



Wednesday, September 23, 2009

## Midland Exploration Inc. (MD-V / \$ 1.15)

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## Buy (S) / Target Price: \$1.75

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### 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. Midland has amassed a sizeable portfolio of properties in the Abitibi and James Bay area. With its partners, such as Agnico-Eagle, North American Palladium Limited and Osisko Mining Corporation, Midland is well positioned to generate results. Midland applies the partnership model and has established a track record of securing quality partnership agreements.



Source: BigCharts.com

Market Data			
Ticker	MD-V	Shares F/D (M)	23,5
Rating	Buy (S)	Market Cap (M)	\$27
Risk	High	Float F/D (M)	23,5
Price	\$1,15	Float Value (M)	\$27
1-Yr Target	\$1,75	Avg Daily Volume (K)	25
Dividend	\$0,00	Control Blocks	NA
1-Yr ROR	52,2%	Voting	NA
52-Wk High-Low	\$1.23-\$0.21	Equity	NA
Next Reporting	November 2009	Management	12%
Valuation			
Web site	<a href="http://www.midlandexploration.com">www.midlandexploration.com</a>		

Source: Company reports; Thomson One; LBS estimates.

### Positive News Flow Yields Increased Target Price

Midland has in the course of the last year been very dynamic in acquiring new properties and securing quality partners. Considering the news flow recently generated by Midland's active business model (project acquisitions and partnerships) and recent discussions with management, we have updated our valuation based on our assessment of geological potential of Midland's portfolio of properties.

#### Highlights – Establishing a Nice Portfolio of Properties

Midland has generated several new projects since we initiated coverage in February 2008. Presently, Midland has a portfolio of more than 10 projects. Work commitments and cash payments by its partners Agnico-Eagle Mines, North American Palladium Ltd. and Osisko Mining Corp. total approximately \$8 million. With a cash position of \$3.5 million and a low burn rate, we believe that Midland is well positioned to generate exploration results that will lead to discovery. Midland has approximately 245,000 hectares of land in the Province of Quebec and is positioned in the James Bay area, the Abitibi, the Appalachians, the Grenville as well as in the Northern Quebec providing it a diverse exposure to several type of exploration plays. Midland with its partners will be active on several projects in the course of Fall 2009.

#### Valuation – Generating Momentum

The encouraging track record being established has enhanced our confidence in Midland's ability to optimize exploration success. Therefore, we have reviewed Midland's portfolio based on our assessment of geological prospectivity. We believe Midland has acquired a portfolio of projects that hold good exploration potential and value is derived from our assessment of this geological potential based on new geological models and concepts, past works, geological context and location as well as proposed works (view Exhibit 1 on page 2). We believe exploration potential is very good for these grass-root projects. Hence upside could be sizeable if any discovery is made. Our exploration potential goodwill is a proxy for the quality of management and the technical team. We also highlight the momentum that Midland has generated, both in terms of increased exploration activity and increase in the credibility as a quality project generator and "go getter" of quality partnerships. We underline Midland's dynamic business model that will lead in our opinion to other acquisitions and partnerships and more importantly perhaps mineral discovery.

#### Conclusion – Increasing Target Price to \$1.75

We believe that Midland has assembled a portfolio of properties that have merit. Pending catalysts for Midland include: 1) Future drilling and exploration results; 2) Continued well thought project generation; 3) Establishment of other quality partnerships 4) Focused diversification based on sound geological analysis; and 5) Potential discovery probability improved by increased exploration activity. We recommend Midland Exploration Inc. with a Speculative Buy rating and are increasing our 12-month target price to \$1.75 from \$1.25/share.

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Project	M(\$)
James Bay Gold	5,5
James Bay Uranium	0,9
Dunn	3,5
Patris	0,8
Lafamme	3,0
Maritime Cadillac	6,5
Weedon	1,5
James Bay Mo-Cu	1,0
Gatineau	0,8
Vermillion	0,3
Midland Eleonore Au	1,0
Ytterby (REE)	0,8
Abitibi Gold project Generation	0,3
Exploration Potential Goodwill	12,0
Cash	3,5
<b>Total</b>	<b>41,2</b>
Shares (F/D)	23,5
<b>Total</b>	<b>\$1,75</b>

LBS Estimates

**Note:** We emphasize that exploration is dynamic and that property values change on for example surrounding works done on other properties and commodity perceptions. We thus draw attention to that our value of Midland's portfolio of properties is based on current knowledge. We also highlight that the commodity prices have in part recovered and our long term assessment remains rather positive for the metals market. No current mineral resources have been defined on the portfolio of properties as of yet, but we believe that Midland's business model, strength and reputation of its technical team as well as momentum generated could change this in the next year. We believe, through discussions with management, that Midland remains focused on gold but realizes the importance of commodity diversification and opportunities. The following table (Exhibit 2) is our gold price forecast, suggesting a robust price environment for quality explorers:

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
\$950,00	\$900,00	\$1 000,00	\$1 100,00	\$1 000,00	\$1 000,00	\$950,00	\$950,00	\$925,00	\$900,00	\$900,00	\$800,00

LBS Estimates.

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## APPENDIX – Important Disclosures

Company	Ticker	Disclosures*
Midland Exploration Inc.	MD-V	V

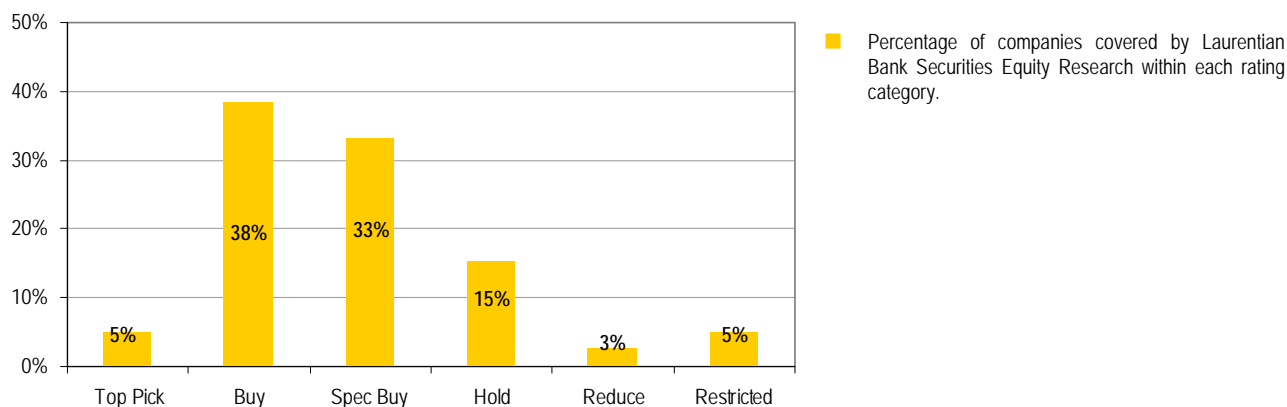
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- V The Analyst has visited material operations of this issuer, specifically the Maritime-Cadillac and Weedon projects.
- P This issuer paid a portion of the travel-related expenses incurred by the Analyst to visit material operations of this issuer

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Source: Laurentian Bank Securities

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- Reduce** The stock is expected to generate negative risk-adjusted returns over the next 12 months.

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.

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