



Midland and Osisko – Drilling Interesting Targets on the Casault Property

Event

Midland and Osisko confirmed the start of a 2,500m winter drill program.

Impact: Slightly Positive. The initial phase 3 drill program has solid targets.

Analysis

- **Midland reported on March 11, 2013 that it has, in partnership with Osisko Mining Corporation (OSK-T, not rated), commenced a 2,500m winter drill program on the Casault property.** The late 2013 winter drilling campaign should test several favourable targets identified by a recent induced polarisation ("IP") survey on its Casault property (see February 20, 2013 Action Flash). Recall that the Casault property covers over more than 20km strike length of the Sunday Lake Fault and subsidiary faults. The property is located about 40km east of the Detour Lake gold deposit (which has that just poured its first gold bars from a 15.6M oz. proven and probable mineral reserve) and in the vicinity of high-grade gold discoveries by Balmoral Resources Ltd. (BAR-V, rated Buy (S), target \$1.50) at the Martinière project (such as a recent 6.71 g/t Au over 7.4m in exploration hole MDX-13-13). The Casault property covering approximately 180km² consists of 326 claims and is wholly-owned by Midland; Osisko can obtain a 50% interest in the property by spending \$6.0M in exploration work and making payments totalling \$0.6M over five years (we note \$0.1M was recently paid to Midland by Osisko).
- **The proposed phase 3 drill program should test up to 15 new IP anomalies within the highly favourable Sunday Lake deformation corridor, in an area that has been very little tested.** The 70 km-long IP survey completed in February 2013 within the East Block and West Block areas (located west of the Martinière gold project) has identified targets located 3km north of the Sunday Lake Fault within a complex kilometric-scale magnetic formation with ENE and NW-SE structures. An IP survey was also completed on a auriferous structure intersected by the 2012 drill hole CAS-12-07 (10.4 g/t Au over 1.45m) and suggests potential lateral extensions of 500m along strike. Following the surface and aerial geophysical work, we believe Midland's and Osisko's 2,500m winter drill program could set stage for discoveries. Recall that 19 diamond drill holes (4,562m) were completed during the winter 2012 campaign which led to new geological interpretations of the regional Sunday Lake Fault system.
- **We continue to rate Midland a Speculative Buy with a \$2.75 target price.** Midland has established JV and option agreements whereby its partners should continue contributing funds for exploration. We highlight Midland's cash reserve of over \$6M. We believe that Midland is well positioned along the Quebec side of the Sunday Lake Fault system (Detour Gold Trend), along Casa Berardi-Cameron Deformation Zone and in the Eleonore sector of the James Bay area of northwestern Quebec. We note a recently completed drill program on the Laflamme property may provide news flow as well as the up-coming drill program on the Casault property along the Detour Gold Trend.

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