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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. 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

Ticker	MD-V	Shares O/S (M)	26.6
Rating	Buy (S)	Market Cap (M)	\$31.4
Risk	High	Float O/S (M)	23.4
Price	\$1.18	Float Value (M)	\$27.6
1-Yr Target	\$2.75	Avg Daily Volume (K)	8.5
Dividend	n/a	Enterprise Value (M)	\$26.3
Yield (%)	n/a	Control Blocks:	
1-Yr ROR	133%	Mgmt. & Dir.	12%
52 Wk High-Low	\$1.95-\$1.14	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	Funded by partners		\$4.0		
Resource Estimate			Tonnes	Grade	Contained	
			(Mt)	(g/t Au)	Gold (oz.)	
n/a						

Source: Company reports; Bloomberg; LBS.

Drilling on Ytterby HREE Exploration Project

On July 9, 2012, we conducted a three-day site visit at Midland's Ytterby project. Recall the Ytterby (REE) project (named for the Swedish village where many rare earth minerals were historically discovered) is located approximately 200km northeast of Schefferville and 120km southwest of the Voisey Bay Ni-Cu Mine (see Exhibit 1). The Ytterby project is composed of 1,899 claims in 4 distinct claim blocks (Ytterby 1, 2, 3 and 5) covering over 56,000ha in an area south of the Strange Lake Rare-Earth Elements (REE) deposit on the border of Quebec and Labrador.

An Area Play of Quality

The Ytterby project was generated following Quest Rare Earth Minerals' (QRM-V) discovery of the B-Zone in 2009 to the NE of the Strange Lake deposit. The Strange Lake deposit discovered by IOC (Iron Ore Company of Canada) in the early 1980's is a peralkaline complex with associated pegmatite-aplite lenses hosting Zr, Y, Nb, Be and REE mineralization with very little surface expression and a historical resource of 52Mt @ 3.25% ZrO₂, 0.56% Nb₂O₅, 0.66% Y₂O₃, 0.12% BeO and 1.30% TREO (see Exhibit 2). Midland positioned itself, as disclosed in September 2009, based on thorough compilation of lake sediment geochemistry and airborne geophysical surveys from the government. Midland astutely assembled a land position and was quickly able to attract a quality partner such as Japan Oil, Gas and Metals National Corporation (JOGMEC). The Ytterby project is held 50% by Midland under a 50/50 JV partnership agreement with partner JOGMEC signed in March 2010. JOGMEC has funded \$2.5M in exploration expenditures that have led to an initial 1,404m drill program in summer 2011 and the continuation of works in summer 2012.

Advancing on Several Fronts

We believe current works are being carried out in a professional matter based on sound geological modelling and innovative thinking. Midland reported on July 5, 2012 the commencement of a 2,000m helicopter supported BQ core-size drilling program following-up on the best geological targets that have been generated following drilling, prospection, mapping and channel sampling in summer 2011. The 2012 drill program objective is to test HREE targets at vertical depths up to 250m susceptible to host moderate to high grade HREE mineralization within a large volume potentially amenable to surface open pit mining operations within targets on the Y2 and Y3 areas. The diamond drilling started by targeting the Fall prospect on Y2 (see Exhibit 3), where stripping and channel sampling has suggested sub-vertical HREE mineralization perhaps similar to Thor Lake. Focus on the Y1 sub-project is on a boulder field that could host the eroded blocs of the B-Zone and Strange Lake deposits (see Exhibit 4). A "Direct Shipping Concentrate" is the target we can see emerging with this innovative play.

Maintaining Speculative Buy and Target Price

We continue to rate Midland a Speculative Buy with a \$2.75 target price, which is based on our sum-of-all-parts valuation of the company's diversified portfolio of properties. Our NAV estimate is \$79.7M or \$2.85 per share (see Exhibit 5). We believe Midland, together with its partners, continues to make steady progress on its various properties through active drilling and field exploration campaigns.



Ytterby Project – Solid JV with JOGMEC, Interesting Targets

In 2011, Midland's drill program targeted several Rare Earth Elements ("REE") showings identified in 2010 on the Ytterby 2 and Ytterby 3 properties located respectively 65km and 100km south of the Strange Lake - B-Zone REE project area. The 2011 1,404m drill program was preceded by geological mapping and channel sampling in order to help adjust the HQ diamond drilling program.

Y1 (Ytterby 1) - Boulder Field to the East of Strange Lake: On Ytterby 1 property, Midland and JOGMEC recognized that a down-ice boulder field (glacial till) east of B-Zone Strange Lake has highly anomalous boulder trains that contain boulder to fine size sand material potentially highly anomalous in HREE. The glacial till ranges 1.2 to 27m depth and an average 10m thickness in an area of 3.5 x 1.5 km and could represent a significant tonnage of HREE material rather easily accessible. We believe this glacial material could be viewed as "Direct Shipping Concentrate" in line with gold placer operations using water and density as an initial separation method. The current 2012 prospecting program is investigating with systematic pits the overburden content.

Y2 (Ytterby 2) - Potential Thor Lake HREE Type Target: On Ytterby 2 property, 18 channels on the Falls prospect covered a 50m x 100m area that returned on average 0.13 % TREO+Y2O3 and 68 ppm dysprosium oxide ("Dy2O3") among which 59% account for heavy rare earth oxides plus yttrium ("HREO+Y2O3"). The Falls prospect (or La Chute showing) is located in the western central portion of the Ytterby 2 syenogranite and could represent possible feeder dykes from a HREE polyphased segregation intrusion. The best channels returned 0.41% TREO+Y2O3 with 236 ppm Dy2O3 over 3m among which 56% account for HREO + Y2O3. The Falls prospect was drill tested in 2011 by a 182.9m hole that returned no significant TREO+Y2O3 values because it was probably not oriented correctly though HREO ratios over TREO distribution analysis indicated that the lower portion of the hole was significantly anomalous in HREO reaching locally up to 67% HREO. The current 2012 drill program is investigating the Fall prospect with a different drill pattern that may provide interesting results as witnessed by our site visit.

Y3 (Ytterby 3) - Potential Layered HREE Complex: On the Ytterby 3 property, the CP and CP North, Marion and Hill Top showings could host a Lovozero - Khibina Alkaline complex type mineralization as suggested by the anomalous channel samples and 2011 drilling results. Ytterby 3 appears as a layered dome-like complex within a mountainous upland with very steep slopes and flat plateau-like summits. Channel samples on the CP and CP North returned respectively with 1.33% TREO+Y2O3 over 2.7m, including 2.35% TREO+Y2O3 over 0.48m; and 0.81% TREO+Y2O3 over 3m. Subsequent 2011 drilling led to the Hill Top showing returning 0.16% TREO+Y2O3 over 20.5m (Y3-11-01) and the Marion showing returning 0.16% TREO+Y2O3 over 11.9m (Y3-11-02). The CP and CPN showings were drill tested by 152 and 100m holes respectively in 2011; drill hole Y3-11-03 returned 0.17% TREO + Y2O3 over 43.9m ending in the mineralization grading 0.28% TREO+Y2O3 over 13.8m and drill hole Y3-11-04, aiming the CPN showing, returned 0.12% TREO+Y2O3 over 7.5m from 25 to 32.5m, 0.13% TREO+Y2O3 over 12m from 38 to 50m and 0.15% TREO+Y2O3 over 7.5m from 64 to 71.5m. We believe this banding could represent HREE segregation intervals in a layered intrusive complex. Finally, following up various airborne radiometric anomalies, three new mineralized alkaline intrusions were discovered in the vicinity of Ytterby 3 property during the 2011 exploration campaign. These were the Plug, Ytterby 5 and the Ninety showings where the first two returned composites of 0.42% TREO+Y2O3 over 10.3m and 0.46% TREO+Y2O3 over 18m respectively and the Ninety showing returned 0.45% TREO+Y2O3 with an impressive 93 % HREO+Y2O3 content.

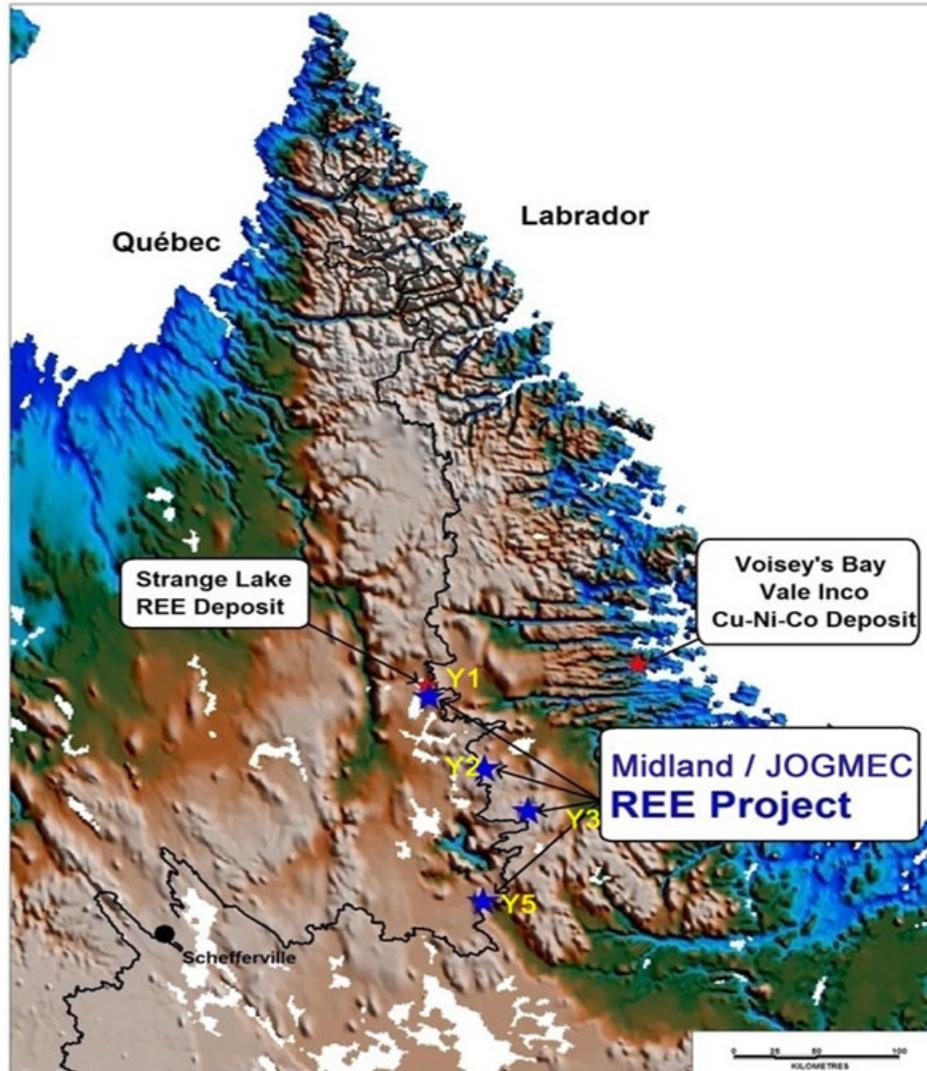
We believe Midland and JOGMEC are encouraged by the diamond drilling, trenching and prospecting results from the Ytterby properties and have a better understanding of some of the geological controls. We believe Midland's technical staff on the Ytterby project led by Robert Banville, engineering geologist, is committed to discovery and hard work. We expect the new summer 2012 program, that includes well positioned diamond drilling, stripping and channel sampling and pedogeochemical sampling over the best prospects identified in 2011, could lead to interesting developments.



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Exhibit 1 - General Location of the Ytterby Project



Source: Company reports, LBS.



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Exhibit 2 - Strange Lake Deposit (Bulk Sample Pit), View NW.



Source: LBS.

Exhibit 3 - Drill Hole Y2-12-06 on the Fall Prospect (Hole #1 of the 2012 Program)



Source: LBS.



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Exhibit 4 - Ytterby 1 Boulder Field, View NNW.



Source: LBS.

Exhibit 5 - Midland's NAV Summary

Project	Value (M)	Project	Value (M)
Abitibi		James Bay	
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
Lafamme (50%)	\$6.0	Grenville	
Maritime-Cadillac (49%)	\$9.1	Gatineau	\$3.0
Patris (50%)	\$5.8	Vermillion (50%)	\$0.3
Valmond	\$2.0	Quebec-Labrador	
Jouvex	\$1.5	Ytterby (50%)	\$5.0
Appalaches		Other	
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	Total NAV per share (FD)	\$2.85

Source: LBS.

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Important Disclosures

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

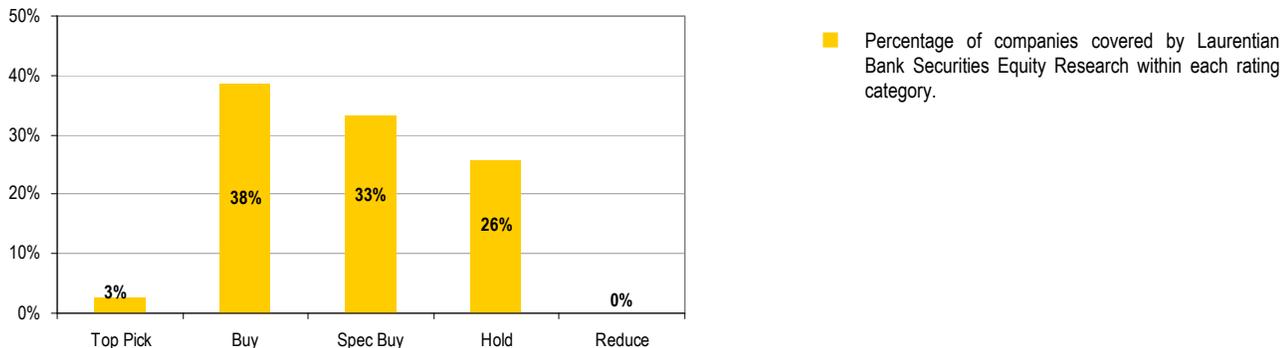
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- U** Within the last 24 months, LBS has undertaken an underwriting liability with respect to equity securities of, or has provided advice for a fee with respect to, this issuer.
- V** The Analyst has visited material operations of this issuer, notably 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

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- 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.

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