



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

July 26, 2012

## 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; it excels in prospect generation by maximizing compilation of Provincial and Federal Government public databases.



Source: BigCharts.com

## Market and Company Data

<b>Ticker</b>	MD-V	<b>Shares O/S (M)</b>	26.6
<b>Rating</b>	Buy (S)	<b>Market Cap (M)</b>	\$30.1
<b>Risk</b>	High	<b>Float O/S (M)</b>	23.4
<b>Price</b>	\$1.13	<b>Float Value (M)</b>	\$26.5
<b>1-Yr Target</b>	\$2.75	<b>Avg Daily Volume (K)</b>	7.2
<b>Dividend</b>	n/a	<b>Enterprise Value (M)</b>	\$24.9
<b>Yield (%)</b>	n/a	<b>Control Blocks:</b>	
<b>1-Yr ROR</b>	143%	Mgmt. & Dir.	12%
<b>52 Wk High-Low</b>	\$1.95-\$1.09	<b>Net Debt/Cap</b>	n/a
<b>Valuation</b>	1x NAV sum of parts	<b>BVPS</b>	\$0.30
<b>Year End</b>	Sep. 30		

Expenditures (M) - Years ending Sep. 30						
	2012	2013	2014	2015	2016	2017
Capex	n/a	n/a	n/a	n/a	n/a	n/a
Exploration	\$6.0	Funded by partners		\$4.0		
<b>Resource Estimate</b>		Tonnes	Grade	Contained		
		(Mt)	(g/t Au)	Gold (oz.)		
	n/a					

Source: Company reports; Bloomberg; LBS.

## New Potential Gold Area Identified at LaFlamme; Drilling to Start in the Fall

Midland and operating partner North American Palladium (NAP) announced they will start a ground-based geophysical survey at Laflamme in an area recently identified as having strong gold potential; a drilling campaign is slated for September 2012. The Laflamme property, which covers over 370 square kilometers in the Abitibi, is owned by Midland and NAP under a 50/50 joint venture.

**Work to follow up interesting findings of an electromagnetic survey.** A recent analysis of a helicopter-borne survey conducted in 2009 resulted in the selection of various untested versatile time domain electromagnetic (VTEM) type conductors that warrant a follow up. This selection was based on geological similarities with a new gold zone discovered by Maudore Minerals, located less than 1km from LaFlamme. Grades reported by Maudore include 71.7 g/t Au over 1.2m and 0.8 g/t Au over 40.8m. We believe the proposed exploration program could lead to the defining of new interesting drill targets.

**Midland, together with its partners, continues to make steady progress on its properties while maintaining a cash reserve (\$4.5M) in what we consider a tough funding environment for junior explorers.** We highlight that funding risk is limited as the company has established joint ventures and option agreements whereby its partners should continue contributing funds for exploration. For instance, Agnico-Eagle is solely financing activities at the Maritime-Cadillac project, which allows it to earn an additional 1% interest for every \$1M spent. Similarly, Osisko may spend \$6M in exploration at the Casault project and pay \$0.6M to Midland in order to earn a 50% interest.

## Maintaining Rating, Target Price

**We continue to rate Midland a Speculative Buy with a \$2.75 target price, which we derive from our NAV estimate of \$79.7M or \$2.85 per share (Exhibit 2).** We believe that Midland is a dynamic project generator with growth potential that applies the partnership model. We believe that in light of current market conditions, Midland's partnership model is beneficial, allowing the company to remain active in exploration while preserving its cash position and tight share structure (less than 30M shares F/D).



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

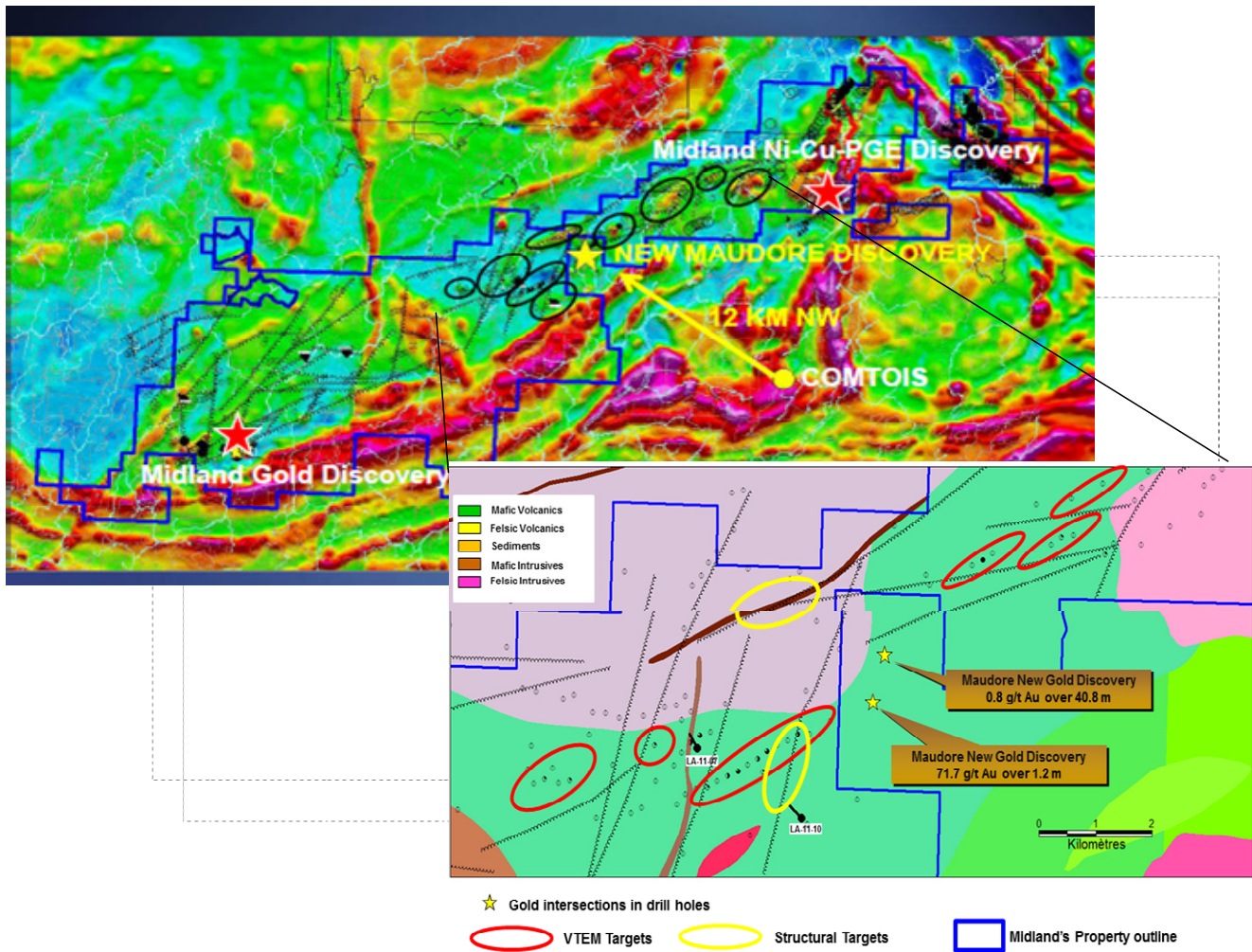
July 26, 2012

**About LaFlamme**

The Laflamme property, composed of 724 claims (previously 680 claims), is located 25km northwest of the town of Lebel-sur-Quevillon in the central north-eastern Abitibi region (Exhibit 1). The property covers more than 50km of interesting stratigraphy and structures with potential for orogenic gold, volcanogenic massive sulphides (Cu-Zn), as well as newly recognized potential for magmatic Ni-Cu-PGE deposits associated with ultramafic rocks.

The Laflamme property was acquired by claim staking in 2008, based on the presence of significant gold, copper and zinc anomalies in till, which were identified under the Octave project jointly led by the Ministère des Ressources Naturelles et de la Faune (MRNF) and the Geological Survey of Canada (GSC). The area is heavily covered by overburden and has been relatively poorly explored. Midland and NAP have completed nearly 9,000m of drilling since 2010 in two phases.

**Exhibit 1 - Geology of Laflamme Project**



Source: Company reports, LBS.

The information contained in this document is based on what we deem to be reliable sources, but no guarantee or promise, explicit or implicit, is given as to the accuracy and exhaustiveness of these sources. This report shall under no circumstances be considered an offer to buy or sell, or a request to buy and/or sell the stocks mentioned. Laurentian Bank Securities Inc. and its employees may not be held liable for any monetary losses stemming from the implementation of the recommendations contained in this document. Laurentian Bank Securities Inc. and/or its officers, directors, representatives, traders, analysts and members of their families may hold positions in the stocks mentioned in this document and may buy and/or sell these stocks on the market or otherwise. Stocks in foreign currency may be adversely affected by exchange rate fluctuations. Laurentian Bank Securities Inc. is a wholly-owned subsidiary of Laurentian Bank of Canada. The opinions, projections and estimates are those of the Economic and Financial Research department of Laurentian Bank Securities Inc. as at the date appearing on the cover page, and are subject to change without prior notice. Laurentian Bank Securities Inc. may, in exchange for remuneration, act as a financial advisor or tax consultant for, or participate in the financing of companies mentioned in this document. This study may not be reproduced, in whole or in part, without the consent of Laurentian Bank Securities Inc. Member of the Investment Dealers Association of Canada and of the Canadian Investor Protection Fund. The regulation of the securities market establishes requirements that analysts must follow when issuing research reports or making recommendations. These guidelines are included in the research dissemination policy of Laurentian Bank Securities, available at [http://www.vml.ca/actions/Actions\\_PolitiquesRecherche.jsp?lang=en](http://www.vml.ca/actions/Actions_PolitiquesRecherche.jsp?lang=en).



**Exhibit 2 - 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)	\$3.5
Bassignac	\$0.8	James Bay (uranium)	\$0.6
Casault (50%)	\$7.2	James Bay (Fe-Mo-Cu)	\$1.2
Dunn	\$3.1	Midland Eleonore	\$6.0
Laflamme (50%)	\$6.0	<b>Grenville</b>	
Maritime-Cadillac (49%)	\$9.1	Gatineau	\$3.0
Patris (50%)	\$5.8	Vermillion (50%)	\$0.3
Valmond	\$2.0	<b>Quebec-Labrador</b>	
Jouvex	\$1.5	Ytterby (50%)	\$5.0
<b>Appalaches</b>		<b>Other</b>	
Weedon	\$1.3	Other properties	\$2.7
Exploration potential goodwill	\$15.0	Total NAV	\$79.7
Cash	\$4.5	Shares outstanding (FD)	27.9
Take-over premium	n/a	<b>Total NAV per share (FD)</b>	<b>\$2.85</b>

Source: LBS.



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

July 26, 2012

## Important Disclosures

Company	Ticker	Disclosures*
Midland Exploration Inc.	MD-V	A, U, V, P

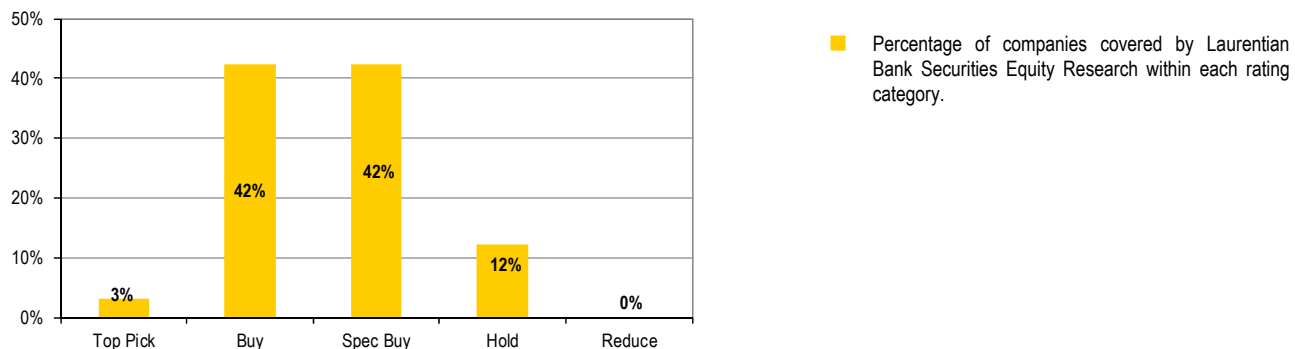
The analyst(s) certify that (1) the views expressed in this report in connection with securities or issuers they analyze accurately reflect their personal views and (2) no part of their compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed by them in this report.

The Research Analyst's compensation is based on various performance and market criteria and is charged as an expense to certain departments of Laurentian Bank Securities (LBS), including investment banking.

### \* Legend

- A** The Analyst, in his/her own account or in a related account, owns securities of this issuer.
- L** LBS collectively beneficially owns in excess of 1% of one or more classes of the issued and outstanding equity securities of this issuer.
- O** The Director of Equity Research, in his/her own account or in a related account, owns securities of this issuer.
- U** Within the last 24 months, LBS has undertaken an underwriting liability with respect to equity securities of, or has provided advice for a fee with respect to, this issuer.
- V** The Analyst has visited material operations of this issuer, notably company headquarters in Rosemere, QC, the Weedon, Maritime-Cadillac and Ytterby projects.
- P** This issuer paid a portion of the travel-related expenses incurred by the Analyst to visit material operations of this issuer.

## Laurentian Bank Securities Equity Research Ratings Distribution



Source: Laurentian Bank Securities

**Recommendation Terminology** LBS (Laurentian Bank Securities) recommendation terminology is as follows:

- Top Pick** Our best investment idea, the greatest potential value appreciation.
- Buy** The stock is expected to generate significant risk-adjusted returns over the next 12 months.
- Hold** The stock is expected to generate modest risk-adjusted returns over the next 12 months.
- Reduce** The stock is expected to generate negative risk-adjusted returns over the next 12 months.
- Tender** Analyst is recommending that investors tender to a specific offering for the stock.

Our ratings may be followed by "(S)" which denotes that the investment is speculative and has a higher degree of risk associated with it. Additionally, our target prices are based on a 12-month investment horizon.

The information contained in this document is based on what we deem to be reliable sources, but no guarantee or promise, explicit or implicit, is given as to the accuracy and exhaustiveness of these sources. This report shall under no circumstances be considered an offer to buy or sell, or a request to buy and/or sell the stocks mentioned. Laurentian Bank Securities Inc. and its employees may not be held liable for any monetary losses stemming from the implementation of the recommendations contained in this document. Laurentian Bank Securities Inc. and/or its officers, directors, representatives, traders, analysts and members of their families may hold positions in the stocks mentioned in this document and may buy and/or sell these stocks on the market or otherwise. Stocks in foreign currency may be adversely affected by exchange rate fluctuations. Laurentian Bank Securities Inc. is a wholly-owned subsidiary of Laurentian Bank of Canada. The opinions, projections and estimates are those of the Economic and Financial Research department of Laurentian Bank Securities Inc. as at the date appearing on the cover page, and are subject to change without prior notice. Laurentian Bank Securities Inc. may, in exchange for remuneration, act as a financial advisor or tax consultant for, or participate in the financing of companies mentioned in this document. This study may not be reproduced, in whole or in part, without the consent of Laurentian Bank Securities Inc. Member of the Investment Dealers Association of Canada and of the Canadian Investor Protection Fund. The regulation of the securities market establishes requirements that analysts must follow when issuing research reports or making recommendations. These guidelines are included in the research dissemination policy of Laurentian Bank Securities, available at [http://www.vmbi.ca/actions/Actions\\_PolitiquesRecherche.jsp?lang=en](http://www.vmbi.ca/actions/Actions_PolitiquesRecherche.jsp?lang=en).