



## Midland to Advance Patris Project with New Option Agreement

### Event

Midland announces partnership agreement with Teck Resources.

**Impact: Positive.** Midland is being successful in advancing its partnership model.

### Analysis

- **On September 17, 2013 Midland announced that it had signed an option agreement with Teck Resources Limited (TCK.B-TSX; not rated) for its Patris Project in the Abitibi region of Québec.** Recall that the Patris Project includes 218 claims over ~90km<sup>2</sup> and is located along the La Pause Fault (a subsidiary splay of the Destor-Porcupine Fault). Previous work on the property identified IP drilling targets and shallow gold mineralization zones for further exploration. Initial work is expected to include additional prospecting, soil geochemistry, trenching and diamond drilling (Teck will be the operator on the project). Note that in December 2010, Midland had previously signed an option agreement on a portion of its claims at Patris with Aurizon Mines (which was taken over by Hecla Mining, HL-NYSE; not rated) however Aurizon let the option lapse in year 2.
- **The agreement with Teck includes 3 options:**
  - **First option:** Teck Resources can earn a 50% initial interest in the project by spending \$3M on exploration expenditures over four years (with \$500,000 in the first year).
  - **Second option:** Teck can elect to earn an additional 10% interest by spending an additional \$2.5M on exploration expenditures and making cash payments of \$300,000 over 2 years. Each \$0.5M in exploration expenditures and \$60,000 in cash payments would earn Teck an additional 2% interest.
  - **Third option:** Teck can elect to earn an additional 5% interest (for a total of 65% interest in the project) by spending \$1M (for each 1% interest), over two years.
- **Partnership Model a Key Strategy.** Midland continues to advance its projects by pursuing a partnership strategy. This allows the company to remain active in exploration while conserving their cash position. We refer to our September 12, 2013 Action Note for a review of Midland's recent activities. **The return of Teck Resources into the Quebec Abitibi is noteworthy.**
- **We are maintaining our Speculative Buy rating and our \$1.65 target price.** Midland is expected to remain active in exploration for the remainder of 2013 as they have sufficient funds (~\$4M in cash & equivalents and investments) as well as key partners who are expected to invest in exploration work on their properties.

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