thunder Bay Mining Division, Ontario. Acquired by Balmoral in late 2010, the property hosts a near-surface historic resource and numerous prospective targets with affinities to the Archean aged gold deposits of the Kirkland Lake and Timmins camps. GTA Resources & Mining (GTA-V) may earn an initial 51% interest in the Northshore Property by making cash payments to Balmoral of \$50,000, issuing Balmoral 2.5M common shares of GTA and incurring a minimum of \$2.5M in exploration expenditure over a three-year period.

#### High Grade Gold

The property is host to a number of known gold mineralization zones. The property is generally located in the Hemlo-Schreiber greenstone belt, approximately 70km west of the Hemlo gold deposit, and is host to structurally controlled, intrusive-hosted gold mineralization. Gold mineralization is located in a series of sub-parallel shear zones which crosscut syenitic and quartz porphyry intrusions. Gold mineralization has been identified along several of these structures, including the Afric Zone and the former-producing high-grade Northshore Gold Mine. Between 1898 and 1935 thirteen gold bearing veins were discovered on the Northshore Property. One of the most significant early discoveries was the "Main Vein" which, between 1935 and 1937, produced a reported 2,411oz. of gold and 226oz. of silver from 3,808 tons of ore material.

#### Drilling in Progress

Recent exploration on the Northshore property has identified at least six zones of gold mineralization and several high grade gold vein occurrences. Exploration has been at shallow depths with works conducted by Noranda Explorations / Hemlo Gold Mines, and Cyprus Canada in the 1990's. In 1992, Noranda Exploration / Hemlo Gold Mines calculated a "preliminary reserve" for the Afric Zone of 2Mt @ 2.2 g/t Au (135,000oz. Au). Recent surface grab samples collected as part of GTA's due diligence of the Northshore Property returned bonanza gold grades from two northeast trending vein systems with gold grades ranging from 17.44 g/t Au to highs of 1,369 g/t Au. We note that GTA has recently completed a 1,000m drilling program (12 holes) targeting bonanza grade gold veins.

## Appendix VI – Eastmain Resources: Set To Expand

### *Clearwater Project*

#### Clearwater Gold Project, Eau Claire Deposit

The Clearwater project is located in the central Eastmain Greenstone Belt approximately 320km north of the town of Matagami. It is located less than 10km west of Hydro-Québec's Eastmain camp (EM-1) and covers over 20,000ha. The Eau Claire gold deposit is 2km from a permanent road and is now much more accessible than at the time of its discovery in the 1980's. The project contains a global gold resource of approximately 1.6M oz.

#### 450 West Zone Initial Center of Gravity

The 450 West Zone of the Eau Claire gold deposit consists of a dozen quartz +/- carbonate-tourmaline sheeted veins and alteration zones open laterally and at depth. These gold-bearing veins and extensive alteration zones are aligned in a three-dimensional "en-echelon" pattern, which extends from northwest to southeast within a generally east-west trending structural corridor. The veins generally range from 1m to 4m and, occasionally, up to 9m in width and have a surface length ranging from 75m to 250m. The en-echelon, quartz tourmaline vein system on the 450 West Zone plunges 45° to 60° south. Gold-bearing veins, which assay up to 497 g/t Au over 2m, have been traced over a length of 1.5km and to a vertical depth of 880m. Gold also occurs within altered rock composed of actinolite and tourmaline, with accessory biotite and calcite. This altered rock forms a 1cm to multi-meter envelope on vein margins. Composite intervals, as disclosed February 2011, suggest an average of 3 g/t over 28m for the 450 West Zone. Diamond drill (HQ) holes have intersected swarms of veins and schist zones with average grades ranging from 14 g/t Au (0.41 oz/t) to over 40.4 g/t Au (1.18 oz/t) over metric widths. Visible gold has been often observed and initial metallurgy test would suggest a sizeable recovery by gravity. Additionally, we believe the presence of tellurium grades could potentially be a valuable by-product.

#### Center of Gravity Moving NW?

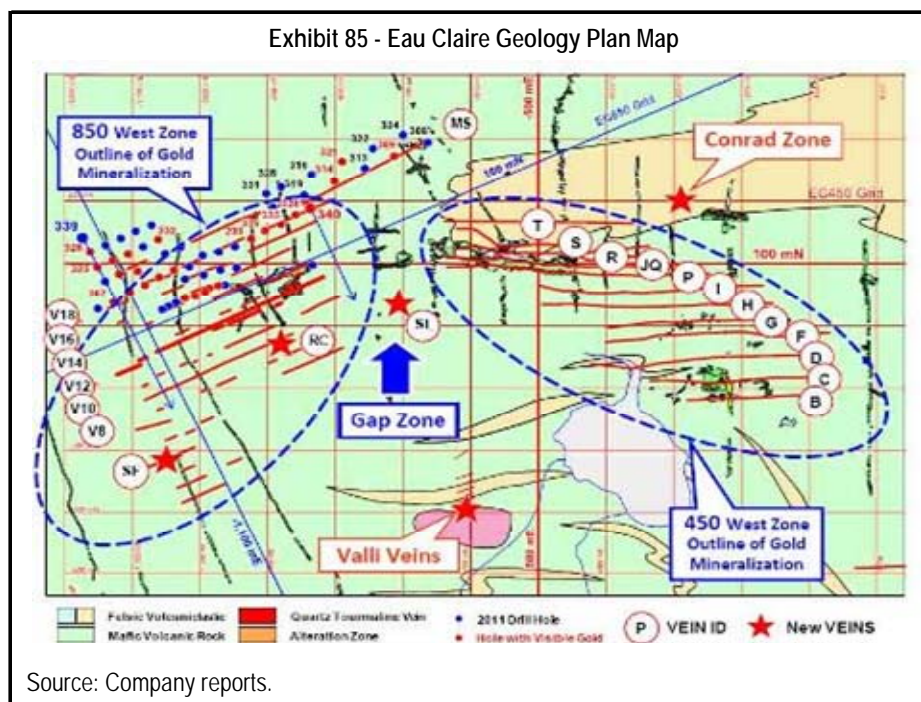
We believe the mineral resource base is increasing with the confirmation of zones to the northwest. We note that the high grade system shows potential at depth, as well as lateral extensions, as attested by current drilling works on the 850 West and Gap zones. Indeed, the current 26,320m drilling campaign started in early 2011 and trenching in the summer and fall 2011, suggest a growing mineralized footprint to the NW beyond the 850 West Zone and Gap Zone. Currently, over 24,000m have been drilled on 25m steps (see Exhibit 85). As the current mineral resource estimate of 1.6M oz. concerns only the 450 West Zone and encompasses drilling up to 2009, we believe current works should materially increase the resource base both in size and in confidence.

#### Open Pit Scenario Confirmed for 450 West Zone

Current drilling continues to confirm that the high-grade, gold-bearing vein sets at Eau Claire are both laterally and vertically extensive. Composite intervals of the Main Group of Veins (P, JQ, R & S) on the 450 West Zone have been calculated for 64 drill holes and the average grade is 3 g/t Au across an average thickness of 28m. Eastmain's re-assaying of certain intervals in the 450 West Zone in order to determine if there is any trailing gold within wall rock between high grade veins in the fall of 2010, suggests areas of gold enrichment that could be related to discrete N-S veinlets (Pascal system). We believe that these in-fill sampling works, combined with the extensions of the 850 West Zone and Gap Zone, should suggest a potential open pit scenario.



Exhibit 85 - Eau Claire Geology Plan Map



### 850 West Zone Expanding the Eau Claire Gold Deposit

Ongoing drilling at the 850 West Zone has documented expanding multiple intersections over a 400m strike length at shallow depths (<300m). Eastmain is conducting an \$8M exploration program that should total over 26km for more than 68 drill holes with a focus on exploration to the north, west and at depth of the 850 West Zone. We believe results to date suggest a northwest vector that could materially expand the mineral resources. We expect that Eastmain will complete another 43-101 compliant resource estimate, which will include 2010 and 2011 drilling by mid 2012 and perhaps by a reputable consulting firm that could also establish a mining plan for the next phase of development. Based on our analysis of available drill results, we believe the resource could be increased by 60% or 900,000 oz. when the mineral resource update is released. We expect that the close drill pattern should increase confidence levels, bringing part of the indicated resource to the measured category and some of the inferred resource to indicated category. The V8, V10, V12, V14, V16 and V18 vein package sets, where visible gold is often seen, have potentially over 100m strike length individually and probably form pinch and swell packages that could potentially be mined as an open pit.

### Total Control

Eastmain now has a 100% interest in the Clearwater project, free of any royalties. Eastmain's involvement in the Clearwater project started in 1985 as part of a regional search for Hemlo/Bousquet-type sulfide-hosted gold deposits during a joint venture with Westmin Resources Inc. The main veins were discovered in 1987 by Westmin and work by SOQUEM and Eastmain has tried to ascertain the extensions since then. Eastmain has drilled approximately 340 holes, SOQUEM 96 holes and Westmin about 40 holes. Shallow drilling by Westmin in 1987 outlined a 270,000t vein-type deposit with an average grade of 6.1g/t Au. In 1995, Eastmain acquired a 50% interest in the project from Westmin. At the same time, SOQUEM optioned the remaining 50% interest in the project. In 2002, Eastmain acquired an option to earn half of SOQUEM's interest in the project and in 2004 it purchased SOQUEM's remaining interest, subject to a 2% net smelter royalty. This royalty was purchased from SOQUEM in March 2011 for \$1M and 1M common shares of Eastmain. The Eau Claire gold deposit is located 2km from Hydro Quebec's road network and 5km from a hydro-electric powerstation and powerline that service the Eleonore project 45km to the NW. The high-grade nature, coupled with great access, could garner interest by other parties as the project has no lingering royalty constraints and has potential to grow.



### What's Next?

An open pit target is being defined and the project would be ripe for a scoping study and detailed mine plan scenarios. A proposed bulk sample of 10,000 tonnes was suggested in the 2005 Technical Report in order to determine if an open pit operation is feasible. The 2007 large HQ-size drilling had instead the objective of providing material for an exhaustive metallurgical study by SGS Lakefield Minerals Services, which demonstrated high gold recoveries through gravity and flotation methods. Since then, Eastmain has continued to drill both on property scale and on expanding the Eau Claire deposit. Results suggest an expanding gold system that is ripe to be brought to the next level with initial mining plan scenarios.

### ***Eastmain Mine – Ruby Hill Gold Properties***

We believe the Eastmain Mine project is Eastmain's potential second flagship project. With an important land position, Eastmain is well positioned to advance this project as it becomes road accessible with the Route 167 Ext. Furthermore, the company is currently drilling the project after a 2010 diamond drill program.

### Well Positioned

Eastmain Mine - Ruby Hill properties offer great land position within the Upper Eastmain River Greenstone Belt. The properties are located approximately 320km north-northeast of Chibougamau, Quebec. In July 2007, the company finalized the purchase of the Eastmain mine from Campbell Resources Inc. in exchange for payment of \$2.5M cash, 2M common shares and 1M common share purchase warrants. Campbell Resources (in receivership) retains a 2% NSR (net smelter return royalty) on the Eastmain mine property. Eastmain will have the option to purchase half of the NSR for \$1M for any production over and above 250,000oz. Au. The Eastmain mine was developed by MSV Resources Inc. (a wholly owned subsidiary of Campbell Resources) and had ramp access and two levels of underground development and surface facilities. Recall that MSV developed the project back in the late nineties when gold prices were very low and variable warm winter conditions hampered the winter road. As the Route 167 Ext is within trace of this winter road, we expect year-round site access as early as the end of 2012.

### Deposit Extensions

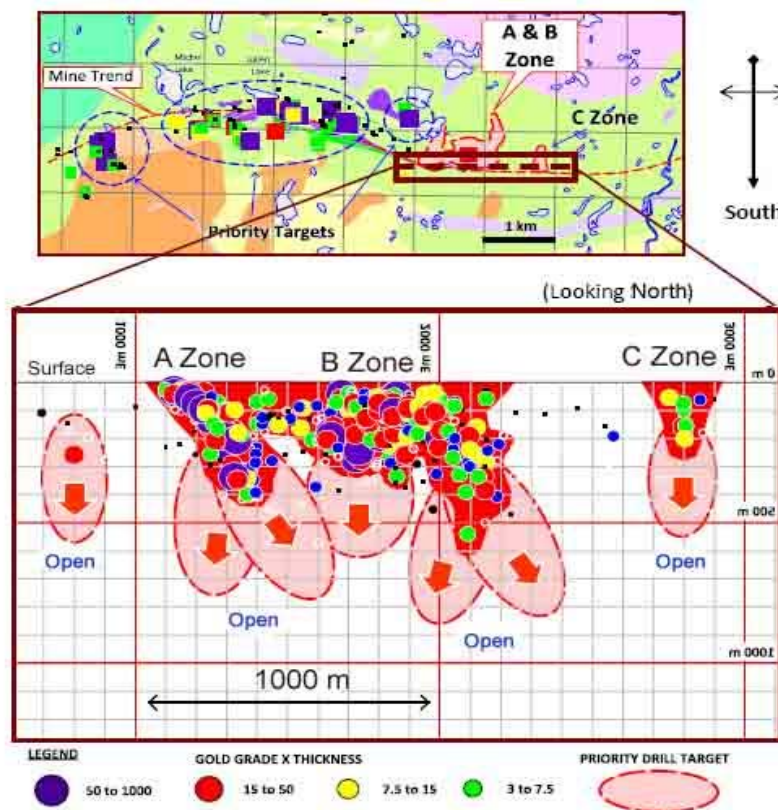
The Eastmain mine deposit is open down dip and there is significant surface and underground exploration potential. The Eastmain Gold Mine was discovered in 1969 by Placer Dome Limited and, in 2004, Campbell reported an Indicated resource of 878,100 tonnes @ 10 g/t Au totaling over 250,000oz. Au. The three gold zones (A, B and C) at the Eastmain mine are spatially associated with a strongly altered ultramafic volcanic unit (komatiite), intercalated with narrow lenses of felsic volcanic rocks within a thicker sequence of mafic volcanic flows. The gold ores are siliceous stratabound units containing 10% to 30% pyrrhotite, pyrite and minor amounts of chalcopyrite. With remaining resources after production by MSV in the 1994-1996 period of 255,750 oz. Au (878,100 tonnes @ 10 g/t Au), we believe there is a base for future mining development after thorough exploration.

### Active Drilling in 2011

Eastmain is in the process of completing a 15,000m drill program started in summer 2011. The high-grade, gold-rich A, B and C zones have been traced from surface to depths of more than 300m below surface and the 2011 drilling program aims to test the depth extension of the A and B zones below 350m, beyond its historical resources (see Exhibit 86). The 2010 drilling (46 drill holes totaling 14,584m) in the B zone intercepted values up to 9.5m @ 12.16 g/t Au and 2m @ 18.75 g/t Au and, in the A zone, values up to 7.8m @ 7.51 g/t Au and 7.6m @ 3.33 g/t Au. We highlight that wide zones of anomalous gold were also discovered 5km northwest of the deposit area, showing potential for a mineralized trend on the property that remains open.



Exhibit 86 - Map of Eastmain Mine and Longitudinal View of Zones A, B, C



Source: Company reports, LBS.

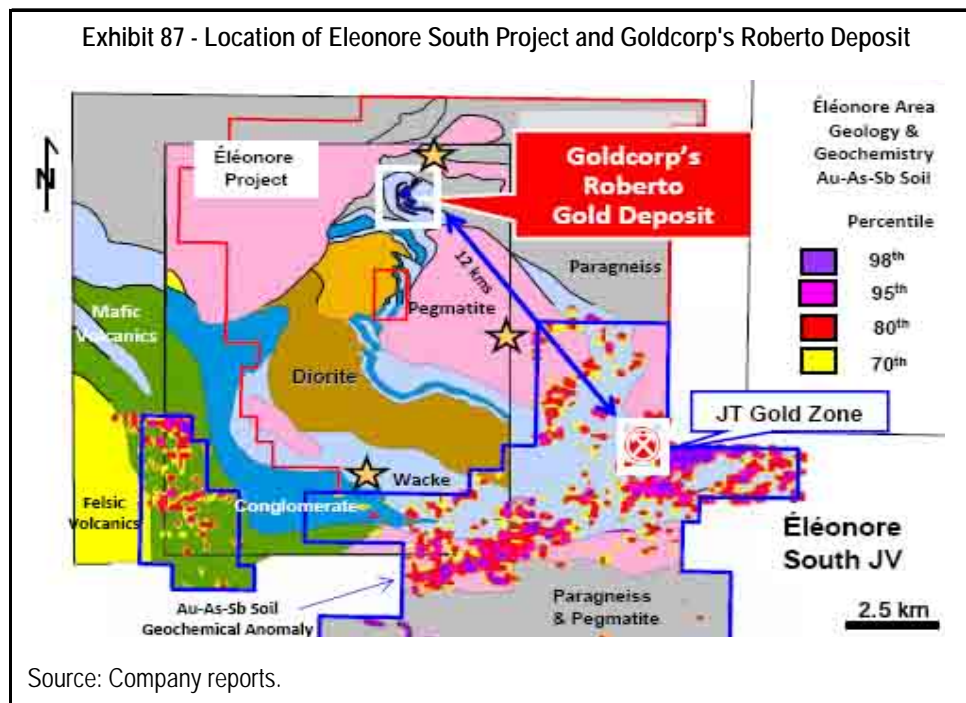
### Eleonore South – JV

The Eleonore South project is a joint venture with Goldcorp, Eastmain and Azimut near the Eleonore discovery. A 14km-long gold-in-soil anomaly occurs on the south boundary of Goldcorp's Eleonore property and a total of 47 holes (10,406m) in 3 phases have been completed to date, which delineate kilometric-long staked horizon containing anomalous Au-As-Sb mineralization. The project consists of 282 map designated claims totaling 14,700ha.

In April 2006, Eastmain, Azimut and Goldcorp formed a joint venture by combining the property known as "Azimut C Block" with 65km<sup>2</sup> of the Eleonore property. Simultaneously with the joint venture agreement, Goldcorp increased its ownership of Eastmain to 9.5% and renewed its strategic alliance with the company for an additional five years. The project is located south-east of the Eleonore discovery and Phase 1 in 2008 totaled 16 holes (3,250m), phase 2 in 2009 totaled 3,697m in 14 holes and Phase 3 in 2010 totaled 17 holes for 3,459m. The drilling programs highlighted a 1.2km-long and 100m-wide succession of gold-enriched sedimentary rocks and pegmatites with arsenopyrite halos within the JT gold zone. Though the grade x thickness ratio remains uneconomic, early indications suggest an alteration system that appears conducive for an important gold deposit. The sector straddles two major geological subprovinces to include volcanic assemblages of the Eastmain group which are overlain by highly metamorphosed sedimentary rocks (paragneiss) of the Opinaca group. The area has been invaded by a complex assortment of intrusive rocks formed both during and after emplacement of the Eastmain and Opinaca groups.



We believe the local geological context and Roberto-style mineralization could suggest an exploration target on the order of 1M oz. The value of this property resides in its proximity to the Eleonore property and its Roberto deposit.



### Other Projects in the James Bay Area

#### Reservoir (Au, Ag, Cu) & Lac Hudson Projects

We believe the Reservoir and Lac Hudson projects are emerging polymetallic targets in the central portion of the Eastmain River Greenstone Belt. The Reservoir project is located 60km southwest of the Eleonore discovery and 45km west of the Eau Claire gold deposit. It is an 8,098ha property of 156 mineral claims owned 100% by Eastmain and free of royalties. Soil geochemical surveys and geological mapping by Westmin in 1986 defined a 1.7km long gold-in-soil anomaly ranging from 6 ppb to 1.02 g/t over anomaly C-52. From 1987 to 1988 Westmin completed 3,300m of diamond drilling in 29 holes and detected wide zones of anomalous gold ranging from 0.10 to 0.50 g/t over 20m intervals and numerous meter-wide sections which assayed 10 g/t gold and 0.5% copper.

Wide-spaced drilling has identified three copper-gold zones grading up to 8.15% copper, 36 g/t Au and 52 g/t Ag. In 1995, Eastmain completed geological mapping and 2,245m of diamond drilling in seven holes. Drill hole 95-1 intersected 5.35 g/t gold, 1.35 g/t silver and 0.17% copper over 6m within a wider interval grading 1.79 g/t gold across 21m. In 1997, Eastmain's geophysical surveys, stripping and trenching, and a widely spaced 13-hole, 3,311m diamond drill program were completed to test three regional targets at Reservoir. Drill hole C52-97-07 intersected 8.10 g/t Au, 23.5 g/t Ag and 4.21% Cu over a 1m interval, 177m down the hole. This drill intersection projects to a massive sulfide occurrence at surface which averaged 4.53 g/t Au, 27.4 g/t Ag and 4.86% Cu from five 1m channel samples.





The Lac Hudson property is located 5km south of the Reservoir Project and 35km west of Clearwater project. The property consists of 187 claims covering 9,682ha underlain by volcanic and sedimentary rocks containing sulphide facies iron formation and chemical exhalatives that could be prospective for Musselwhite-type gold in BIF (banded iron formation) as well as sedimentary or volcanic-hosted gold mineralization. Past preliminary works detected anomalous gold and base metal concentrations in sulfide facies iron formation and cherty exhalite horizons. Initial drilling intersected up to 1.3m @ 7.9 g/t Au. Lac Hudson Project with values up to 15.2 g/t Au and 22.3 g/t Ag.

Several similarities exist between the geologic settings of the Reservoir and Lac Hudson projects and Eleonore's Roberto deposit. At both projects there seems to be a relationship between diorite intrusions and copper mineralization. Alkali alteration is prevalent in both settings. Sedimentary rock formations thought to be the key host to gold mineralization at Eleonore underlie a large portion of the Reservoir property and remain relatively unexplored. The C-52 copper-gold zone has been drilled to a depth of 150m vertically below surface, outlining a large area of gold and copper-bearing rock. Gold is associated with pyrrhotite-pyrite-chalcopyrite-magnetite bearing units within mafic volcanic rocks, quartz +/- feldspar porphyry and sulfide iron formation. Both mineralized porphyry and mafic assemblages display wide zones of biotite-albite alteration.

We expect Eastmain to eventually be active on these projects as they are well located.

#### Dyna, Lac Elmer & Lidge Properties

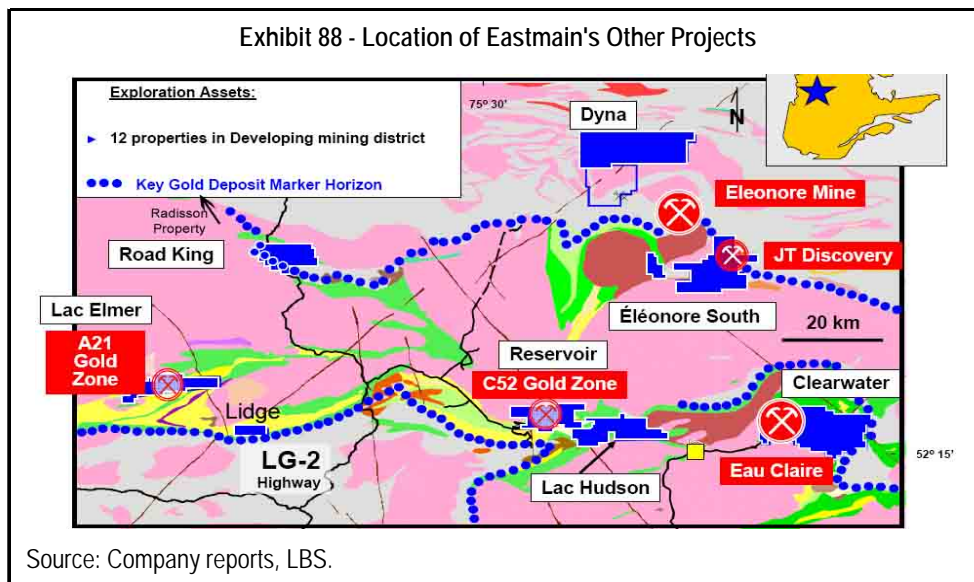
The Dyna property is located 15km northwest of the Eleonore project within a favorable geophysical-geological setting. Eastmain holds 100% of the 18,616ha Dyna property located in the Opinaca metasedimentary Belt where several rusty zones with geochemical responses similar to those found at Roberto deposit have been discovered. The property has seen limited exploration.

The Lac Elmer and Lidge properties are located 85km southwest of the Eleonore project in the western end of the Eastmain River Greenstone Belt. The Lac Elmer property hosts a 12km long mineralized horizon enriched in gold, silver, copper and zinc with grades of up to 132 g/t Au and 1,000 g/t Ag. The Lac Elmer project is a potential foothold of Barrick in this emerging mining camp as it holds a 50% interest on the property. The nearby Lidge property (100%) consists of 64 contiguous mineral claims comprising 1,024ha. The Lidge property hosts a stratabound pyritic gold horizon where historical drilling intersected up to 11.42 g/t Au over 1.3m within a pyrite-pyrrhotite-fuchsite bearing cherty tuff. We believe both the Lac Elmer and Lidge properties show a favorable geological environment for Hemlo-type and Bousquet-type mineralization targets.

#### Radisson & Road King Properties

The Radisson and Road King properties are located near the margin of the La Grande / Opinaca boundary. The Radisson property (207 claims totaling 10,698 ha) is located in an Archean-aged volcanic-sedimentary assemblage of the La Grande Subprovince hosting multiple gold occurrences. Grab samples up to 11.9 g/t Au and channel samples of 1.3m @ 2.1 g/t Au suggests a favorable gold environment. Recently an option was given to Honey Badger Exploration Inc. (HBE-V), to acquire a 50% interest on the property currently held 100% by Eastmain.

The Road King property (109-claims) covers a regional copper-arsenic anomaly in a 10km long sedimentary-volcanic horizon prospective for Hemlo-type sedimentary hosted gold mineralization in the Eastmain River Greenstone Belt. The project, which consists of 207 claims covering 10,698ha of highly prospective Archean-aged rocks, is located within James Bay, Quebec, approximately 65km south of the community of Radisson and about 520 km north-northwest of Matagami.



### Ontario Projects

#### Polymetallic Projects in Ontario

Three properties (Abitibi Extension, Akweskwa and Kidd project) are prospective for gold, base metals and diamonds in the prolific Abitibi Greenstone Belt in Ontario. The company also holds a 70% interest in a district-scale exploration joint venture ("JV") with Xstrata Copper Canada Inc. (formerly Falconbridge Limited). Xstrata is a major global diversified mining group, listed on the London and Swiss stock exchanges. The JV is designed to locate base metal deposits (copper, nickel and zinc) within trucking distance of Xstrata's existing smelters, utilizing proprietary geophysical technology. Results from the JV MegaTEM airborne survey in 2004 prompted the company and Xstrata (then Noranda Inc.) to acquire claims in Ontario near the Quebec border.

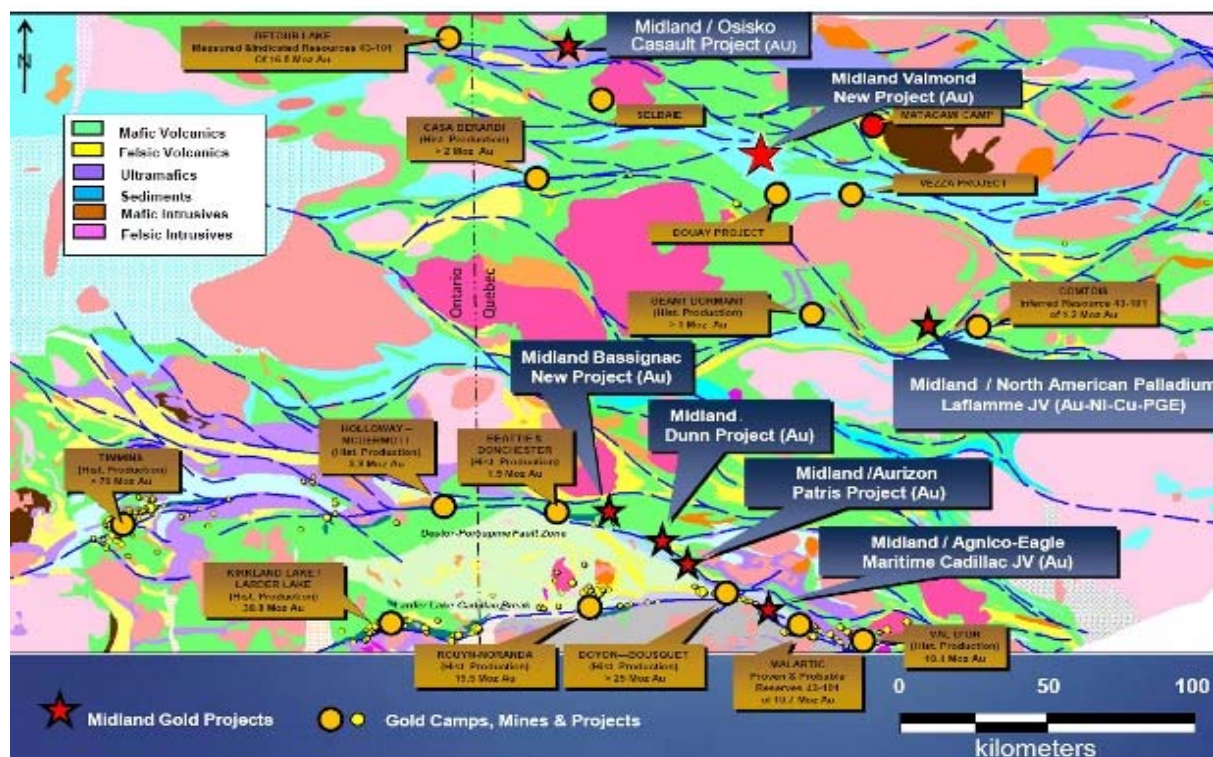
## Appendix VII – Midland Exploration: Solid Diversified Portfolio

## Abitibi Area Projects

## Assembling a Strong Portfolio in the Abitibi

Through watchful observation of claims status and geological compilation, Midland has assembled an interesting portfolio of projects in the Abitibi region of Quebec. Land position is located along the main structural breaks. Properties are owned 100% and partners are earning interests ranging from 50% to 65%. Gold is the main focus and properties have excellent exploration potential. The strategic land position of properties is acquired as a result Midland's program to generate new targeted gold projects throughout the Abitibi greenstone belt.

### Exhibit 89 - Midland's Land Holdings in Abitibi Region



Source: Company reports, LBS.



### Maritime Cadillac (Au)

Maritime Cadillac is a well-positioned gold property along the Cadillac-Larder Break with potential for gold discovery at depth. The Maritime Cadillac project is located near Agnico-Eagle's Lapa gold mine (proven and probable reserve of 1.1M oz. Au, with 3.75 Mt @ 8.8 g/t Au) along the Cadillac-Larder Break.

Agnico-Eagle is the project manager and has earned a 50% undivided interest on the project since June 1, 2009 after fulfilling its obligations, which we list below:

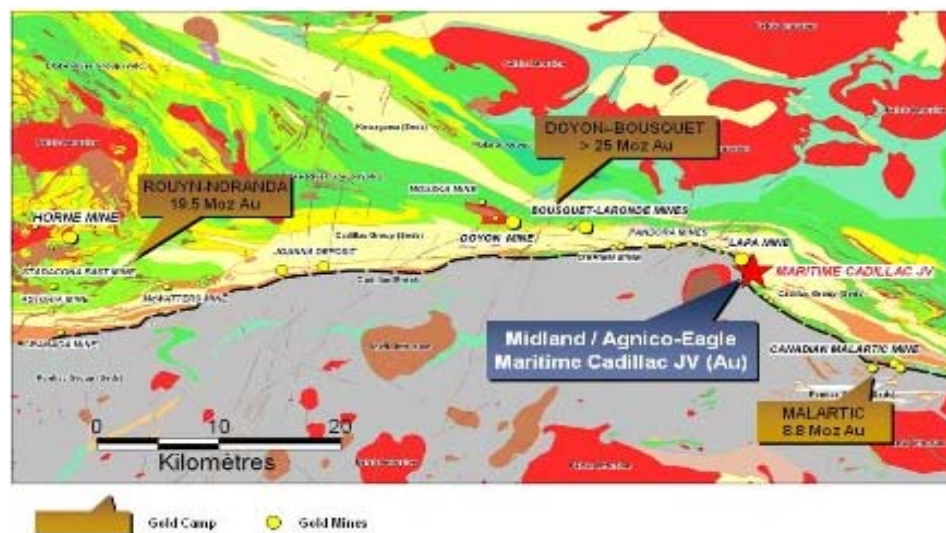
- ◆ Total cash payments of \$100,000.
- ◆ Exploration work commitments totaling \$1M from fiscal 2006 to fiscal 2009.
- ◆ Contribution of \$200,000 in Midland's initial public offering in 2007.

Agnico-Eagle is currently working to increase its interest in the project by fully funding ongoing exploration work on the project. Agnico-Eagle has the option to increase its undivided interest in the property from 50% to 65% over a period of 3 years (till June 2012), by solely financing a bankable feasibility study on the Maritime Cadillac Property or by solely assuming all mining operations on the Maritime Cadillac property. Agnico can earn a 1% additional interest for every \$1M spent on the Maritime Cadillac property (up to 15% by spending \$15M). We believe Agnico is near of acquiring a 51% interest on the property.

### Well Located Project

The Maritime-Cadillac project is located in an important North-South jog along the Cadillac-Larder Break, within a contact between the Cadillac Group sediments (wacks, conglomerates and iron formations) to the west, and the Pontiac sediments (wacks) to the east. Only limited sub-surface exploration (less 500m) has been conducted historically and Agnico and Midland have realized several phase drilling programs totaling 16,788m since 2007.

Exhibit 90 - Midland's Maritime Cadillac Project



Source: Company reports.





### Much Smoke...

Several gold-anomalous zones have been intersected along the Maritime East Contact to a vertical depth of 650m. Mineralization is associated with felsic to intermediate porphyry dykes and quartz-carbonate veinlets within the ultramafic schist rock package. Gold intersections in the order of 10 g/t Au over 1m, 3.4 g/t Au over 4m, 3.3 g/t Au over 14.65m and 6.11 g/t Au over 5.65m have been encountered. Drilling has also intercepted felsic to intermediate porphyry dykes to the west of the Maritime Contact East structure, namely the East Dyke and West Dyke. These gold-bearing structures are mineralized with pyrite-arsenopyrite testament to a favourable geological setting typical of the gold-rich Cadillac mining camp. The 2010 drilling program consisted of 5 drill holes for a total of about 3,650m. Best intercepts graded 8.6 g/t Au over 5.5m including 13.8 g/t Au over 3m in drill hole 141-10- 26 (V4 West zone), and 1.7 g/t Au over 37.85m including 4.8 g/t Au over 6m in drill hole 141- 10-23 (Dyke east-V3 zone).

### .... in the Northern Part of the Property

Drilling in early 2011 (phase 5) focused on the north part of the property and may have indicated a vector for future drilling. Drill hole 141-11-31 along the south extension of the Dyke East Zone, intersected three high-grade gold intervals respectively grading 21.1 g/t Au over 1.2m from 412.8 to 414m, 3 g/t Au over 5.2m from 425.3 to 430.5m, and 4.50 g/t Au over 3.4m from 442 to 445.4m. These intervals are included within a larger gold zone grading 1.7 g/t Au over 46.4m, from 399 to 445.4m. Gold values are mainly associated with silica and biotite alteration zones in felsic dykes with disseminated sulphides (1-2% pyrite and 2-3% arsenopyrite). The gold-bearing intersections in Dyke East Zone are now interpreted as trending NW-SE rather than N-S, suggesting new areas for targeting.

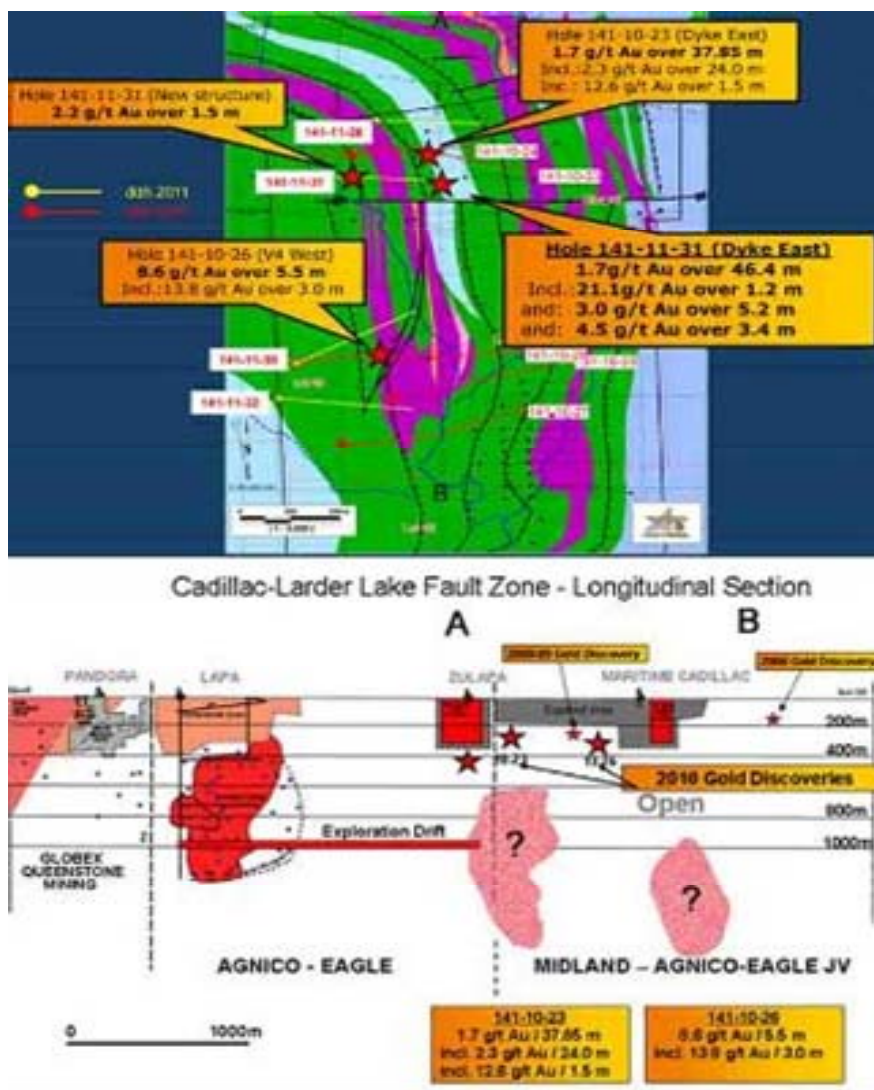
### Lapa Proposed Drift Could Open Possibilities

We believe that there is sizeable exploration potential at depth on the Maritime-Cadillac property. Drilling results of a recent phase-5 drilling program (5 holes totaling 2,144m) have indicated that the system, though not very fertile in gold mineralization, remains open at depth and along strike. With the works being done at Lapa, we believe that the Maritime-Cadillac property is located in a favorable environment for lode-gold and disseminated deposits. The Maritime Cadillac project is immediately adjacent to the south of the Lapa gold mine (800,000 oz. Au in proven and probable reserves, with 3.2Mt @ 8.2 g/t Au), in commercial production since May 2009 and more importantly, Agnico-Eagle is extending a drift towards the SE towards the Maritime-Cadillac property. We believe this drift could potentially provide a fine plate-form for deep drilling on Maritime-Cadillac to delineate a potential ore-body at depth.





Exhibit 91 - Plan and Longitudinal Section of Maritime Cadillac Project



Source: Company reports, LBS.

### Dunn (Au) – In the Heart of Things

The Dunn property is well located along extensions of the Destor-Porcupine fault, a major gold-bearing structure in the Abitibi. The property covers a strategic imbrication zone involving secondary splay faults of the Destor-Porcupine fault. The property is located about 35km northeast of the town of Rouyn-Noranda and consists of 51 claims covering about 2,300ha. It is wholly owned by Midland and had been optioned to Osisko Mining Corporation since August 11, 2009. Osisko could acquire a 50% interest in the Dunn property during a 3-year period following total cash payments of \$140,000 and a total of \$1.3M in exploration expenditures. Midland is operator until completion of a positive pre-feasibility study. We believe Osisko may have dropped the option to acquire an interest on the Dunn Property.



**Well Located Between  
the Two Main Fault  
Breaks of the Abitibi**

We believe the Dunn property is prospective for gold mineralization as it covers an 8 km-long stretch of the Manneville fault zone, a secondary splay fault that is an offshoot of the well-known Destor-Porcupine fault. The geological setting on the Dunn property could be similar to that of the South Barnat deposit on Osisko's Canadian Malartic property, i.e. fault-juxtaposed clastic sediments and ultramafics cut by a porphyry dyke swarm. Gold showings occur east and west of the property along the Manneville fault, including relatively recent finds by Typhoon Exploration and Cartier Resources. Midland now controls more than 8km stretch of the fault structure on the property that has seen less than ten drill holes from previous exploration programs.

**Ongoing Work on  
Several Targets**

Midland and Osisko had embarked on a comprehensive exploration program. Extensive induced polarization (IP) surveying, as well as ground magnetic surveys along the Lac Caste Formation sediments have been completed. The objective of these works is to detect porphyry-type gold mineralization similar to deposits in the Malartic and Duparquet areas, as well as Harker/Holloway-type gold-bearing structures associated with ultramafic volcanic rocks near the Destor-Porcupine Fault. We highlight that the environment is similar to notable gold mining camps such as Timmins (>60 Moz Au), Harker-Holloway and Holt-McDermott area (>4 Moz Au) and also Duparquet mining camp (>1 Moz Au). Midland and Osisko completed a 2 phase drilling program totaling 1,970m (15 holes) on the Dunn property. The program was designed to test several new gold targets identified during IP survey and no significant results have materialized yet. However, drilling remains shallow in the scope of things. Several IP anomalies remain untested and represent potential disseminated sulphide zones hosted in sedimentary rocks and associated with porphyry intrusions. Other IP anomalies have been detected in association with ultramafic volcanic rocks; these represent another set of important targets similar to the Fayolle deposit to the west. A few anomalies were also identified in felsic volcanic units that were recently compared to felsic rocks in the Kidd-Munro assemblage, host to the Kidd Creek deposit in Timmins.

**Patris (Au) – Also in  
the Heart of Things**

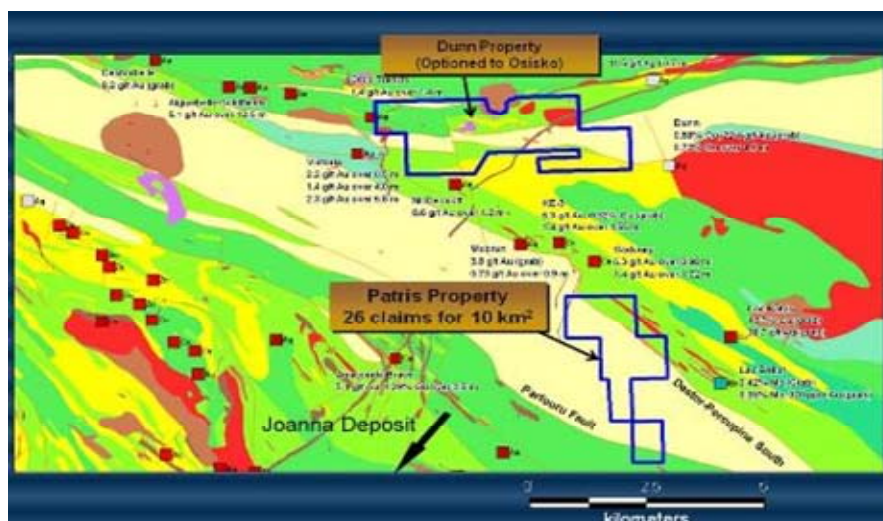
We believe the Patris property offers excellent potential for gold mineralization as it also covers a stretch of the Manneville fault zone, a secondary splay fault that is an offshoot of the well-known Destor-Porcupine fault, a major gold-bearing structure in the Abitibi. Midland Exploration acquired the Patris property by quickly map-staking abandoned acreage following geological compilation and project generation program throughout the Abitibi Greenstone Belt. The gold property is located along the La Pause Fault, interpreted as the potential southeast extension of the Destor-Porcupine Fault, in the Abitibi region of Quebec. The Patris gold property is located about 30km northeast of Rouyn-Noranda and only 5km southeast of the Dunn property. Midland owns 100% interest in 74 contiguous claims covering a surface area of about 2,147ha. The property has been optioned to Aurizon Mines Inc. since December 16, 2010. Aurizon can acquire a 50% interest in the Patris property during a 4-year period following total cash payments of \$230,000; a total of \$3M in exploration expenditures. Midland is the operator until completion of a positive pre-feasibility study. Upon acquiring a 50% interest, Aurizon will have the option to acquire an additional 10% interest by solely financing a bankable prefeasibility study on the Patris property.



## Good Position for Aurizon Mines

The Patris property is about 10km NE of the Joanna gold deposit owned by Aurizon, which is in development phase and would probably welcome another stope. The Joanna gold project contains an indicated and measured global resource of 2.2M oz. of gold and hence the Patris project could be strategically located as potential feed for a central mill facility. The Patris property covers over 4km strike length the faulted contact between sediments of the Kewagama Group and mafic and ultramafic volcanic rocks of the Malartic Group and could host gold mineralization similar to deposits in the Cadillac and Malartic gold mining camps. The Patris property is located near the Porcupine-Destor fault with associated syngenetic intrusions in the northern region, felsic granitic intrusions, ultramafic intrusions and the presence of regional E-W trending faults. In the area, several gold showings occur grading up to 6.3 g/t Au over 1m and 8.6 g/t Au over 1.2m. A compilation of previous work suggests that the faulted contact between volcanic and sedimentary rocks has not been systematically covered by geophysical surveys and has been poorly drill-tested. Recent works include induced polarization (IP) surveys and a first phase 2,111m (12 holes) diamond drill program within ultramafic rocks of the Malartic Group and the sediments of the Kewagama Group. Several gold anomalies associated with structures and deformed pyrite-bearing felsic intrusions with sericite, chlorite, and hematite alteration, were intersected. A 1,500m drill program is on-going.

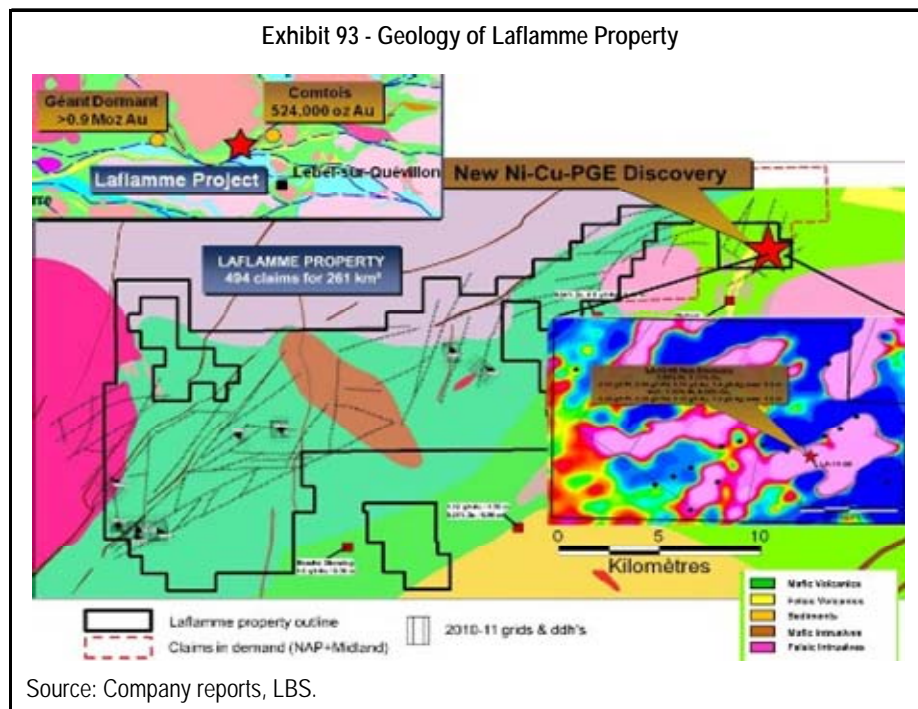
Exhibit 92 - Geology of Dunn and Patris Properties



Source: Company reports.

## Laflamme (Au, Ni-Cu) – the New Flame?

We believe the Laflamme exploration project is prospective for gold mineralization and newly discovered Ni-Cu mineralization. The project is a joint venture with North American Palladium (PDL-T), which holds a 50% interest and may acquire an additional 15% by completing a feasibility study. The Laflamme project consists of 494 claims for a total surface area of about 26,097ha. It is located about 25km west of the town of Lebel-sur-Quevillon in the Abitibi region of Quebec and covers more than 40km along the strike extension of the North American Palladium Sleeping Giant mine (see Exhibit 93). In 2010 and 2011, 12 drill holes totalling 4,353m were completed on the Laflamme property. Midland and its partner have discovered a new mineralized zone containing nickel, copper and platinum group elements (8m @ 0.66% Ni, 0.35% Cu, 0.17 g/t Pt, 0.16 g/t Pd, 0.11 g/t Au and 1.4 g/t Ag) in a previously unknown ultramafic rock sequence about 200m thick in the northeast part of the property. Conversely a new gold discovery in the southwest part of the property returned 9.7 g/t Au and 1.1 g/t Au over a core lengths of 1m associated with altered quartz-pyrite shear zone in a gabbro. We believe the property remains highly untested.



#### Bassignac (Au) – East of Duparquet

Project located along the eastward extension of the Duparquet gold mining camp. Midland positioned itself by map staking when the Duparquet area lighted up with Osisko's implication with Clifton Star Resources. The Bassignac project, located 30km to the north of Rouyn-Noranda, covers more than 5km strike length along the eastern subsidiary extensions of the Beattie-Donchester fault and syenites system. An east-west-trending secondary fault zone from the Destor-Porcupine Fault, which is located just 3.5km to the south, transects the project. This secondary fault marks the faulted contact between conglomerates of the Duparquet Group and volcanic rocks of the Deguisier Formation. The property consists in 32 claims covering an area of approximately 1,494ha in 2 blocks northeast of the Beattie and Donchester deposits (2M oz. Au based on a cut-off grade of 1 g/t Au). The presence of Timiskaming type conglomerates (Duparquet Formation) and similar magnetic features (syenites) as Beattie-Donchester are indicative of a potential fertile gold system. We believe the sector has potential to host porphyry-type gold mineralization proximal to the Destor-Porcupine Fault and could re-lite up with successes of Xmet Inc. (XME-V) or others in the area.

#### Abitibi Project Compilation

Midland has completed major compilations of the Abitibi and has generated other new projects that provide a healthy pipeline of projects.

#### **Detour Area Projects**

#### Casault (Au) – Strategic Project

Midland positioned itself early within the emerging the Sunday/Detour Lake deformation zone (DSDZ) in the Haricana-Turgeon Belt. The Casault project covers more than 8km strike length along the DSDZ, which is the most northerly structural break of the Abitibi that has seen lesser exploration because of the importance of overburden. This major deformation zone hosts the Detour Lake gold deposit in Ontario, about 40km west of the property, where near-surface reserves are estimated at more than 14.9M oz. Au. Midland's (100%), Casault project is in the area where Detour Gold (DGC-T) is building a world-class mine and highlights the areas changed endowment potential. Midland acquired by staking the Casault property that may hold strong gold potential.

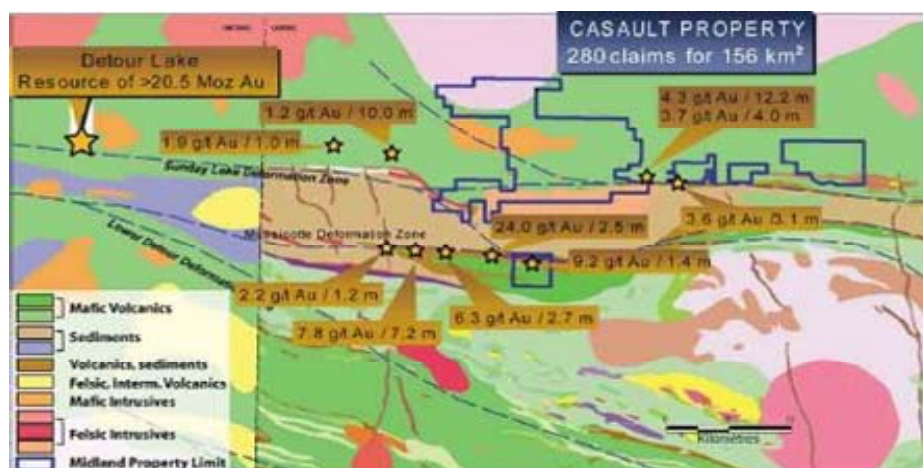




### Good Land Positioning

We believe that Midland's land position has attracted a quality partner such as Osisko. The Casault property is located about 140km north of the town of La Sarre in Quebec and covers about 17,640ha in Martigny and La Peltrie townships. Midland was diligent to recognize certain geological features and to acquire this strategic land position. The project shows many intersections between ductile structures, interpreted from a regional study of lineaments. Also, Midland's detailed compilation of previous work revealed the presence of a major gold-bearing shear zone at the contact between magnetic mafic volcanic rocks and intermediate to felsic volcaniclastic units. Historical drilling along this structure further east yielded grades up to 4.3 g/t Au over 12.2m including 10.7 g/t Au over 0.8m, and 3.7 g/t Au over 4m. This gold-bearing structure, with quartz, iron carbonate, and sericite alteration and pyrite mineralization, extends to the west onto the Casault property, where it coincides with a number of untested induced polarization anomalies that represent priority exploration targets. Midland in early 2011 completed an initial three-hole 670m drill program and has several drill ready targets. Midland's Casault property has attracted a solid partner with the recent agreement with Osisko, which has committed to a \$6M exploration program.

Exhibit 94 - General Geology of Casault Property



Source: Company reports.

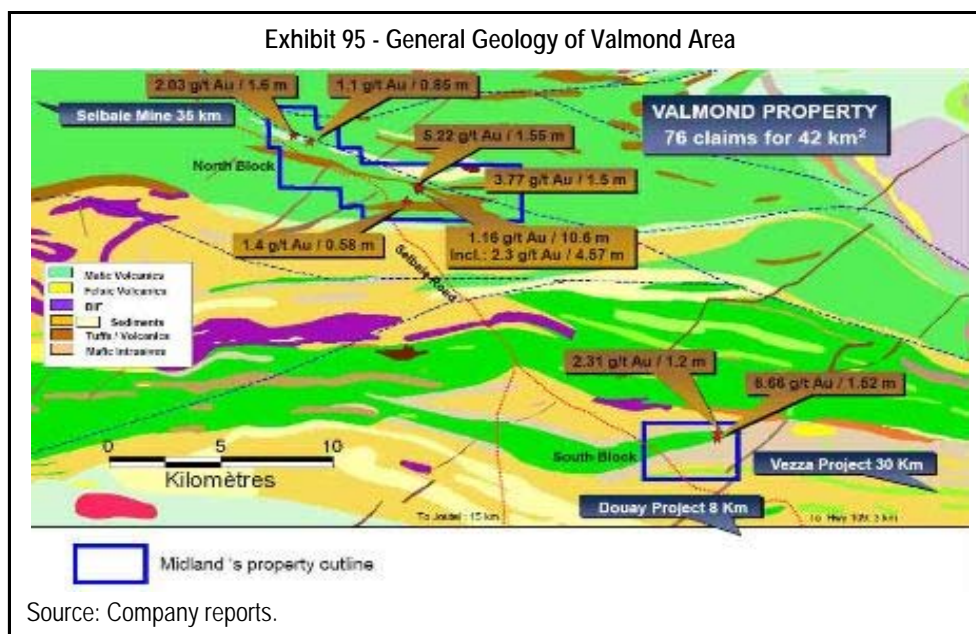
### Valmond (Au) – New Generated Project

The Valmond project is a recent acquisition based on comprehensive compilation and recognition that past works may have not fully tested the subsidiary breaks associated with the potential southeast extension of the Massicotte deformation zone. The Valmond property is located about 50km west of Matagami and consists of 76 map-designated cells covering a surface area of about 4,200ha in 2 blocks (see Exhibit 95). The project is located in the general area of the Vezza and Douay gold deposits. The Vezza deposit of North American Palladium Ltd is host to a M&I resources estimated at 320,900 oz. Au. and inferred resources at 102,100 oz. Au. The Douay gold deposit (1.9M oz. Au. in inferred resources and 265,000 oz. Au. in M&I category) is being advanced by Aurivista Gold Corp. (AVA-V). Both deposits are respectively located about 30km southeast and 8km south of the Valmond Property. The former Selbaie mine, with a historical production of 47.3 Mt @ 1.92% Zn, 0.98% Cu, 40.6 g/t Ag, and 0.6 g/t Au, lies 35km to the west.

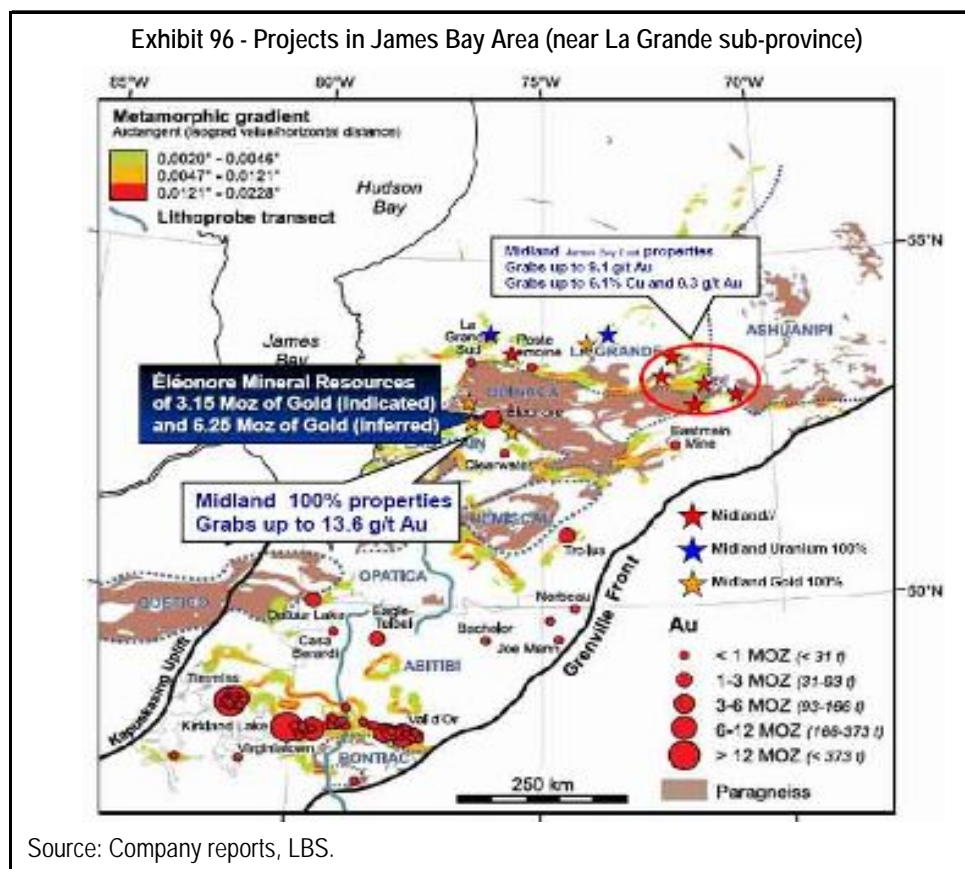


**Interesting Geological  
Potential**

Midland acquired the Valmond property based on comprehensive regional compilation of previous work in this area. The project is composed of two strategic blocks that host several historical gold occurrences for which the strike extensions have seen very little drill-testing. These showings occur over a strike length of more than 10km, near a NW-SE-trending regional ductile structure interpreted as the potential southeast extension of the major Massicotte deformation zone. This NW-SE structure lies between the major Sunday Lake and Casa Berardi deformation zones. The geological setting in this area is characterized by an assemblage of mafic rocks, dacitic tuffs, wackes and conglomerates of the Taibi Group. A summary of the best gold values obtained in historical drill holes suggests values of 1.16 g/t Au over 10.6m, including 2.3 g/t Au over 4.57m; 6.66 g/t Au over 1.52m and 5.22 g/t Au over 1.55m. A gold-bearing structure identified over 300m strike length and opened below 200m vertical depth is a key highlight. Previous exploration work in the Valmond area has also defined numerous gold, arsenic, and base metal anomalies in basal tills, as well as many geophysical lineaments, including electromagnetic and induced polarization anomalies, which have yet to be tested by diamond drilling.

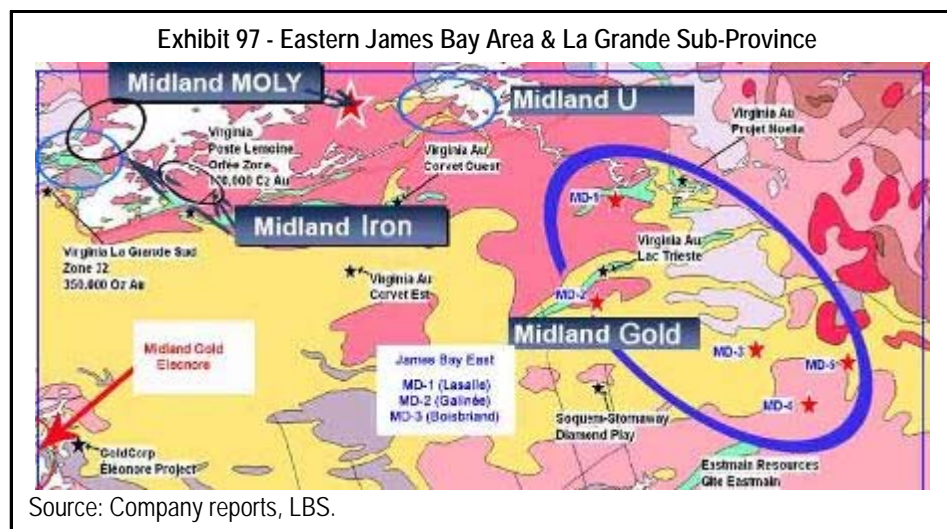
***Excellent Exploration Potential in James Bay*****James Bay Gold (Au)**

Midland holds several projects along the northeastern La Grande-Opinaca boundary, locus of a steep change in metamorphic gradient that we believe is an important emerging metallotect. The gold targets six gold sub-properties (1,174 claims totaling 29,508ha) (MD1 to MD6) which are in an area rich in arsenic-antimony lake-bottom sediment anomalies. Agnico-Eagle previously could earn a 50% interest by funding \$4.5M of exploration works in four years but elected to abandon the project following a phase 1 drilling program totaling 1,520m (10 holes). Drilling works on the Lasalle property targeted the North Whip and Golden Idol showings. Virginia also holds a portfolio of properties in the general area of this LG-4 sector.



**James Bay  
Iron (Fe), Molybdenum  
(Mo), Copper (Cu)**

We believe Midland holds interesting iron, molybdenum and uranium targets in the La Grande geological subprovince. Five molybdenum subproperties (203 claims totaling 103km<sup>2</sup>) in area of interest staked on important lake sediment Mo anomalies near the first significant molybdenum discovery by Sirius Resources in 1997. The claims may hold potential for sizeable porphyry Mo mineralization perhaps enriched by remobilization from polyphased deformation. Midland also holds interesting uranium targets in an overlooked environment. Two uranium subproperties (Ganiq & Ségau covering 249 claims totaling 126km<sup>2</sup>) are located in an area highly prospective for unconformity associated (Athabaska model) uranium deposits. The potential for uranium mineralization is within the unconformity separating the Sakami Proterozoic sediments from the underlying Archean basement. We believe there could be an evidence of spatial and empirical link with major structures (La Grande Structural Corridor) and Proterozoic rocks (Otish Basin) to the east. Finally, in light of the iron ore developments to the east in the Labrador Trough, Midland has taken position on long-term strategic iron formations in the areas of the LG-3 and LG-2. To the west lies the Duncan iron deposit of Augiva Mining Resources Inc. (AUV-V) /Century Iron Mines Corp. (FER-T) with 6 deposits totaling 852Mt @ 24.52%. With potential deep water port being contemplated on the eastern shores of the James Bay, we believe long-term supply routes for iron ore maybe envisioned.



### Eleonore Gold

Midland has assembled positions in the vicinity of the Eleonore world class gold deposit by way of map staking. Positions have relative easy access, available infrastructure and the Eleonore Centre property is located 30km southwest from Goldcorp's Eleonore deposit in a prospective geological environment. Previous surface works in 2009 and 2010 have highlighted the presence of several gold showings with values up to 13.60 g/t Au on selected grab samples. An AeroTEM II geophysical survey was also conducted on the northern part of the property in 2010 and targeted sulfide bearing Eleonore-type sediments. Several EM anomalies still remain untested and unexplained. Midland recently completed a summer prospecting and soil sampling survey. Works have outlined a number of highly prospective mineralized outcrops. The Eleonore Centre property is host several mineralized zones associated with altered mafic metavolcanic units containing sulfide stringers as well as pervasive silicification alteration. We believe this project is gaining value as the Eleonore project advances and works by other parties (Virginia, Goldcorp and Beaufield) are being completed in the area and understanding of the mineralized systems perfected.

### Exploring For Base-Metals

### Gatineau (Zn)

**Regional project targeting zinc mineralization in the Grenville Province.** The Gatineau Zn project is located in the south central part of the Quebec Grenville and represents a large land position with 19 new properties covering more than 330km<sup>2</sup>. Property selection was based on comprehensive geological and geochemical compilation and the propensity of the area to host several zinc occurrences and prospects. Rock assemblages are essentially metamorphosed Middle-Proterozoic marbles of the Grenville Supergroup. The target is similar to the Balmat-Edwards district in upper New York State.

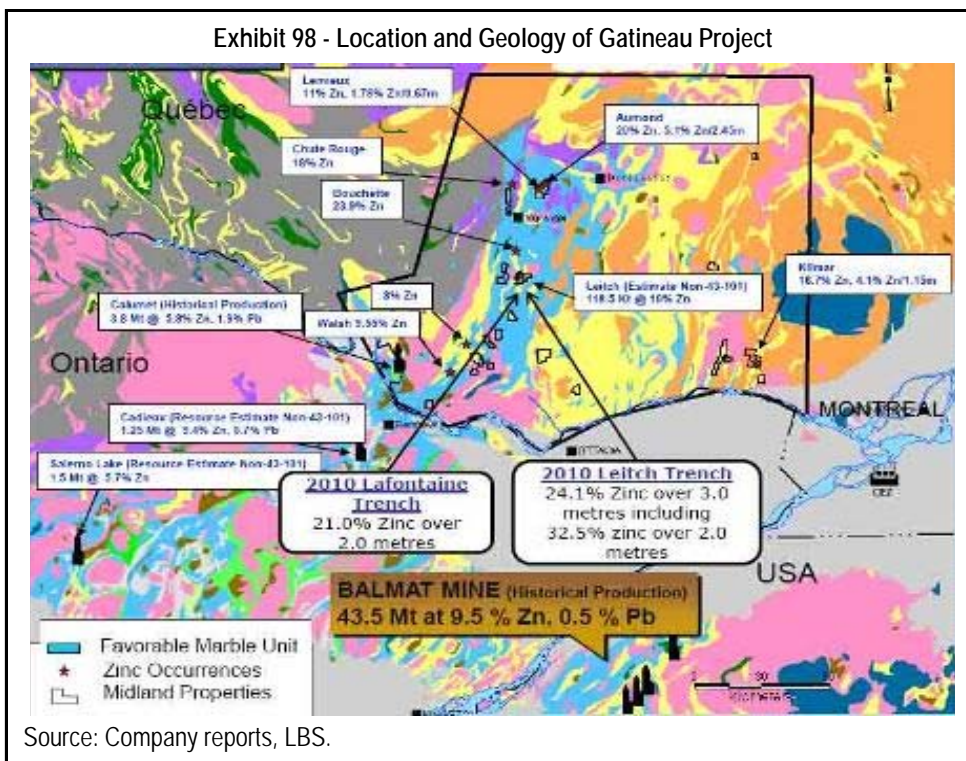
**Work is progressing and could lead to new developments.** Though social acceptance could be a challenge, we believe the excellent infrastructures and road access as well as the proximity of the Valleyfield Zinc (CEZ) refinery, located 150km east, could offer advantages. A drilling campaign totalling 1,984m in 10 holes was completed on the Gatineau Zn Project in partnership with Zincore in late 2010. Targets tested mainly airborne VTEM anomalies located near the Bouchette, Leitch, and Lafontaine zinc prospects. Channel sampling performed previously in two trenches on the Leitch and Lafontaine deposits had respectively returned grades of 24.1% Zn over 3m, and 21% Zn over 2m. With an existing zinc resource at Leitch (118,500 tons @ 10% Zn) and several mineral occurrences, Midland aims to pursue drilling several undrilled VTEM anomalies in vicinity of the significant zinc occurrences. Midland continues to favor key partnership in order to conduct exploration programs. Breakwater Resources and Zincore Metals had the right to acquire up to 50% undivided interest on the Gatineau Zn property. We





believe this combined and accumulated expertise could lead to new zinc discoveries.

The Balmat Camp in upper New York State remains the most important zinc producer in the project area with 43.5Mt @ 9.5% Zn, 0.5% Pb and is a testament that mines can be operated in rural and touristic areas. We believe recent advancements in better understanding the development of the Balmat-Edwards district-wide exploration model provide new concepts. Indeed the new “Parent/daughter orebody” criteria can be applied for exploring new high grade, large tonnage Balmat-type deposits in the underexplored Gatineau area. The Kilmar prospect (with anhydrite) may be an extension of Balmat-Edwards and application of new technology and concepts provide for an interesting play.



## Weedon (Cu)

New technology and good compilation could still provide exciting results in this VMS (“volcanic massive sulfide”) project located in a historical mining camp. The Weedon Cu project is located in the Appalachians in a historical mining camp that has not seen extensive works since the 1970’s. The historical tonnage and grade is approx. 2Mt @ 2% Cu, 3% Zn. These are not NI 43-101 compliant, but the area was a notable copper producer in the 1970’s (Solbec mine (2.06 Mt @ 1.57% Cu, 4.57% Zn, 0.68% Pb, 48.6 g/t Ag, and 0.61 g/t Au), Cupra-d’Estrie mine (2.43 Mt @ 2.74% Cu, 3.28% Zn, 38 g/t Ag, and 0.5 g/t Au), Weedon mine (1.6 Mt @ 2.33% Cu, 0.86% Zn, and 0.56 g/t Au)). We believe the local geological context could suggest an exploration target of polymetallic mineralization (copper-gold-silver) with an initial target of 3-6Mt grading 5% copper equivalent. Surface sampling up to 2.2% Cu, 23.7% Zn, 5.95% Pb and 9.22 g/t Au from selected grab samples in a newly discovered sulfide lens (Lingwick showing) are to be highlighted and several aeroelectromagnetic (VTEM) survey anomalies are unexplained. Drilling targets have been developed in the Lingwick area, principally in the down-plunge of the Lingwick showing. Certain historic untested chargeability anomalies (I.P) locally coincident with soil geochem anomalies may also represent potential drilling targets along the strike extensions of the Lingwick showing.



**Searching for a partner.** The volcano-sedimentary belt of Ascot-Weedon hosts VMS deposits that show similarities with other prolific VMS mining camps such as Bathurst in New Brunswick (150 Mt), Buchans (16.2 Mt) in Newfoundland, and the Bald Mountain, Ledge Ridge and Alder Pond deposits in Maine, USA as well as the Balmat-Edwards zinc deposits. Breakwater Resources could previously earn a 50% interest but walked away in the midst of the 2008 credit crisis. We believe that Midland could find a new partner and begin a drilling program.

### ***Exploring For Rare-Earths***

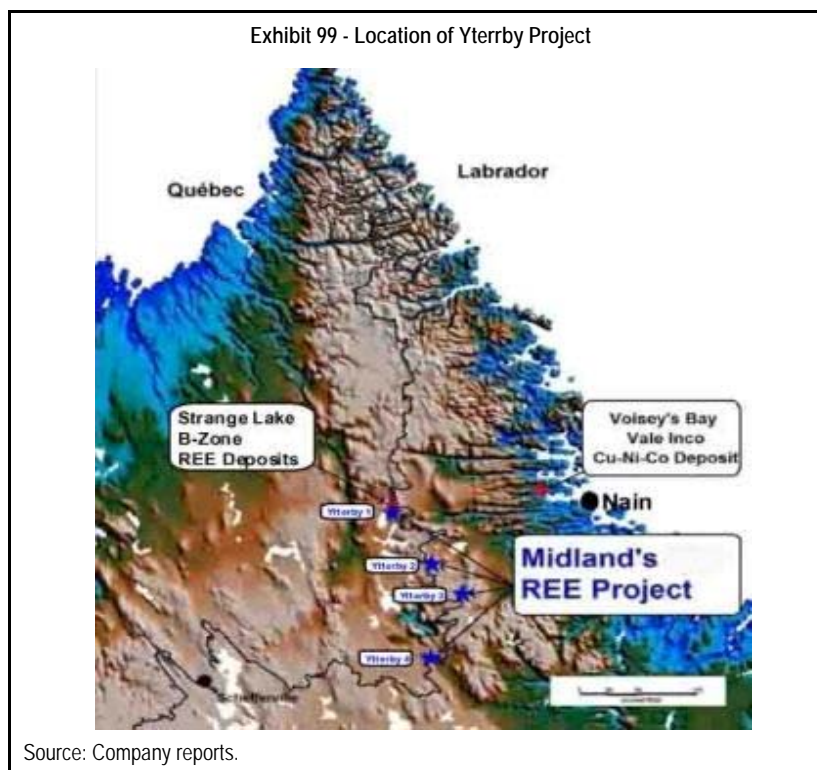
#### **Ytterby – REE Generated Project**

Midland has assembled strategic land positions in the Strange Lake/Misery Lake areas along the Labrador-Quebec border that is strategically located in the vicinity of what could potentially be an emerging rare earth mining camp. The Ytterby acquisition was announced by Midland in mid-September 2009 and was acquired via map staking following a comprehensive compilation of geological data from the area of the Strange Lake Rare-Earth Elements (REE) deposit being advanced by Quest Rare Minerals (QRM-T). Midland announced on March 3, 2010 that it had signed a Memorandum of Agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") that permits JOGMEC to acquire a 50% interest on the Ytterby Rare Earth Project. Consideration for JOGMEC 50% interest totals \$2.7M in exploration expenditures over a two-year period.

#### **Exposure to the Rare Earth Play**

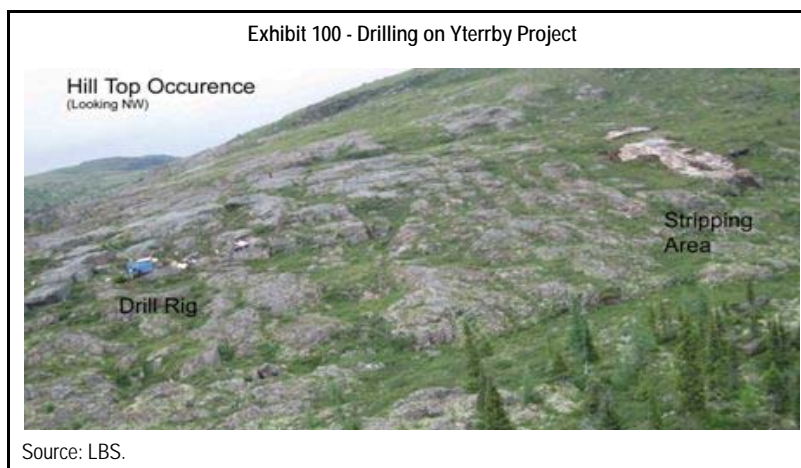
We believe the Ytterby Project land acquisition is strategic in what may be an upcoming recognized conducive setting for other substantial HREE mineralization. The 1,173 claim Ytterby project is composed of four blocks located 175 to 140km northeast of Schefferville that cover over 53,000ha in a potential emerging REE metallic district. The Ytterby Project is named for the Swedish village where many rare earth minerals were historically discovered is located approximately 120km southwest of the Voisey Bay Nickel-Copper-Cobalt Mine. The nearby Strange Lake deposit (historical resources estimated at 52 Mt @ 3.25% ZrO<sub>2</sub>, 0.56% Nb<sub>2</sub>O<sub>5</sub>, 0.66% Y<sub>2</sub>O<sub>3</sub>, 0.12% BeO with REE) may be host to the HREE (Heavy Rare Earth Elements) mineralization. The Ytterby main claim block is well strategically located 5km south of the Strange Lake REE deposit and the B-Zone REE. With this position, Midland controls almost entirely the Napeu Kainiut Pluton which hosts the Strange Lake Peralkaline Complex. Midland's Ytterby claim blocks are all marked by extensive strong unsourced yttrium, uranium, lanthanum and fluorine lake bottom sediment anomalies combined with uranium (eU) and thorium (eTh) airborne radiometric anomalies within the Mistastin Batholith. We believe all these indications point to the presence of systems similar in nature to the Strange Lake Deposit and signifying that Midland's properties have a high discovery potential for intracratonic intrusion-related REE deposits.





#### First Phase Drilling Completed

Midland and JOGMEC recently completed a first drilling program totaling 1,250m, following summer prospection works. We believe that the potential for new discoveries is high within the Yterryby Rare Earth Project and the 2011 drill program could show indications of a fertile system (see Exhibit 100). With JOGMEC, Midland has partnered with a diversified Japanese corporation under the Japanese Ministry of Economics, Trade and Industry (METI) in charge of ensuring a stable supply of nonferrous metal and mineral resources. We highlight that Japan is the largest buyer of REE, purchasing over 50% of China's REE's production and this positive partnership permits an eventual strategic partner with a long term outlook to securing metal stockpiles and access to Japanese end-users. We believe Midland has secured an interesting partnership in Rare Earths and highlights the company's aggressive project generation capability and strategy. We also believe that the Strange Lake area may yet emerge as a world class future source of rare earth metals.





## Appendix VIII – Stornoway Diamond: Strong Portfolio of Projects

### *More Color on Renard*

#### Road Access, Key Element

Road access should allow Renard Diamond Project to be developed and operated with significantly reduced operating risk and be the first diamond mining operation in Canada accessible by road. The Renard project, with its projected mine site (see Exhibit 102) is located approximately 250km north of the community of Mistissini and 350km north of Chibougamau in the James Bay region of North-Central Québec, and falls within the environmental protection regime of the James Bay and Northern Québec Agreement. The project is presently only accessible by air but should be accessible by the 243km Route 167 Extension road. The Route 167 Extension road should be a 70 km/hour two lane gravel-top highway and provide access to the Renard project year round. In 2009 the Québec Government announced major capital funding (~\$130M) towards the construction of the Route 167 Extension, and \$10M for immediate feasibility level studies. The Ministère des Transports (MTQ) completed their Environmental and Social Impact Assessment ("ESIA") and feasibility study in the fall of 2010. The road construction set to begin shortly as on December 7, 2011 the Québec ministère du Développement durable, de l'Environnement et des Parcs ("MDDEP") issued a Certificate of Authorisation for the Route 167 Extension highway development project. We believe the MTQ intends to implement the project in the form of four construction contracts and hence built in 4 segments.

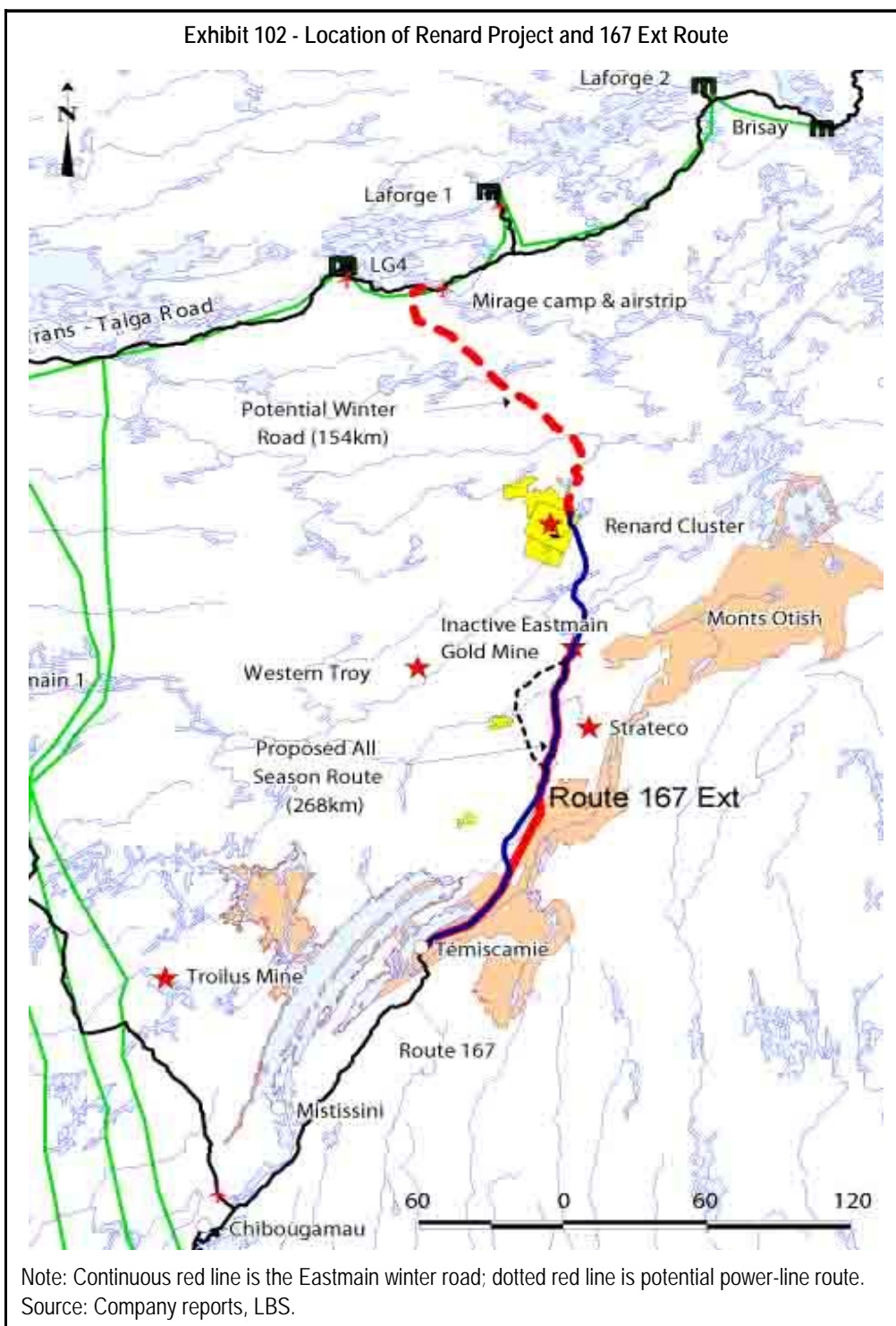
Exhibit 101 - Renard's Planned Mine Site (looking East)



Source: Company reports.



Exhibit 102 - Location of Renard Project and 167 Ext Route

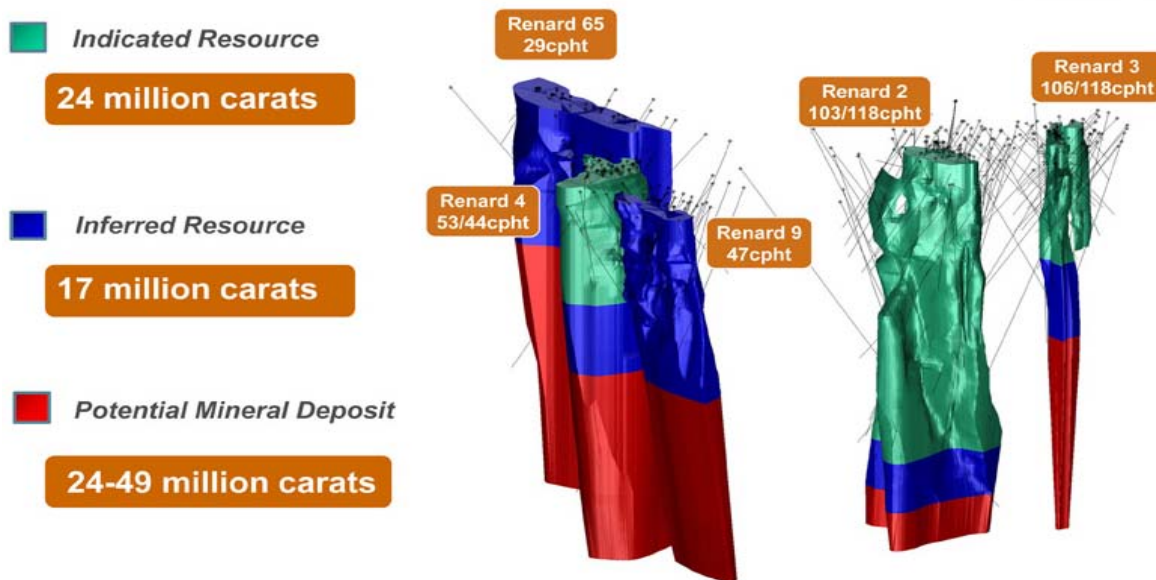




#### More Detail on Renard

The Renard bodies are interpreted to be steep-sided, pipe-like structures with irregular to elongate shapes in plan view. The bodies are part of a late Neo-Proterozoic to Cambrian kimberlite field in eastern Canada. Surface expressions vary between 0.3 ha and 1.67 ha, and the vertical component is notable as defined by current resource modelling (Exhibit 103). The Renard cluster is mainly composed of diatreme-like kimberlitic breccia lithologies and hypabyssal macrocrystic kimberlitic material. The kimberlite pipes can be viewed at sub-surface on the Renard 65 site (Exhibit 104). The Lynx, Hibou, North Anomaly, and Southeast Anomaly dykes are interpreted to be intrusions of kimberlitic material that did not vent to the earth's surface at the time of emplacement.

Exhibit 103 - Visual Breakdown of Renard Resource



Source: Company reports.





Exhibit 104 - Sub-Surface Expression of Renard's Pipes (65 and 4)



Source: LBS.





### ***Interesting Advanced Projects in Nunavut***

#### **Aviat Project (90%)**

The Aviat Project consists of 173,910ha near Hudson Bay, in Nunavut, Canada. The 90% owned Aviat Project is located on the Melville Peninsula of Nunavut and shows an extensive system of kimberlite pipes and near surface kimberlite sheets with significant tonnage and grade potential. A total of 12 kimberlites have been identified within the project composed of 169 claims. In 2008, SRK Consulting provided a conceptual resource identifying a non-NI 43-101 compliant, Potential Mineral Resource, of between 12.4Mt and 16.4Mt at 235 cpht, attributable to only the Eastern Sheet Complex (ESC). Further sampling results were released in March 2011 and 654 commercial sized diamonds were found in a 927kg sample from the AV9 kimberlite. Results with up to a 0.54ct diamond are consistent with previous recoveries and Stornoway intends to move into more advance works on Aviat once financing is completed and construction begins on Renard. We believe that Stornoway should maintain the project in good-standing and could embark into the bulk sampling phase in mid-2012.

In 2008, the AV1 kimberlite pipe returned a mini-bulk sample diamond content of 89cpht. In March 2011, new microdiamond results from the AV9 kimberlite and the related Eastern Sheet Complex ("ESC") were disclosed indicating high diamond recoveries. The new results represented micro-diamond data for over 1t of kimberlite material recovered in the 2008 drilling campaign (9 holes for 1,144m) but only recently processed. In total, 677 diamonds (stones retained on a 0.106mm square mesh sieve) were recovered from 927 kg of drill core from the AV9 kimberlite pipe and a total of 226 diamonds were recovered from 220 kg of drill core from the ESC.

The AV9 pipe measures approximately 45m by 135m and kimberlite has been confirmed to a depth of 175m. The ESC comprises a series of stacked, shallowly dipping kimberlite sheets covering a minimum 260ha area adjacent to the AV9 kimberlite pipe. Sheets vary in thickness between 0.9m and 1.7m average true thickness, and extend from surface to a minimum of 100 m below surface. A 2008 conceptual geological model developed by SRK Consulting (Canada) Inc. included an estimate of total kimberlite in four separate bodies of between 12.4 and 16.0Mt. An estimate of total diamond content, determined using both micro and macro diamond data, was 235 +/- 30 cpht (undiluted) at a bottom cut-off of +1.0mm. The conceptual range of kimberlite and the estimate of total diamond content imply a Potential Mineral Deposit in the ESC of between 24.1 and 40.3M carats of diamonds.

We believe that the Aviat Project is a key pipeline project after the Renard Diamond project.

#### **Qilalugaq Project (100%)**

The Qilalugaq Project consists of 114,965ha near Repulse Bay, in Nunavut, Canada. Stornoway acquired 100% of the project in 2010 in exchange for a 3% gross royalty to BHP and a 3% net smelter return for any other minerals found. Large scale BHP aerial exploration by BHP in 2001 unveiled 11 kimberlites, 10 of which proved diamondiferous. Since taking over operations in 2006, Stornoway has uncovered eight additional kimberlites.

The several phases of exploration using airborne geophysics (magnetics, electromagnetics and gravity surveying) together with property wide till sampling, drilling and limited mini-bulk sampling have discovered diamondiferous kimberlites. The 14ha coalescing Q1-4 bodies are one of the largest known kimberlites in the eastern Arctic and geological modeling of the kimberlite pipe complex suggests the presence of approximately 81 Mt of kimberlite at 27cpht to 33cpht to a depth of 330m below surface. This represents a potential mineral deposit (PMD) of between 21.9 and 26.7 million carats of diamonds. Other drill confirmed pipes range in size from 0.8 to 11.0 ha based on interpretation of geophysical data.



In July 2010 Stornoway discovered a new kimberlite dyke on the project. The 650m long Naujaat 8 body is represented by a linear series of discontinuous occurrences of frost heaved kimberlite fragments and boulders. Naujaat 8 was identified by prospecting in the vicinity of an anomalous till sample, bringing the total number of kimberlite bodies to 19. Stornoway's main focus remains advancing the Renard project, but we can expect some works on the Qilalugaq Project to maintain a strong pipe-line of projects.

### **Strong Pipeline of Grassroot Projects**

#### **Aeon Project (100%), Quebec – Exciting New Project**

The 100% owned Aeon claims were acquired in July 2011 on the basis of regional indicator mineral sampling that indicated the potential for multiple kimberlites or kimberlite clusters within two 10km by 10km source areas. The 49,350ha Aeon Project is located 100km north of the network of Hydro-Québec power stations of the La Grande and the all-season Trans-Taiga Highway. The Aeon project is 300km north of the Renard Diamond Project, within the region of northern Québec governed by the James Bay and Northern Québec Agreement and could conceptually share synergies with Renard. The property has recently highlighted potential for undiscovered and potentially diamondiferous kimberlites. Kimberlite indicator mineral grain counts in anomalous samples with chemistry suggestive of a diamondiferous source are comparable to those associated with the discovery of the Renard Diamond Project to the south. Stornoway has completed a 100m spaced airborne magnetic survey and identified 61 targets compatible with kimberlite pipes. Over 198 till samples have been collected in summer 2011 adjacent to the geophysical targets to allow target discrimination ahead of potential drilling. Stornoway has allocated a 2012 exploration budget for the Aeon project. The high-resolution airborne geophysical survey, detailed till sampling and follow-up prospecting should lead to an interesting 2012 drilling program and potentially to new discovery.

Exhibit 105 - Aeon Project Location



Source: Company reports.

**Pikoo Project (100%),  
Saskatchewan**

The **Pikoo project** is located in central Saskatchewan, 140km east of La Ronge Saskatchewan and 100km west of Flin Flon Manitoba. The 33,374 hectare Pikoo claims were initially acquired in February and March 2011 and are accessible by an all-season road to the community of Deschambault Lake within 6km of the property's southern boundary. The 100% owned Pikoo claims were acquired on the basis of indicator mineral sampling in the Sask craton in north-central Saskatchewan that indicated the potential for multiple kimberlites or kimberlite clusters within a 15km by 20km source area. The Fort a la Corne cluster of kimberlite pipes are located approximately 220km to the southwest. In September 2011, Stornoway undertook a high-resolution airborne geophysical survey at the property and identified 102 prominent geophysical targets. The company has conducted follow-up prospecting and detailed till sampling on high-priority targets in preparation of a 2012 drilling campaign. As with the Aeon Project, no kimberlites in this area have been discovered previously and their identification would represent a significant new discovery in Canadian diamond exploration.

**Hammer Project (75%),  
Nunavut**

In October 2009, Stornoway announced the discovery by surface pitting of the **Hammer kimberlite at the Hammer Property, Nunavut**. Hammer is a joint venture between Stornoway (75% and operator) and North Arrow Minerals Inc. (NAR-V; 25% participating interest), and was first identified as a topographic anomaly at the head of a kimberlitic indicator mineral train with strong diamond inclusion chemistry. The 1,014ha Hammer Project is located approximately 500km north of Yellowknife, Northwest Territories within the Coronation Gulf/North Slave Diamond District. Upon discovery, a single micro-diamond was recovered from a 6 kilogram hand sample recovered from the surface pits. During the summer 2011 field season, Stornoway and North Arrow completed 21 short delineation holes at Hammer for a total of 1,800m of core drilling and 930m of kimberlite for logging and diamond recovery. The Hammer kimberlite appears to have an elongated surface expression of approximately 0.4ha, a confirmed depth extent of at least 200 meters, and to be composed of olivine-rich variably bedded volcanoclastic kimberlite. 200kg of core sample has been submitted for microdiamond recovery, and an additional 3.4 tonnes of core will be processed through a dense media separation facility for macro-diamond recovery. Adjacent to the Hammer Property, past surficial sampling work has suggested the presence of other kimberlite bodies that have yet to be discovered. During the 2011 field season Stornoway collected additional till samples in these areas and discovered kimberlite float boulders during ground prospecting. However, two short holes drilled to discover the source of the "Eokuk" indicator mineral train failed to intersect kimberlite. Within the Coronation Gulf/North Slave Diamond District, Stornoway holds variable interests in ten known kimberlites. As part of a review of this historical database, additional samples have been submitted for microdiamond recovery from several kimberlites with a view to testing for hitherto overlooked economic potential.

**Timiskaming Project  
(100%)**

The Timiskaming Project consists of 75,000 acres on the Quebec border, in North-eastern Ontario, Canada. Six pipes have diamondiferous indications, including the 95-2 pipe where a mini-bulk sampling program was conducted between 2003 and 2004. Revisions to the geological model and diamond data for 95-2 are in progress.

**LG-4 Consortium  
(25%)**

**Early grass-root project located between Renard and Aeon, the project is a joint-venture with SOQUEM Inc., Aurizon Mines Ltd. and Virginia Mines Inc.** The property comprises 27 blocks of claims for a total of 236 claims. The property is a result of a modelling exercise conducted by the Mineral Exploration Research Consortium ("Consorem"). Under the agreement, Stornoway Virginia, SOQUEM and Aurizon have jointly acquired, in 2010, by map designation of claims with Quebec Ministry of Natural Resources and Wildlife, all mining claims forming the LG-4 property. Partners to the agreement contributed equally to the joint venture giving each of them a 25% participation. Virginia Mines is the manager of the joint venture.



### **Short words on diamonds and kimberlites**

#### **Contracts Encouraging, Revenue Model Evolving**

**“Diamonds are Forever”... cliché term that is derived from the fact that diamonds are the hardest substance known.** Diamonds which is pure carbon can paradoxically be broken relatively easily as oppose to graphite, one of the softest minerals and a polymorph of diamonds, is smeared.

Diamond crystal structures are created when carbon is subjected to great pressures (between 45 and 55 kilobars) and high temperatures (1,050 C to 1,200 C) and hence diamonds are formed deep below the Earth's crust, in the upper mantle. Though diamonds can also be produced synthetically, value is derived from their natural scarcity.

On the Earth's surface, diamonds are found in unusual intrusive ultramafic igneous rocks or in placer and paleoplacer concentrations. In these deposits, diamonds are not hosted by the upper mantle rocks, namely peridotite or eclogite, in which they primarily formed. The ultramafic igneous rocks that contain diamonds at the Earth's surface are kimberlites or lamproites. Kimberlites are volatile-rich (containing H<sub>2</sub>O and CO<sub>2</sub>) potassic, ultrabasic rocks which have an unequigranular grain size, with macrocrysts (magmatic crystals and rock-crystal fragments measuring 0.5 to 15 mm across) and megacrysts (greater than 2 cm and up to 20 cm across) set in a fine-grained matrix

Diamonds are carried in kimberlites explosively from the lower crust or upper mantle to the earth's surface as xenolithic crystals, or xenocrysts. Essentially, kimberlites pick up diamonds from their host rock and carry them upward acting as a high-speed elevator. Diamonds go through the pressure-temperature transition from the depth to surface so quickly that they can't revert to graphite and it is their great hardness that allows them to survive the explosive intrusion. When kimberlites are found, tonnage, grade and quality are determined. The ore is crushed and diamonds, because of their hardness, are readily separable.

Diamonds fall into one of four categories. They are, in order of decreasing value: i) gem, ii) near-gem, iii) industrial and iv) boart. Individual diamonds are measured in carats (1 carat equals 0.2 gram), whereas the grade of diamondiferous rock is expressed in carats per tonne (or carats per 100 tonnes). Highly variable grades can make the value of ore in US dollars per carat quite unpredictable and require, contrary to metallic commodities, considerable works to define the quality of the diamond population even before to ascertain a mineral resource.

The major diamond producing nations are South Africa, Botswana, Australia, Russia and Zaire and since the late 1990's Canada. Over 6,000 known kimberlite and lamproite occurrences have been discovered, of which over 1,000 are diamondiferous. Some of the well-known diamondiferous kimberlites/lamproites currently being mined include Argyle (lamproite) in Australia; Orapa and Jwaneng (kimberlite) in Botswana; Jubilee, Udachnaya and Mir (kimberlites) in Russia; Venetia (kimberlite) in South Africa, and Ekati and Diavik (kimberlite) in Canada.

Economic diamond kimberlite and/or lamproite pipes range from less than 0.4 ha to 146 ha, with the maximum size being more than 200 ha (for example, Catoca, Angola). Diamond grades can range from 3.5 carats per hundred tonnes to 600 carats per hundred tonnes.

**With Anglo American PLC recent acquisition of 40% of De Beers (US\$5.1-billion in cash), we believe the latter is poised to be the new leader in the diamond-mining industry.** The land mark deal promises to transform the business and signals Anglo American perception that the diamond market is poised for good things.

Since its early years in the 1870s, Johannesburg-based De Beers has been the global leader in diamond mining with about 40% of the market today. De Beers' influence on the marketing side is renowned with the phrase “A diamond is forever” one of its iconic slogans. Historically, De Beers has fostered a monopoly in diamond marketing and Anglo American's emergence may lead to a more open process that could sustain higher prices.



## Appendix IX – Virginia Mines: Exploring In James Bay

### *La Grande 2/3 Sector*

The La Grande 2 and La Grande 3 (LG2/LG3) portfolio of properties is located to the north of the Eleonore deposit. This is the initial area where Virginia focused on and where in 1997 it discovered the Zone 32, part of a 350,000oz mineral resource on the La Grande Sud project. The LG2/LG3 area is composed of more than 5 properties totaling 857 claims for 43,861ha. and sits favourably within the areas of Hydro-Quebec's important hydroelectric infrastructure. The area had lost attention following the discovery of the Eleonore project; however, in light of its relative proximity to the future Eleonore mill, we believe the area could see renewed interest. The area is host to several mineralized prospects within the greenstone belt of the La Grande Sub-Province. The La Grande Sub-Province consists of an ancient tonalitic bedrock (Langelier complex), volcanosedimentary sequences (Yasinski Group), and of multiple ultramafic to felsic intrusions. Also known for uranium anomalies associated with proterozoic rocks of the Sakami formation (representing a younger proterozoic sedimentary basin formed with quartzitic arenite and red sandstones), the area is emerging a polymetallic domain.

**Key projects remain the La Grande Sud and Poste Lemoyne Extension (PLEX).** In September 2010, Virginia optioned the La Grande Nord project to Shield Gold, which can acquire a 50% participating interest in consideration for \$1M in exploration works over a five-year period. Around the same time, Virginia also announced the signing of a strategic alliance with Wemindji Exploration Inc. with aim of conducting geological reconnaissance, sampling, and exploration work on over 5,000 km<sup>2</sup> of the James Bay territory. We believe this type of generative works with partners could lead to new discoveries.

#### **La Grande Sud – To Be Revisited?**

**The La Grande Sud property is host to several gold-bearing zones and contains a 350,000oz. Au Inferred resource.** The La Grande Sud property is located 70km southeast of the town of Radisson. Virginia holds 100% of the mining rights while Orezone Resources ("Orezone") holds a 1% NSR royalty, half of which (0.5%) can be bought back for a \$500,000 payment to Orezone. The project is located in the La Grande volcanic belt and encompasses a historical Inferred resource of 350,000 oz. Au on Zones 32 and 103. At a 0.5 cut-off grade, tonnage is 7.18 Mt @ 1.5 g/t Au and 0.17% Cu. Discovered in 2002, zone 30 with 47m @ 2.1 g/t Au remains open at depth. Virginia's last drilling program in late 2009 (7 holes totaling 1,963m) aimed to test the possible extensions of Zone 30. Holes intercepted the mineralized zone in large thicknesses but without significant grade improvement. (0.77 g/t Au over 37m). All gold zones are associated within a tonalite (an ovoid synvolcanic pluton) and though potential to increase resources in zones 32 and 103 are limited, we believe future development of Goldcorp's Eleonore mine could justify reassessing the La Grande Sud project. Also, the current gold price environment and new geological models may justify revisiting the project. We understand Virginia may plan a 3,000m drill program for 2012.

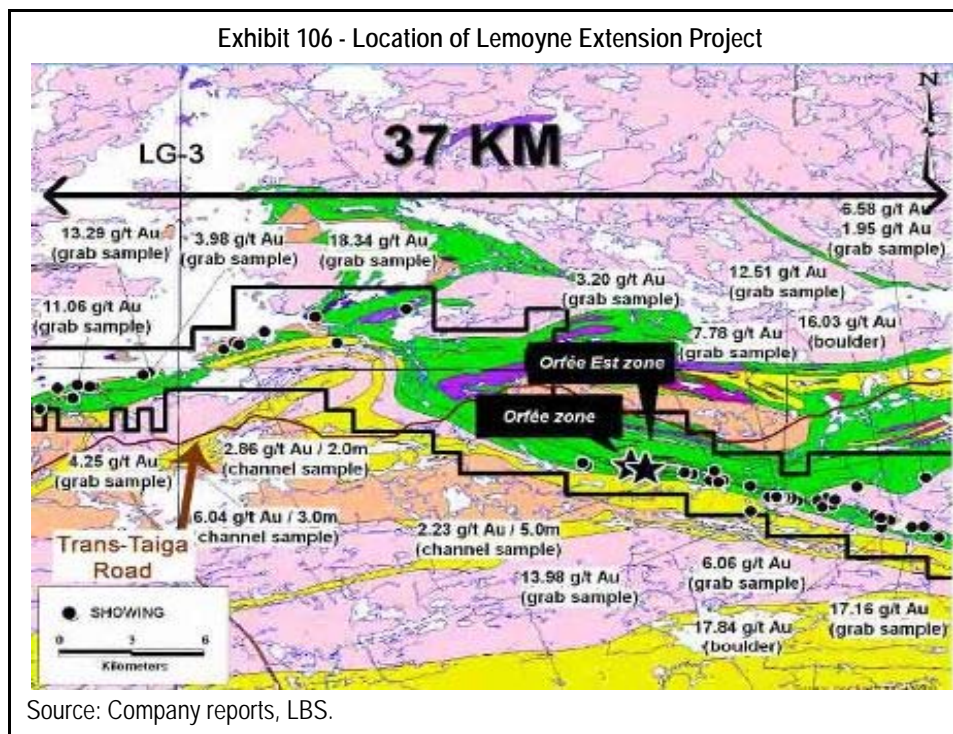
#### **Poste Lemoyne Ext – Large Land Package**

**A fully-owned property favourably located in the La Grande sector of the James Bay area.** The Poste Lemoyne Extension project ("PLEX") is located approximately 10km west of the Hydro-Québec Poste Lemoyne substation on the Trans-Taiga road. The project consists of 605 map-designated claims owned by Virginia covering 117km<sup>2</sup> and GlobeStar Mining retains a 1% NSR on certain claims (112 claims). Virginia has the right at any time to buy back 0.5% of this royalty for \$500,000. The Poste Lemoyne property is located at the border of the La Grande and the Opinaca sub-provinces within volcano-sedimentary sequences from the Guyer Group. The Opinaca sub-province is characterized by metasedimentary and plutonic sequences and the contact between the two sub-provinces is defined by a deformation zone.





The PLEX property is host to the Orfée Zone, containing resources totaling 95,000 oz. Au. A resource calculation on the Orfée Zone led to the estimation in 2003 of 203,483 tonnes grading 14.5 g/t Au for an Inferred resource of 95,000 oz. of gold using a minimal width of 3m and an upper cutting level of 90 g/t Au. Diamond drilling in 2002 yielded the following: 9m @ 34.79 g/t Au 11.65m @ 43.09 g/t Au, 13m @ 14.13 g/t Au and 3.82m @ 24.48 g/t Au. A work program carried out in December 2006 and January 2007 included 11 diamond drill holes totaling 3,803m. The best result was an intersection of 2m @ 28.73 g/t Au (uncut), thus extending the vertical continuity of the high-grade zone by an extra 60m to a depth of 310m. Subsequent 19-hole totaling 5,564m and 18-hole totaling 3,331m diamond drill programs were completed in other areas of this vast property. Virginia carried out, in the winter of 2011, a new drilling program (13 holes (totaling 4,020m) that targeted a strong kilometric till gold anomaly associated with a porphyric diorite intrusion. Metric to plurimetric corridors altered in sericite and silica containing up to 10% disseminated pyrite were intercepted and yielded anomalous gold values of 1.49 g/t Au over 5m and large halos with 0.5 g/t Au over 15.25m and 0.39 g/t Au over 60m, as well as metric high-grade intersections of 6.68 g/t Au over 3m and 12.91 g/t Au over 1m. We believe key points are that Virginia owns a sizeable land position in a fertile environment that has not been drilled at depth. Virginia should drill approximately 2,500m in 2012.



Source: Company reports, LBS.

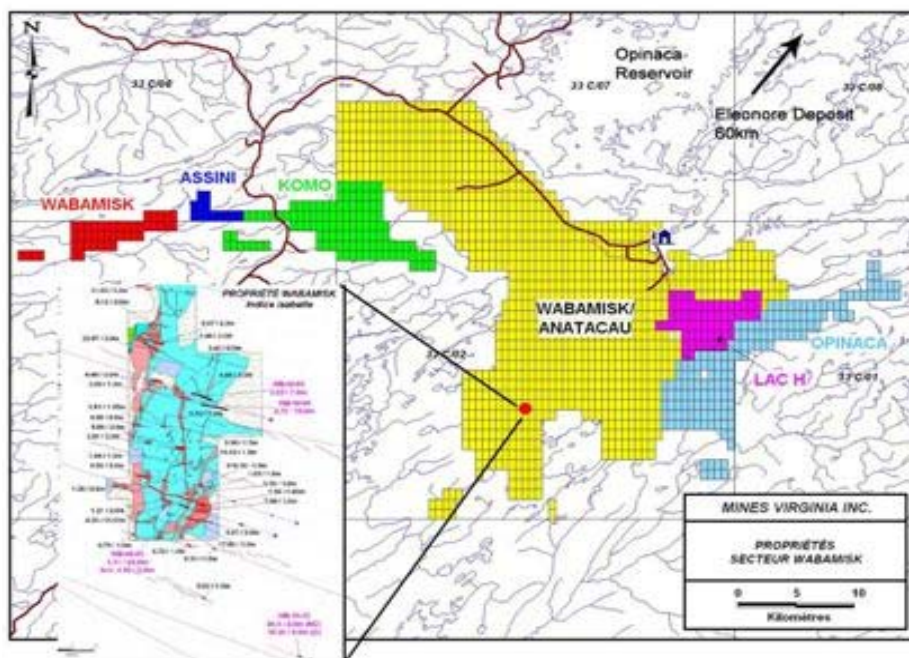


### Eastmain-Opinaca Sector

#### Anatacau-Wabamisk Ext – Vast Property Giving Dominant Land Position

The key Anatacau-Wabamisk Ext projects are located to the southwest of the Eleonore deposit. We note that Virginia is acquiring IAMGold's 100% interest in Anatacau for \$3M in exploration work until December 2015. The Anatacau-Wabamisk property, coupled to the west with the Assini and to the east with the Opinaca property, where Virginia can earn a 50% interest, form an 80km strike length transect that Virginia now controls entirely. In April 2011, Virginia acquired four new properties, notably the Komo, Wabamisk, Lac H, and Opinaca properties. These properties significantly increased its land position within the Eastmain Achaean volcano-sedimentary belt. The agreements with Ressources D'Arianne Inc. were the issuance of over 131,000 common shares and considerably expanded to the east and west the Anatacau-Wabamisk property. Certain of these sub-properties have been merged. The Anatacau and Wabamisk projects and the Assini and Opinaca projects are located in the area to the south of the Opinaca Reservoir that might be emerging as a potential mineral belt associated with epigenetic gold mineralization, which is similar to that of the Roberto zone of the Eleonore project located 65km NE.

Exhibit 107 - Location of Claims in Anatacau-Wabamisk Area



Source: Company reports, LBS.



#### Works on Isabelle

From 2005 to 2007, Virginia carried out successive prospecting and geological mapping programs on the Anatacau-Wabamisk property that led to the discovery of the Isabelle showing (channel values up to 4.2 g/t Au over 13.6m) and Franto showing (4.82 g/t Au over 4m). Drilling intercepts in early 2010 on the Isabelle showing returned values (true thickness) such as 18.26 g/t Au (cut) over 2.3m, 5.89 g/t Au over 1.8m and 2.75 g/t Au over 7.5m within a north-south oriented decametric silicified biotite rich envelop. Following the 30-hole (4,210m) winter 2010 drilling program, geological mapping and mechanical stripping in the summer of 2010 extended 25m to the north the Isabelle showing. Recent works were helpful in better defining the geology and confirming that the gold potential in the Isabelle area remains significant as Isabelle-type sediments were mapped up to 4km SSW. A limited 6-hole drilling program totaling 1,272m was completed in the winter of 2011 on the Anatacau-Wabamisk project to test the vertical extension of the Isabelle showing at depths of 75 to 125m. Despite Isabelle-type mineralized intervals, holes failed to return significant gold values except a disseminated sulphide zone in hanging wall sediments that yielded 15.03 g/t Au over 1m. We believe that more drilling is eventually warranted. Recent surface works in the summer of 2011 work focused on prospecting, mechanical stripping, and geological mapping and led to the discovery of new gold showings in the northeast portion of the Anatacau-Wabamisk property, nearby the south shore of the Opinaca Reservoir and further west along the Eastmain River. Overall, these showings consist of arsenopyrite disseminations (10-15%) often located at the border of centimetric to metric quartz veins, within wackes and/or tuffs altered with amphibole. We believe this type of environment could again be quite similar to the Eleonore context, though initial channel samples (3g/t Au over 0.2m) are very modest. The overall geological environment should warrant more investigation as Virginia is just scratching the sub-surface.

#### Eleonore-Regional Properties (Au)

The Eleonore-Regional project is a portfolio of various gold sub-properties surrounding or in the vicinity of Goldcorp's Eleonore property. Roberto-type gold mineralizations are potential targets. The Eleonore Regional properties claims total 844 for 44,135ha. It was back in 2001 that Virginia carried out regional reconnaissance work in the Opinaca reservoir area that led eventually to the discovery of the Roberto deposit on the Eleonore property. From summer 2005 to summer 2010, Virginia conducted prospecting, geological mapping, and glacier till sampling on the Eleonore Regional properties. Works have revealed several areas of interest defined by the presence of mineralized occurrences and/or till samples anomalous in gold. We believe the project has a good potential for Roberto-type gold mineralization. The Eleonore-Opinaca project was object of recent prospecting, mechanical stripping, geological mapping and soil geochemical surveys. As vast land is under the Opinaca reservoir, patience may lead to discoveries in the long-term as we believe that the Eleonore deposit is not the only one out there.

#### Sarcelle

The Sarcelle project is a recent addition with 596 claims in the greater vicinity of the Eleonore project. The project is located in the Opinaca Reservoir area in a geological context that Virginia has recognized as a potential host of Eleonore-type mineralization. The property expands Virginia's foothold in the Opinaca sector.



## ***Caniapiscou Sector***

### **Lac Pau – the Next One?**

The Lac Pau property is entirely owned by Virginia and IAMGold holds an option to acquire a 50% interest in this compelling exploration project. The Lac Pau property is located 70km to the northeast of the Trans-Taiga all season road. The property remains relatively accessible via a 65km summer gravel road that is northeast of the Trans-Taiga all-season road that connects extensive Hydro-Quebec infrastructure and has an airstrip. In the summer of 2009, Virginia discovered an extensive gold system on the Lac Pau Project located in the northern part of the Caniapiscou reservoir. Manual stripping and channel sampling, carried out on three gold-bearing sectors (Tricorne, Obiwan and Beausac-2 showings) returned interesting gold intersections such as 10.74 g/t Au over 4m, 5.61 g/t Au over 3m, 0.77 g/t Au over 19.7m, and 2.18 g/t Au over 7m. Since June 2011, IAMGold has the option of acquiring a 50% undivided interest in the Lac Pau property in consideration of cash payments totaling \$130,000 and \$6M in exploration work to be carried out in the next 7 years. Virginia is the operator of the project.

### **Emerging Play**

The Lac Pau property is located in the northern reaches of the Ashuanipi Complex and covers 34,860ha in a poorly explored area of the eastern James Bay. The property covers the Lac Pau auriferous corridor, a major structure followed over more than 12km separating intrusive rocks of the Beausac Suite and paragneisses of the Grosbois Suite. Previously object of surface and sub-surface works conducted by Virginia, recent works with its new partner IAMGold consisted of geological mapping on the cut grid, detailed structural mapping, and additional channel sampling on the Jedi and Tricorne showings as well as of a lithogeochemical sampling of the main geological units of the property. Mapping work has allowed to better define the main characteristics of the gold mineralization of the Lac Pau property. The mineralization lies within a specific feldspar porphyry unit (FP) variably altered, deformed, and metamorphosed. Common alterations include silification, chloritisation, potassic alteration, and alkalis leaching. The mineralization is in the form of metric to plurimetric disseminated sulphide zones ( $\pm 10\%$  pyrrhotite and pyrite) frequently associated with higher concentrations of pegmatitic material.

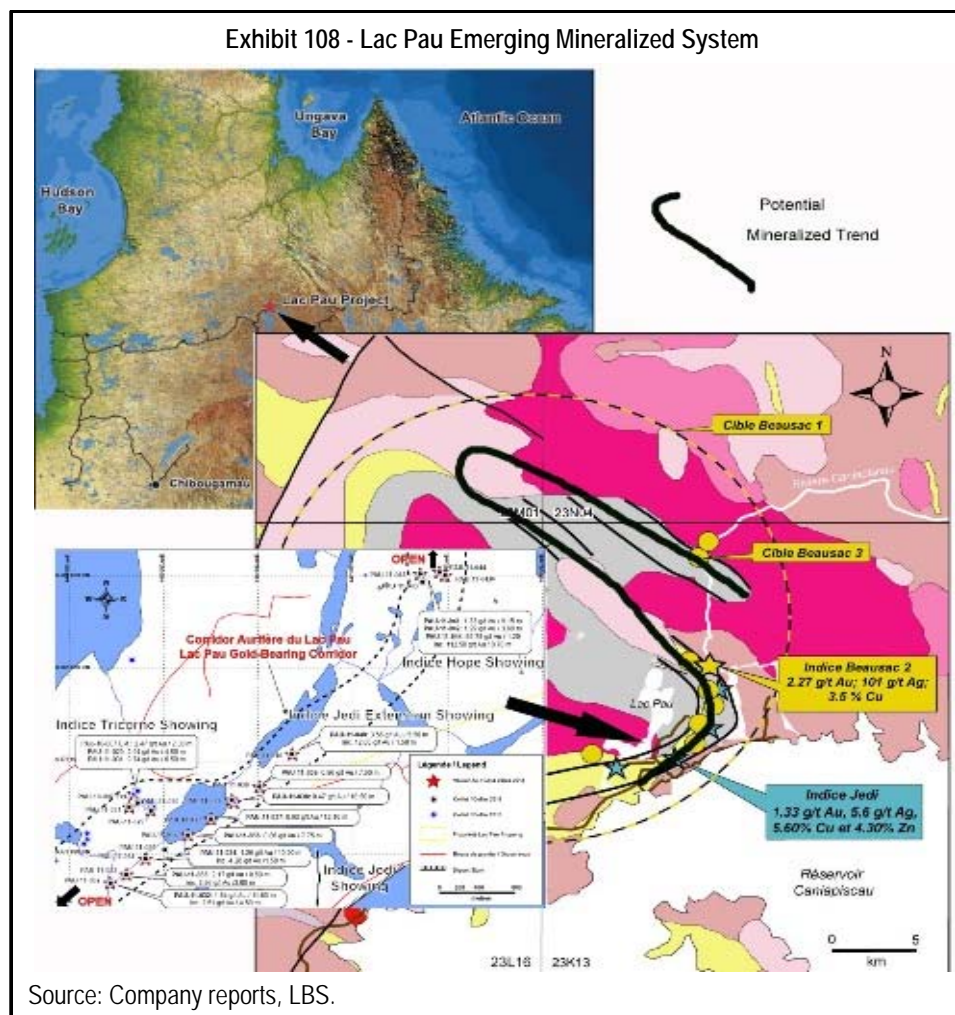
### **Room to Drill**

Drilling programs in the winters of 2010 and 2011 totaling 2,776m and 3,000m, respectively, permitted to highlight an emerging gold system. The fertile auriferous structure is host to several significant gold showings, including the Tricorne Showing (up to 3.43 g/t Au over 6m in drilling); Jedi showing (up to 2.35 g/t Au over 6m in channel); Hope showing (2.27 g/t Au over 10m including 3.91 g/t Au over 5m, and 13.04 g/t Au over 3m in channel). **The Jedi and Hope areas have generated several intersections of economic interest, and these intersections remain totally open laterally and vertically.** A series of nine holes (PAU-11-032 to 040) tested at shallow depth the Jedi showing and its northeast extension over a lateral distance of 2.4km and according to a spacing of 100 to 300m. All holes testing this portion of the Lac Pau corridor intercepted significant auriferous intervals. Hole PAU-11-040, located to the northeast end of this tested segment, yielded the best results with an intersection grading 3.56 g/t Au over 5.5m including 12.05 g/t Au over 1.25m. Other intersections were obtained along this fertile auriferous segment and vertical continuity of the mineralization has been confirmed by drill holes.

### **Mineralized Trend Open**

We maintain that the sector has great exploration potential as attested by the NE-SW deformation corridor that extends perhaps over 30km. We highlight that disseminated sulphide mineralization is oriented parallel to probable deformed tonalitic intrusion and highlight that recent out-of-grid reconnaissance work led to the discovery in the northwest part of the property of two new altered tonalite outcrops, about 20km from the known main showings and appear supported by recent MAG data. We believe these new outcrops suggest that the auriferous system of the Lac Pau continues beyond the current known limits. Many portions of kilometric extension of the Lac Pau corridor remain practically unexplored and will eventually have to be tested by systematic stripping and drilling. A new diamond drilling program (up to perhaps 3,000m) is planned for the winter of 2012.





### Ashuanipi – Polymetallic Potential Away from the Trodden Paths

Virginia has discovered several interesting polymetallic showings within little explored Archean volcanic belts. The Ashuanipi project (100 % Virginia but where Anglo-American can earn a 50% interest) is located in the south part of the Caniapiscau reservoir region, about 180km to the northwest of Fermont in the Labrador/Cote-Nord. The property covers an Achaean volcano-sedimentary belt, which consists of lithological units that relate, in texture and composition, to the units enclosing sulphide-massive lenses discovered on the Coulon project. Several areas anomalous in Au-Ag±Cu±Zn±Pb (erratic blocs and outcrops) have been discovered in a VMS mineralization context. The property is also host to Cu-Mo-Au mineralization that may be indicative of porphyry systems. The property is accessible by the Trans-Taïga Road, up to the Brisay hydroelectric station operated by Hydro-Québec, and then from a gravelled seasonal road, serving the dams in the southwest of the Caniapiscau reservoir.

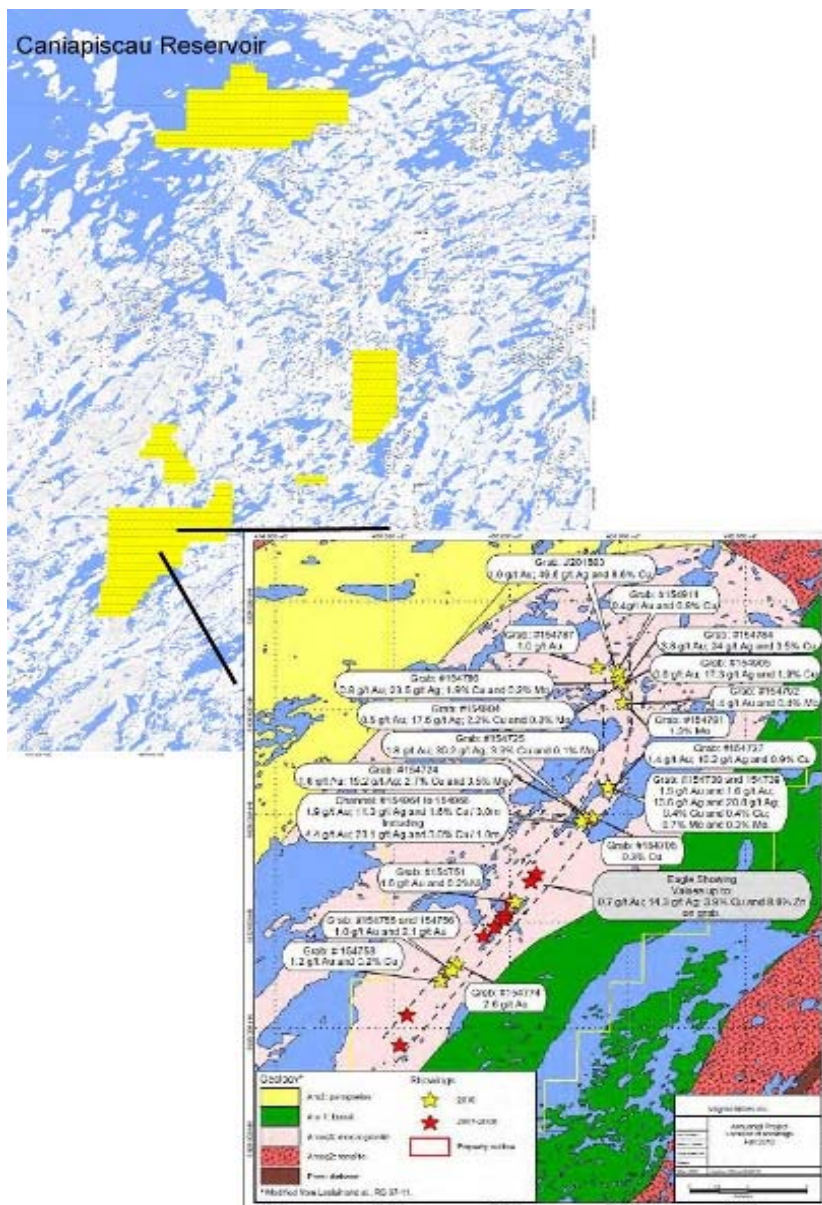




Tracts with Lower  
Degree of  
Metamorphism Opens  
Possibilities

Mineral discovery has been discounted in the past as the Ashuanipi complex was viewed as too highly metamorphosed. The sector is located in the Achaean Superior Province and rocks belong to the metamorphic-plutonic complex of Ashuanipi, which is mostly composed of diatexite formed by granodiorite with local inclusions of migmatitic paragneisses and iron formation. The property is characterized by the occurrence of bimodal metavolcanic sequences and plutonic rocks, paragneiss units, alumino-silicate paragneiss, iron formation (silicate, oxide and sulphide), as well as a series of post-tectonic intrusions associated with intense magnetic anomalies. The prospected area lies mostly in the lithotectonic domain of Caniapiscou, which differs from the Ashuanipi complex, with a generally lower degree of metamorphism and hence favorable to mineral discovery. Paragneiss horizons injected by plutons and sills of tonalite, syenite or monzonite could offer gold mineralized systems. The mineralization revealed to date is mainly pyrrhotite-pyrite  $\pm$  sphalerite  $\pm$  chalcopyrite  $\pm$  galena stringers and disseminations over widths of 1 to 3m associated with a déca-kilometric structure. Prospecting has led to the discovery of kilometric-long mineralized zone of disseminated chalcopyrite (5-15%) and molybdenite (2-10%) with widths of up to 15m within a granodioritic gneissic intrusive. We view the project as testament of Virginia's capacity to generate new projects off the trodden path.

Exhibit 109 - Location of Ashuanipi Area Project



Source: Company reports, LBS.



## **La Grande 4 Sector**

<b>Assembling a Foothold</b>	Virginia has several projects along the northeastern La Grande-Opinaca boundary, locus of a steep change in metamorphic gradient. The Nichicun, Escale, Trieste, Noella, Corvet-Est, Wahemen and Penelope, among others, represent approximately 3,412 claims totaling 172,513ha/ We believe they highlight the emergence of a potential new mineralized district.
<b>Nichicun (Au)</b>	<p>The Nichicun property is a relatively new addition to Virginia's extensive portfolio and systematic exploration works are defining an interesting gold target area that could bear some similarities with Eleonore. The property is located 50km south of the Trans-Taiga road (100km south of the Fontanges airport), in the LG-4 sector of the James Bay. Virginia has carried out recent work programs that included prospecting, geological mapping and mechanical stripping that have highlighted a favorable environment for gold mineralization.</p> <p>Several gold values were obtained from a sedimentary unit highly altered with quartz-biotite-tourmaline-actinolite and disseminated arsenopyrite (&lt;10%). Exploration works on the Portageur and Petit Pas areas have delineated gold trends with channel values of up to 1.17 g/t Au over 6m and up to 52.87 g/t Au over 2m. Mechanical stripping on IP anomalies have highlighted a fertile shallow dipping stratigraphy composed of metasediments (arenite and polygenic conglomerate) and metavolcanics (basalt and andesite) with decametric lateral extensions. A potassic alteration is recognized (red biotite) and the presence of pervasive arsenopyrite is evocative. Mineralization is composed of finely disseminated arsenopyrite (2-8%) often located in wall rocks adjacent to mineralized quartz veins and has metric to plurimetric widths. For now these mineralized zones are traced laterally over more than 450m and remain entirely open laterally. The mineralized zones of the Petit Pas area located 2km southwest of the Portageur sector correspond to metasomatic metric bands with a high percentage of garnets and weakly mineralized with pyrrhotite, pyrite and arsenopyrite in mafic volcanics. The goal is to find tonnage within the shallow dipping sedimentary units affected by potential hydrothermal sulfidation alteration characterized by disseminated arsenopyrite. We expect a first diamond drill program (up to 3,000m) in Spring 2012 on this promising project after prospecting and mechanical stripping in the fall 2011 on IP anomalies have led to promising discoveries.</p>
<b>Corvet Est (Au)</b>	<p>We believe the Corvet Est property is favourably located along the La Grande / Opinaca boundary. The property is located 53km south of LG-4 airport and hydroelectric complex. It consists of 568 map-designated claims totaling 29,106ha and the Trans-Taiga road is 50km away north. The property is located in the La Grande volcanic belt in a sequence interpreted to be the Lac Guyer Greenstone Belt, composed of metabasalts interbedded with felsic volcanics and thin belts of metasediments. The sector is in fault-contact with metasediments of the Laguiche Group (Opinaca). The Corvet Est project is owned 50% Virginia as Goldcorp has acquired an undivided 50% beneficial interest. Goldcorp incurred a total of \$4M in exploration work over a 5-year period starting May 2005 and made payments totaling \$90,000.</p> <p>Drill holes suggest the continuity of the open mineralized zones and good exploration potential. Drill programs totaling 17 holes (4,325m) were realized in 2004, 2005 and 2006 with most of the drilling was aimed at testing the Marco zone. The Marco zone is a plurimetric to decametric structure hosting several zones of finely disseminated sulfides. Best results include 7.75m @ 3.96 g/t Au, 5m @ 4.78 g/t Au, and 1.9m @ 14.73 g/t Au. Drill holes suggest continuity of the Marco zone over a lateral distance of 1.4km and to a vertical depth of 550m. The zone remains open in all directions and the project could be revisited in time. Planned 2012 works could consist of geophysical surveys (IP hole to hole and Mag).</p>



## Coulon

Coulon (Zn, Pb, Cu, Ag, Au) – Polymetallic Project Providing Future Leverage to Base Metals

Potential Growing Mineral Resources

Massive sulfide zones continue to emerge in an underexplored greenstone belt. The 100% Coulon property of Virginia Mines is located 20-50km NNE of the Fontanges Airport operated by Hydro-Québec, in the Caniapiscau area, about 700km to the ENE of Matagami. The Coulon property consists of 650 claims covering a surface area of 323 km<sup>2</sup>. The property is accessible by gravelled road all the year round and located near (20 km) Hydro-Quebec's La Forge 2 power-plant. The Coulon project is located within a weakly explored Archean volcanic belt with typical geological characteristics of belts that are fertile in volcanogenic massive sulfide deposits. The Coulon property is host to seven mineralized lenses (of which 5 are closely spaced) of Cu-Zn-Ag mineralization grading up to 12.5% Zn, 0.5% Cu, 74 g/t Ag over 15.7m (Lens 44), 2% Zn, 4.4% Cu, 73 g/t Ag over 10.15m (Lens 9-25), 7% Zn, 1.9% Cu, 30 g/t Ag over 3.8m (Lens 43), 11.5% Zn, 1.2% Cu, 99 g/t Ag over 9.5m (Lens 08), 10.8% Zn, 1% Cu, 169 g/t Ag over 18m (Lens 16-17), 4.2% Zn, 2.7% Cu, 31 g/t Ag over 2.3m (Lens 201), and 14% Zn, 1% Cu, 113 g/t Ag over 3.25m (Lens Spirit). Historical expenditures on the property total over \$35M.

An initial mineral resource estimate of nearly 14 million tonnes was estimated in April 2009. The estimate by P&E Mining Consultants Inc. was based on database of 241 diamond drill holes (104,400m of drilling from Virginia with past partners Noranda and Breakwater, with drilling campaigns spanning the period 2004 to 2008). The following table represents the breakdown of the mineral resource estimate:

Exhibit 110 - Coulon Resource Base						
	Tonnes (M)	Cu	Zn	Pb	Au (g/t)	Ag (g/t)
Indicated						
Lens 44	3.45	1.3%	3.5%	0.4%	0.26	35.10
Lens 16-17	0.23	0.9%	5.4%	0.6%	0.13	68.80
Total Indicated	3.68	1.27%	3.61%	0.40%	0.25	37.16
Inferred						
Lens 8	5.38	1.2%	3.7%	0.3%	0.21	37.00
Lens 9-25	3.27	1.7%	4.2%	0.1%	0.15	33.70
Lens 44	0.31	1.4%	3.3%	0.3%	0.21	29.10
Lens 16-17	0.10	0.5%	5.6%	0.6%	0.09	53.20
Lens 43	0.56	1.6%	2.8%	0.1%	0.14	18.50
Lens Spirit	0.33	0.8%	7.9%	0.1%	0.01	32.20
Lens 201	0.11	1.0%	3.5%	0.0%	0.19	19.20
Total Inferred	10.06	1.33%	3.92%	0.19%	0.18	34.48
<b>Total Resources</b>	<b>13.73</b>	<b>1.32%</b>	<b>3.84%</b>	<b>0.25%</b>	<b>0.20</b>	<b>35.20</b>
Source: Company reports; LBS.						



### Good Results of the 2011 Drilling Program - Room to Grow

During the winter of 2011, Virginia carried out a 15-hole drilling program totaling 7,952m at the Coulon project, which led to the discovery of a new lens. The program aimed at testing the extensions of lenses 16-17, 43 and 201 resulted in the discovery of new lens 223 in the area of lens 16-17. Hole CN-11-223 crosscut an intersection of semi-massive to massive sulphides grading 3.86% Zn, 0.7% Cu and 75.09 g/t Ag over true thickness of 37.4 m), including a richer interval grading 7.32% Zn, 0.88 % Cu and 85.14 g/t Ag over 12.15 true thickness of 10.35m. This new intersection, located to a vertical depth of 350m, is wide open at depth and to the south. **We believe that the discovery of lens 223 opens new possibilities and confirms that there is still potential to increase the ultimate size of the Coulon deposits.**

### Fertile Territory

We highlight that 2011 winter drilling confirmed refined geological interpretation and could potentially lead to more target delineation and a big discovery as VMS deposits are usually in clusters. Other areas such as the Spirit prospect continue to indicate promising new sectors 6-20km north-west. Priority drill targets remain on the fertile volcanic belt property and certain lenses remain essentially open. The Coulon property presents mineralized occurrences and alteration along a lateral distance of over 20km that hold resemblance with other base-metal camps such as Geco (47Mt @ 3.8% Zn, 1.9% Cu, 52.9 g/t Ag), Matagami (42Mt @ 12.93% Zn, 1.13% Cu, 40.19 g/t Ag, 0.49 g/t Au) and the Pyhasalmi deposit in Finland (33.4 Mt @ 2.48% Zn, 0.9% Cu, 0.4 g/t Au).

### Good Results of the 2011 Drilling Program

Although the rocks in this area have been subject to important episodes of deformation and metamorphism, with the intense metamorphic overprint providing challenges to define a cohesive stratigraphy, we remain convinced that refinement to structural and stratigraphic studies may lead to more discoveries. The discovery of the new lens 223 suggests, indeed, that the Coulon project can be materially expanded. We continue to believe that the local geological context and mineralization trends could suggest an exploration target in the order of 15 to 20 Mt grading 3-6% Zn and 1-2% Cu. The value of this remote property resides in the proximity to infrastructure. Indeed the year-round access via the Trans-Taïga road and the close proximity of an important hydroelectric complex makes the project much less difficult to eventually develop. More importantly, the potential road connection the Route 167 Ext to the Trans-Taïga road would permit a road link with Chibougamau. We believe Virginia could in 2012 complete up to 12,000m of diamond drilling on the project.

Exhibit 111 - Coulon Property Lenses



Source: Company reports, LBS.





## **Lac Gayot**

### **(Ni, Cu, PGE) - Set on Solid Footings**

The Lac Gayot project is located in a potential emerging underexplored nickel belt. It is located 100km north of the Fontanges airport and the Trans-Taiga road in the Caniapiscou reservoir area. The project covers 21,800ha in the central part of an ultramafic volcanic belt in mid-NW Quebec (Nunavik). The Lac Gayot property consists of 448 claims covering 21,788ha that cover the entire Venus Achaean greenstone belt which consists dominantly of ultramafic MgO-rich sills and flows.

### **Quadra-FNX is Partner**

In June 2011, Virginia recruited a new quality partner to pursue exploration works. Quadra-FNX Mining Ltd (QUX-T), (recently entered into a definitive agreement with KGHM Polska Miedz S.A. ("KGHM") of Poland) has an option to earn an undivided 50% beneficial interest in the property in exchange for \$10M in exploration work over a nine-year period and cash payments totaling \$100,000 on or before the second anniversary of the agreement. Virginia is the operator until the completion of a positive feasibility study. The agreement is subject to a 1% NSR in favour of Billiton Resources Canada. We view the long-term partnership with Quadra-FNX as positive as this is a camp-scale project that will evolve with time.

**Quadra's implication highlights the area's district-scale potential for komatiite-associated nickel deposits.** Mineralization discovered at the Lac Gayot project is associated with a mafic intrusive domain on the margin of a tectonic boundary bordered by major NW-SE penetrative crustal faults. The geological context could be similar to that of the Kambalda nickel mine in Australia (48 Mt @ 3.6 % Ni, 0.25 % Cu) and Raglan in the Ungava belt in New Quebec (25 Mt @ 2.72 % Ni, 0.78 % Cu). At this stage, Lac Gayot contains an ultramafic sequence that is host to twelve nickel-platinum-palladium mineralized zones distributed over a strike length of 25km. Values of 0.5-15% Ni and values of up to 17.2 g/t Pd-Pt have been obtained from surface works, while drill intersections have graded up to 9.03% Ni, 0.6% Cu, 9 g/t Pd-Pt over 2.5m and 2.20% Ni, 1.41% Cu, 2.29 g/t Pd-Pt over 11.4m. Several known mineralized zones such as the Pistolaté and Malorie prospects have been extended in this new emerging nickel belt. These mineralized zones are characterized by their high grades of Ni, Cu and Pt-Pd. Modeling continues to provide new targets that should require more extensive works.

### **Big Deposit Sought**

We believe that there is still good potential for Raglan-type high-grade and Mt. Keith-type low-grade nickel mineralizations. During the summer 2011, Virginia and its partner Quadra-FNX carried out surface exploration on the Lac Gayot project that consisted in remapping certain key sectors of the property in order to better define the targets of the next drilling program planned for the winter of 2012. Although no new mineralized showing was discovered and there has been over \$5M spent on exploration with 101 drill holes totaling approximately 13,900m, exploration targets remain as geological interpretation of the Venus greenstone belt is refined and better understood. Virginia and Quadra-FNX intend to continue to verify the potential for Raglan-type high grade and Mt. Keith-type low grade nickel targets with an approximate 5,000m drill program in March 2012. We believe this is a sleeper property that is worthwhile to revisit as commodity prices have risen and the Plan Nord would provide support.

## **Baie Payne**

### **To Find Nickel at Baie Payne**

Baie Payne is a regional nickeliferous play located on the west shore of the Ungava Bay. Virginia and its partner, Anglo American Exploration (Canada) Ltd., which is a subsidiary of Anglo-American plc, conducted a vast surface exploration program at the Baie Payne project north of the Inuit village of Kangirsuk. The property covers important mafic/ultramafic complexes containing approximately 40 Ni-Cu showings, grading up to 6.5% Ni. As per an agreement dated March 2011, Anglo-American can acquire a 50% interest in the Baie Payne property by funding an aggregate of \$4M in expenditures over a six-year period.



Recent surface work carried out includes a phase of geological mapping and prospecting, as well as geophysical surveys. The main goals of this work program were to better define the fertile mafic/ultramafic units and discover new nickeliferous showings at surface. A few disseminated sulphides (pyrrhotite+/- chalcopyrite) showings creating plurimetric to decametric rusted zones were discovered within ultramafic rocks. The Baie Payne property is known to host several occurrences of Ni-Cu±Co±PGE mineralization that have geological similarities with the Katinniq mineralized lenses at Raglan Mine located 240km to the northwest and with komatiite-hosted deposits in Western Australia. We view the implication of Anglo-American as positive given that there is an exchange of expertise in the search of a world-class deposit in a poorly explored area.

### ***Other Projects in Partnership***

Virginia holds various partnerships, we highlight the following:

- ♦ **Wemex Alliance project: partnership with Wemindji Exploration Inc. ("Wemex") was signed in Fall 2010.** This agreement (Wemindji Strategic Alliance) calls for both parties to jointly carry out geological reconnaissance, sampling, and exploration work on a territory covering a surface area of more than 500,000ha, in the James Bay and mid-Northern Quebec areas. Wemex and Virginia will look for various types of mineralization associated to different geological contexts by partnership reconnaissance work.
- ♦ **LG-4 Diamants-Consorem: in Fall 2010, Virginia, SOQUEM, Aurizon and Stornoway jointly acquired (25% participation) a total of 236 claims forming the LG-4 diamond property.** The project is the result of a modeling exercise conducted by the Mineral Exploration Research Consortium ("Consorem"). As partners to this agreement are all members of Consorem, this was a way to pool expertise in a solid partnership base.
- ♦ **Nunavik Mining Exploration Fund project: partnership with the Nunavik Mining Exploration Fund ("NMEF") was re-initiated in June 2009 to jointly explore unexplored volcanic belts located in Quebec Great North.** A 50/50 partnership started originally in 2005, NMEF and Virginia could be active in the Labrador Trough in 2012.

## Appendix X – Important Disclosures

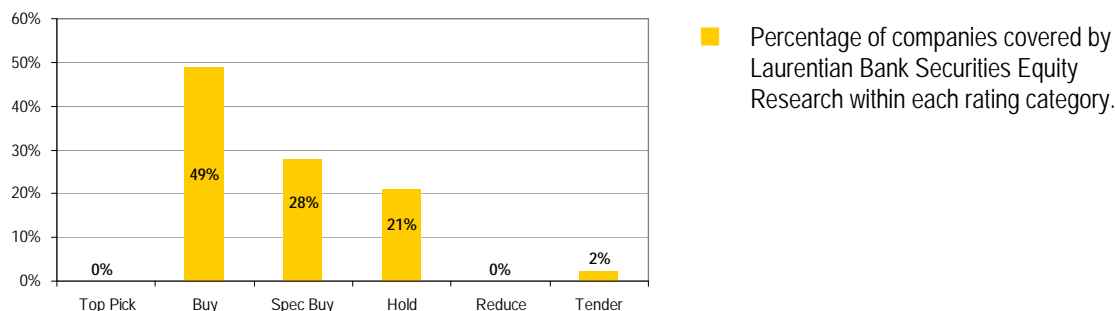
Company	Ticker	Disclosures*
Adventure Gold Inc.	AGE-V	A, V
Azimut Exploration Inc.	AZM-V	A, V, P
Balmoral Resources Ltd.	BAR-V	V
Eastmain Resources Inc.	ER-T	A, V
Midland Exploration Ltd.	MD-V	A, U, V, P
Stornoway Diamond Corp.	SWY-T	A, V
Virginia Mines Inc.	VGQ-T	A, U, V

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## Laurentian Bank Securities (LBS)

### President

Michel Trudeau, MBA

### Institutional Equity

Simon Lussier, MBA 514 350-3060  
Senior Vice President  
[LussierS@lb-securities.ca](mailto:LussierS@lb-securities.ca)

### Research

Ben Vendittelli, MBA, CFA 514 350-2803  
Head of Research  
Transportation & Infrastructure Analyst  
[VendittelliB@lb-securities.ca](mailto:VendittelliB@lb-securities.ca)

Catherine Bouchard, MSc, MBA 514 350-2938  
Healthcare Analyst  
[BouchardCA@lb-securities.ca](mailto:BouchardCA@lb-securities.ca)

Christopher Chang 416 865-5798  
Metals and Mining Analyst  
[ChangC@lb-securities.ca](mailto:ChangC@lb-securities.ca)

Alex Grassino, MSc 514 350-2855  
Information Technology Analyst  
[GrassinA@lb-securities.ca](mailto:GrassinA@lb-securities.ca)

Éric Lemieux, MSc, P. Geo 514 350-2874  
Mining Analyst 819 472-8037  
[LemieuxE@lb-securities.ca](mailto:LemieuxE@lb-securities.ca)

Nelson Mah, CA 416 941-7701  
Special Situations Analyst  
[MahN@lb-securities.ca](mailto:MahN@lb-securities.ca)

Vincent Perri, CA, CFA 514 350-2876  
Special Situations Analyst  
[PerriV@lb-securities.ca](mailto:PerriV@lb-securities.ca)

Stephen Bertone, MSc 514 350-2964  
Associate  
[BertoneS@lb-securities.ca](mailto:BertoneS@lb-securities.ca)

Laurent L'Abbé, MSc 514 350-2957  
Associate  
[LabbELB@lb-securities.ca](mailto:LabbELB@lb-securities.ca)

Max Muro, M.A. 514 350-2949  
Associate  
[MuroM@lb-securities.ca](mailto:MuroM@lb-securities.ca)

Brandon Throop 416 865-5967  
Associate  
[ThroopB@lb-securities.ca](mailto:ThroopB@lb-securities.ca)

### Trading

Robert Giancola 514 350-3055  
Trader  
[GiancolaR@lb-securities.ca](mailto:GiancolaR@lb-securities.ca)

Demetri Prassinios 514 350-3055  
Trader  
[PrassiniosD@lb-securities.ca](mailto:PrassiniosD@lb-securities.ca)

Lesley Cresswell 416-865-5781  
Trader  
[CresswellL@lb-securities.ca](mailto:CresswellL@lb-securities.ca)

Ronald Monaldi 514 350-2823  
Trader  
[MonaldiR@lb-securities.ca](mailto:MonaldiR@lb-securities.ca)

### Sales

Bruce Krugel 416 865-5889  
Head of Sales  
[KrugelB@lb-securities.ca](mailto:KrugelB@lb-securities.ca)

Joon-Gi Cho 514 350-3038  
[ChoJ@lb-securities.ca](mailto:ChoJ@lb-securities.ca)

Naz Karolia, CFA 416 865-5982  
[KaroliaN@lb-securities.ca](mailto:KaroliaN@lb-securities.ca)

### Corporate Finance

Ryan Thomas 416 865-5840  
[ThomasR@lb-securities.ca](mailto:ThomasR@lb-securities.ca)

Nicolas Rimbert 514 350-2933  
[RimbertN@lb-securities.ca](mailto:RimbertN@lb-securities.ca)

### Fixed Income Sales Division

Pat Sheils 416 865-5811  
Vice President Sales  
[SheilsP@lb-securities.ca](mailto:SheilsP@lb-securities.ca)

### Syndication

Pierre Godbout, CIM 514 350-3050  
Vice President  
[GodboutP@lb-securities.ca](mailto:GodboutP@lb-securities.ca)

Matthieu Fournier-Viens 514 350-2979  
Syndication Analyst  
[FournierM@lb-securities.ca](mailto:FournierM@lb-securities.ca)

### Retail Division

Riccardo Magini 514 350-2960  
Vice President<sup>1</sup>  
[MaginiR@lb-securities.ca](mailto:MaginiR@lb-securities.ca)

### Economics & Strategy

Carlos Leitaó 514 350-3000  
Chief Economist  
[Leitaoc@lb-securities.ca](mailto:Leitaoc@lb-securities.ca)

Sébastien Lavoie 514 350-2931  
Assistant Chief Economist  
[LavoieS@lb-securities.ca](mailto:LavoieS@lb-securities.ca)

Marie-Claude Guilloite 514 350-2925  
Economist  
[GuilloiteMC@lb-securities.ca](mailto:GuilloiteMC@lb-securities.ca)

Martine Bérubé, MOS 514 350-3006  
Publication Manager  
[BerubeM@lb-securities.ca](mailto:BerubeM@lb-securities.ca)

Stéphanie Fortin 514 350-2952  
Desktop Publishing  
[FortinS@lb-securities.ca](mailto:FortinS@lb-securities.ca)

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