

Midland Exploration Inc.

(MD-V - \$0.88) Buy (S) - Target Price: \$1.65

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Initial Positive Results from Recent Drilling at Maritime-Cadillac

Event

Midland announced partial drill results from most recent drill program at Maritime-Cadillac property in Québec.

Impact: Slightly positive. Initial surface drilling results show Dyke West Zone extends at depth; assays pending from underground drilling.

Analysis

- On July 25, 2013 Midland announced initial results from the most recent drilling program on its Maritime-Cadillac property in Québec. Recall that Midland has a 50/50 JV with Agnico-Eagle Mines (AEM-T, not rated) for the Maritime-Cadillac property which is located near Agnico-Eagle's Lapa mine. Agnico completed 5 underground holes from the Lapa mine exploration drift; assays are pending from these holes aimed to investigate the depths of the northwestern quadrant of the Maritime-Cadillac project. Recall that a 1,000m-deep exploration drift has been excavated towards the southeast (level 101) by Agnico-Eagle and is serving as platform to test potential extensions from Lapa Mine into the Maritime-Cadillac property.
- Dyke West Zone extended at depth: Surface hole 141-13-35 (877m total) extended the Dyke West Zone at a vertical depth of 600m with 1.5 g/t Au over 18.9m (between 673.3 and 692.2m depth) which implies positive depth extensions to the potential gold system. The 1.5 g/t Au over 18.9m intercept included 1.85 g/t Au over 12.9m and is composed of albite altered porphyritic felsic dyke; surface hole 141-13-35 also returned a high grade intercept of 14.8 g/t Au over 1m (between 375.4 and 376.4m depth) within a pyritic quartz-vein. Recall that the Dyke West Zone previously yielded a high-grade gold intercept of 8.6 g/t Au over 5.5m (including an interval of 13.8 g/t Au over 3m) at a vertical depth of 300m (between 383.1 and 388.6m depth). We highlight that the West Dyke Zone remains largely open from 250m towards the surface, 350m to 550m and at greater depths.
- We believe that Agnico-Eagle could remain active on the Maritime-Cadillac JV property as there are good indications that gold mineralization may continue at greater depths. We highlight that previous surface drilling has identified several prospective anomalous gold zones with intercepts of 1.7 g/t Au over 46.4m @ (including 21.1 g/t Au over 1.2m), 1.7 g/t Au over 37.85m and 12.6 g/t Au over 1.5m. We also note that on May 17, 2013, Midland acquired 100% interest in 29 claims (in 2 blocks) in close proximity to the Maritime-Cadillac project for \$30,000 in cash and 60,000 in Midland shares and hence increased its land position to nearly 1km along the prospective contact between Pontiac Group sediments and mafic volcanic rocks of the Piche Group.
- We are maintaining our Speculative Buy rating and our \$1.65 target price. While these are only partial results, we believe that more work is warranted and we expect that Agnico-Eagle could continue exploration on the Maritime-Cadillac project as it is in close proximity to their Lapa mine where they have stated that they are continuing exploration work in 2013 and that their goal is to extend the mine life a few years beyond 2015. Midland is expected to remain active in exploration in 2013 on several of its projects and maintains sufficient funds to do so (~\$4M in cash and investments).

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