

Midland Exploration Inc. (MD-V – \$1.30)

Buy (S) – Target Price: \$2.75

Setting the Stage for New Discoveries

COMPANY PROFILE

Midland Exploration Inc. is a mineral exploration company focused on gold, copper, zinc, uranium and rare earths elements (REE) projects in the Province of Quebec. Midland owns a variety of grass-roots and drill target mineral exploration projects. Midland has amassed a sizeable portfolio of gold properties in the Abitibi and James Bay area. With its partners, such as Agnico-Eagle, North American Palladium Limited, JOGMEC and Osisko Mining Corporation, Midland is well positioned to generate results.



Source: BigCharts.com

Market and Company Data

Ticker	MD-V	Shares O/S (M)	28.3
Rating	Buy (S)	Market Cap (M)	\$36.8
Risk	High	Float O/S (M)	24.9
Price	\$1.30	Float Value (M)	\$32.4
1-Yr Target	\$2.75	Avg Daily Volume (K)	6.7
Dividend	n/a	Enterprise Value (M)	\$32.3
Yield (%)	n/a	Control Blocks:	
1-Yr ROR	112%	Mgmt. & Dir.	12%
52 Wk High-Low	\$1.80-\$1.09	Net Debt/Cap	n/a
Valuation	1x NAV sum of parts	BVPS	\$0.30
Year End	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	\$4.0		Funded by partners		\$3.0
Resource Estimate			Tonnes	Grade	Contained	
			(Mt)	(g/t Au)	Gold (oz.)	
						n/a

Source: Company reports; Bloomberg; LBS.

We rate Midland Exploration a **Speculative Buy with a one-year share price target of \$2.75**. We derive our target from the sum-of-the-parts valuation of Midland's extensive growing portfolio of properties in the Province of Quebec. We believe that the quality of Midland's portfolio of properties, the strength of its technical team and the application of the partnership model make Midland a convincing investment. We highlight the following:

- Assembling an impressive land position:** Midland holds a substantial portfolio of properties in Quebec. Midland, with its partnership model and relative financial flexibility, has capacity to conduct activities on its significant portfolio of properties in the James Bay area, in the Abitibi and northeastern Quebec near the Labrador border.
- Strong foundations set the stage:** We believe Midland, together with its various partners, continues to make steady progress on its property portfolio through active drilling and field exploration campaigns. In light of current market conditions, Midland's partnership model is beneficial in our view, allowing it to remain active in exploration while preserving its cash position (\$4.5M) and tight share structure (less than 30M shares F/D). Midland has established a track record of securing quality partnership agreements based on its capacity of maximizing compilation of Provincial and Federal Government public databases and generating attractive projects.
- Dynamic explorer and quality management:** We highlight that Midland's management is highly dynamic with a growing track record of good, focused exploration. We maintain that Midland has the capacity of laying the foundation for discoveries by virtue of its quality and dynamic exploration team; we believe Midland's geological expertise should increase the probability of discovery. We believe that Midland is establishing itself as "first mover" in regards to project generation capacity and strategic partnerships. We believe that Midland is poised to generate more projects, partnerships and potential discoveries in 2013. We expect a \$4M exploration budget for 2013 as the company has a working capital of over \$6M.

2013 Key Catalysts

- 2013 winter drilling results on the Detour Gold Trend Casault project in partnership with Osisko.
- Extensive trenching program on the 100% owned Eleonore Centre project during summer 2013.
- Continuation of exploration works on the Maritime-Cadillac project (with Agnico-Eagle), Laflamme project (with North American Palladium) and Yterry REE project (with JOGMEC) (H2 2013).
- New partnerships (Yteria, Jouvex projects).